

ABSTRACT

The manufacturing employment is one of the sectors of economic activity that is able to absorb labor. The manufacturing employment holds a demand for labor if there is a demand for goods. Then the workforce will offer services by expecting wages from the manufacturing employment. In Indonesia, the manufacturing employment has a slow growth rate followed by a significant increase in wages. The open economic system led to strong trade relations between Indonesia and China. Therefore, imports of intermediate goods from China have a large volume in the Indonesian manufacturing Industry. This study aims to determine the effect of imports of intermediate goods from China on the business sector and wages of the manufacturing sector in Indonesia.

This study uses secondary data sourced from agency publications of Badan Pusat Statistik (BPS), with cross-section data consisting of 24 sectors of the Klasifikasi Baku Lapangan Usaha Indonesia (KBLI) in the Indonesian Manufacturing Industry and time-series data from 2011-2018. The analytical tool used in estimating the regression model in the study is the Two Stage Least Square (TSLS) with the random effect estimation model. The variables in the study were imports of intermediate goods from China, employment, wages, female-workers, college-workers and added value.

The results showed that the employment and added value had a positive and significant effect on wages, while the import of intermediate goods from China had no significant effect on wages in the Klasifikasi Baku Lapangan Usaha Indonesia (KBLI) sector. Meanwhile, female-workers, college-workers and wages have a positive and significant effect on the employment, while imports of intermediate goods from China do not have a significant effect on the employment in the Klasifikasi Baku Lapangan Usaha Indonesia (KBLI).

Keywords : employment, wages, imports intermediate goods from China, female-workers, college-workers, value added, Two Stage Least Square (TSLS), random effect