ABSTRACT

The government's attention began to focus on the industrial and service sectors along with the economic transformation from an agrarian country to an industrial country. The industrial sector has an important role in the national economy. Central Java's industrial sector is the leading sector that contributes the highest average to the structure of Gross Regional Domestic Product (GRDP). Economic development aims to realize the welfare of society and per capita income of a country. One of the drivers of development is human resources. Absorption of labor as one of the supporting factors in development aims to equalize the distribution of income and reduce the number of unemployed. Large and medium industries have the potential to become the most contributed sector on labor absorption of manpower.

The purpose of this study was to analyze mapping of labor absorption in the Large and Medium Industry using Klassen Typology Analysis and determine the effect of variable Business Units, Output Value, Input Cost, and District Minimum Wage on employment Large and Medium Industry in Central Java for years 2010-2019. This research uses Klassen Typology and Panel Data Regresion Analysis by Fixed Effect Model (FEM) approach. The data used is is secondary data that obtained from Badan Pusat Statistik.

The result of Klassen Typology analysis indicates, there are 9 districts in Quadrant I, 3 districts in Quadrant II, 8 districts in Quadrant III, and 15 districts in Quadrant IV. The results of the regression analysis show that Business Unit, Output Value, and Input Cost have positive and significant effect, while District Minimum Wage have positive and non-significant effect on Labor Absorption in the Large and Medium Industry in Central Java for years 2010-2019.

Keywords: Labor Absorption, Large and Medium Industry, Panel Data, Klassen Typology.