ABSTRACT

Indonesia, as the world's fourth most populous country, will face a demographic bonus. This condition forms a larger composition of the labor force population compared to the non-labor force population. This study analyzes the factors affecting labor absorption in Indonesia with a case study of six provinces in Java. Java Island is the object of this research because most of Indonesia's population and the value of Foreign Direct Investment (FDI) realization are still concentrated on the island. This research intends to explore what factors can affect labor absorption, case studies in provinces in Java Island. The purpose of this study is to determine how much influence FDI, exports, and inflation partially amd simultanly have on employment in provinces in Java Island in 2014-2023.

The research variable data used is quantitative panel data derived from the six provinces in Java Island in the span of 2014 to 2023. The data is sourced from the Ministry of Investment/Investment Coordinating Board (BKPM) and the Central Bureau of Statistics. The population in this study is all provinces in Indonesia. On the other hand, the sample of this research is all provinces located in Java Island as many as six provinces. The panel data regression method is used to analyze the data. The panel data regression method uses the Fixed Effect Model (FEM). This study uses the t test to determine the impact of independent variables on the dependent variable.

The results show that the export variable has a significant positive effect on labor absorption. Meanwhile, FDI and inflation variables have no effect on labor absorption. Future research is expected to conduct further studies on labor absorption by adding several other variables, such as Industrial Sector GRDP, Service Sector GRDP, Regency Minimum Wage (UMK), interest rates, and GDP.

Keyword: exports, foreign investment, inflation, labor absorption, unemployment