

TABLE OF CONTENTS

APPROVAL PAGE	ii
THESIS EXAM LEGALIZATION PAGE	iii
DECLARATION OF AUTHENTICITY	iv
MOTTOS	v
ACKNOWLEDGEMENT	vi
TABLE OF CONTENTS	x
LIST OF TABLE	xiii
LIST OF FIGURES	xiv
LIST OF APPENDICES	xv
ABSTRACT	xvi
ABSTRAK	xvii
CHAPTER 1	1
INTRODUCTION	Error! Bookmark not defined. 1
1.1 Background	Error! Bookmark not defined. 1
1.2 Problem Formulation	8
1.3 Research Objective	8

1.4 Problem Limitation.....	9
1.5 Research Contribution.....	9
CHAPTER II	11
LITERATURE REVIEW & THEORETICAL BASIS.....	11
2.1 Literature Review.....	11
2.2 Theoretical Basis.....	21
2.2.1 Theory of Labor Absorption and Labor	21
2.2.2 Theory of Wage	27
2.2.3 Theory of Production	28
2.2.4 Company and Industrial Business.....	30
2.3 Hypothesis	30
CHAPTER III.....	31
RESEARCH METHOD	31
3.1 Type and Source of Data.....	31
3.2 Research Variable	31
3.2.1 Dependent Variable.....	31
3.2.2 Independent Variable	32
3.3 Analysis Method.....	34
CHAPTER IV.....	37
RESULT AND DISCUSSION	37

4.1 Panel Data Regression.....	37
4.1.1 Three Models in Panel Data Regression	37
4.1.2. Tests for Choosing the Best Model.....	40
4.1.2.1 Chow Test.....	40
4.1.2.2 Hausman Test.....	42
4.1.2.3 Random Effect Regression Result.....	44
4.1.2.4 Interpretation of Regression Result.....	46
4.1.2.5 Analysis per Province.....	47
4.2 Hypothesis Test	52
4.2.1 Determinant Coefficient (R^2).....	52
4.2.2 F - Statistic Test	52
4.2.3 T - Statistic Test.....	53
4.3 Result Analysis and Economic Explanation Error! Bookmark not defined.	54
CHAPTER V	58
CONCLUSION AND RECOMMENDATION	58
5.1 Conclusion.....	58
5.2 Recommendations.....	60
References	62
Appendices	Error! Bookmark not defined. 66

LIST OF TABLE

Table 1.1 Employment per Sector in Indonesia 2011 - 2016.....	5
Table 2.1 List of Authors, Journals and Writings, and Statement.....	17
Table 4.1 Estimation Result of Common, Fixed, and Random Effect.	38
Table 4.2 Chow Test Result	40
Table 4.3 Hausman Test Result	42
Table 4.4 Random Effect Result.....	44
Table 4.5 Cross Section Fixed Effect	45
Table 4.6 The Coefficient and Difference Between Provinces	49

LIST OF FIGURES

Figure 1.1 Unemployment Rate in Indonesia.....	3
Figure 1.2 Main Occupation of 15 Years Old and Above.....	4
Figure 1.3 Indonesia's Rubber Production 2010 - 2015.....	7

LIST OF APPENDICES

Appendix 1. Data of Labor Absorption, Provincial Minimum Wage, Rubber Production, Area of Production, the Number of Producer in 10 Provinces in Indonesia 2012 - 2015.

Appendix 2. Panel Data Regression Result (Processed with E – Views 9)