

FACTORS AFFECTING WAGE IN INDONESIAN

MANUFACTURING SECTOR

***FAKTOR-FAKTOR YANG MEMPENGARUHI UPAH SEKTOR
MANUFAKTUR DI INDONESIA***

UNDERGRADUATED THESIS

In partial fulfillment for the requirement for the degree of Bachelor of Economics
at International Program for Islamic Economics and Finance



Arranged By:

Anggun Pasiya

20150430295

**INTERNATIONAL PROGRAM FOR ISLAMIC ECONOMICS AND
FINANCE (IPIEF)**

**FACULTY OF ECONOMICS AND BUSSINESS
UNIVERSITAS MUHAMMADIYAH YOGYAKARTA**

2019

DECLARATION

Name : Anggun Pasiya

Student Number : 20150430295

With this letter I declare that this thesis entitled “**FACTORS AFFECTING WAGE IN INDONESIAN MANUFACTURING SECTOR**” is consideration of my own personal effort. Where any of content presented is the result of input or data from a related collaborative research program this is duly acknowledged in the text such that it is possible to ascertain how much of the work is my own. Furthermore, I took reasonable care to ensure that the work is original, and to the best of my knowledge, does not breach copyright law, and has not been taken from other sources except where such work has been cited and acknowledged within the text.

Yogyakarta, March 4th 2018



Anggun Pasiya

MOTTO

*“Beware of pride, because you will be returning
to the earth and your body will be eaten up by
the worms.” – Abu Bakar Al-Shiddiq*

*This Undergraduate Thesis I dedicate to my
beloved Parents*

ACKNOWLEDGEMENT

In the name of Allah, the most Merciful, the most Gracious. All praise is due to Allah; we praise Him, seek His help, and ask for His forgiveness. I am thankful to Allah, who supplied me with the courage, the guidance, and the love to complete this thesis. Also, My prophet Muhammad SAW peace be upon him all together with his accompanies.

This undergraduate thesis entitled “**FACTORS AFFECTING WAGE IN INDONESIAN MANUFACTURING SECTOR**” has been made as partial fulfillment for the requirement to achieve the bachelor degree of economics. So that, I would like to thank all people who have contributed and special appreciation to the parties. In particularly they are:

- ❖ For my beloved Parent Ibu Hj. Masriana and Ayah H. Sulham Saleh thanks for being a good parent for me I love both of you beyond words. You taught me a lot of things being away from the family, I have no words to acknowledge the sacrifices you made and dreams you had to let go, just to give me a shot a achieving mine. Thanks.
- ❖ A special feeling of gratitude to my lovely Sister Artha Wahyuni, brother Aldo Saputra thank for their unconditional support, understanding and advice for me.
- ❖ I would like to thank to my supervisor Khalifany Ash Shidiqi, SE., M.Sc and Faiza Husnayani Nahar, SE., M.Ec for supporting me during this undergraduate thesis also provided insightful discussion about the research.
- ❖ I also have to thank my best partner Rifqy Mahendra for supporting me during these past two years, thanks for being there for me through it all.
- ❖ I am also very grateful to Ayu Safana and Adinda Ayu for her helping me as always during this study.
- ❖ I also thank to my best friend Sefira Rosa, Putri Maharani and Kania Syifa Sabila for providing support and friendship that I needed.

- ❖ I will forever be thankful to my classmates, especially Hikma, Inar, Hana, Azizah, Winny and Rifka thanks for walking ahead of me when I needed guidance.
- ❖ And all of IPIEF members 2015 who always helpful in providing advice many times, I am going to miss them all so incredibly much.

TABLE OF CONTENTS

TITLE PAGE	i
SUPERVISOR AGREEMENT.....	ii
EXAMINER AGREEMENT	iii
DECLARATION.....	iv
MOTTO	v
ACKNOWLEDGEMENT.....	vii
TABLE OF CONTENTS	ix
LIST OF TABLE	x
LIST OF FIGURE	xi
ABSTRACT.....	xii
INTISARI	xiii
CHAPTER I INTRODUCTION.....	1
A. Background	1
B. Scope of the Research	5
C. Research Question	5
D. Research Objective	6
E. Contributions.....	6
CHAPTER II LITERATURE REVIEW	7
A. Theoretical Framework	7
B. Previous Study	31
C. The Theoretical Framework.....	34
B. Hypothesis	35
CHAPTER III RESEARCH METHODOLOGY	36
A. Research Object	36
B. Data Type.....	36
C. Data Collecting Method	36
D. The Operational Definition of Research Variable	37
E. Quality Data Test	39
F. Data Analysis	42
CHAPTER IV RESEARCH REVIEW AND DISCUSSION.....	45
A. Research Review	45
B. Linear Regression Analysis	52
C. Discussion	53
CHAPTER V CONCLUSION AND RECOMENDATION.....	56
A. Conclusion	56
B. Rekomendasi	57
REFERENCE.....	58
APENDIX	60

LIST OF TABLE

Table 2. 1 Previous Study	31
Table 2. 2 Continues Literature Review	32
Table 2. 3 Continues Literature Review	33
Table 2. 4 Continues Literature Review	34
Table 3. 1 Level of Education	38
Table 4. 1 Descriptive Statistic	45
Table 4. 2 Frequency of wage in manufacturing sector	46
Table 4. 3 Educational Attainment	47
Table 4. 4 Experience Data	48
Table 4. 5 Age data	48
Table 4. 6 Health Status Data	49
Table 4. 7 Area of Living Data	50
Table 4. 8 Normality Test	50
Table 4. 9 Heteroscedasticity	51
Table 4. 10 Multicollinearity	51
Table 4. 11 Linear regression	52

LIST OF FIGURE

Figure 1. 1 A Percentage of Levels Completed Education by 15 Years of Ages and Over in Indonesia 2017.....	3
Figure 1. 2 The Growth of Manufacturing and Employment in GDP 1991-2016.....	4
Figure 2. 1 Potential Earnings Streams Faced by High School Graduate12	
Figure 2. 2 The Wage - Schooling Locus	13
Figure 2. 3 Theoretical Framework.....	35