

CHAPTER V

CONCLUSION AND RECOMENDATION

A. Conclusion

This study has analyzed factors affecting the wage in manufacturing sector in Indonesia by using data from IFLS-5. Overall, the analysis results can be summarized as follows:

1. This study provides an empirical study that wage in manufacturing setor in Indonesia was influenced education, experience, age, and area of living. Nevertheless, the health status variable has a negative effect on wages. Meanwhile, the variables of education, experience, age and area of living have a positive impact on wages.
2. The result of estimation shows all the coefficient of educational attainment has positive and significant on wages. Which means a higher education that is completed will increasing earnings.
3. Experience has a positive and significant impact on wages, people who have 1 year experience will increase earnings as much as 2%. This is likely because experience greatly to wage level, in addition the longer experience will earn higher wage.
4. Age has a positive and significant impact on wages, the employee who is older than 1 year they will earn higher wage as much as 1%. Age is important control to include because people who older, generally have more experience and therefore tend to earn higher wages, the younger individual has less experience than older ones.

5. Health status has no correlation on wages because the probability value is $>0,05\%$ which means, the variable health status does not give impact on wage. Using individual's wages as an indicator of productivity leads to results that are likely to understate the effects of health status on productivity. It is likely that individuals' wages do not adjust fully to changes in their health status, and that some of the reduction in labor productivity caused by illness is borne by firms and co-workers, or collectively by society. This would suggest that the reductions in productivity arising from health conditions are understated.
6. Area of living has a positive impact on wages, thus employee who live in urban earn a higher wage as much as 22% rather than who live in rural area.

B. Recommendation

1. In order to increase educational attainment, in this study, the level of education has significant impact on wage in manufacturing sector. Therefore, government should increase society awareness about how important education. On the other hand, to make the labor force get a bigger opportunity to increase the welfare and standard living through increasing earnings.
2. Most of employee lives in urban area and only 22% live in rural area, this is something that must be considered due to reduce disparate economic activities in urban and rural. It should improve the facilities and infrastructure from rural to urban. And to improve the quality of education of villagers. It is hoped to be solution to overcome difference wage between urban and rural area.