

## **Elasticity of Labor Demand and Real Wages Rigidity by Sector in West Java province (2000-2020)**

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### **Abstract**

This study aims to measure the elasticity of labor demand and the level of rigidity of real wages and to study the dynamic behavior of sectoral real wages in West Java. The elasticity of demand for labor was analyzed using the OLS method, the level of wage rigidity using the Error Correction Model (ECM) and the dynamic behavior of real wages using the Impulse Response Function (IRF) method. The results show that the elasticity of demand for labor to real wages is inelastic in all sectors. The elasticity of demand for labor on changes in various sources of economic growth is also inelastic in all sectors. Employment opportunities in the agricultural and industrial sectors are more responsive to increasing exports and investment, while other sectors are more responsive to increasing public consumption. Labor productivity and imports significantly reduce employment opportunities in all sectors. Furthermore, the industrial sector has real wages that are more rigid than the real wages of the agricultural sector and other sectors. The real wages of the industrial sector need time to reach equilibrium, as well as the agricultural sector and other sectors also need time to reach the equilibrium level. Increasing the competitiveness of export commodities and creating a conducive investment climate are strategic steps to expand job opportunities. In addition, policies such as setting the minimum wage that is more in line with market wages are also considered strategic to reduce wage rigidity in West Java Province

### **Keywords**

Demand elasticity, real wage rigidity, sectoral labor

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### **Biographies**

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