

ABSTRACT

This study aims to determine the wages and labor absorption in the Yogyakarta Special Region with a Variable Instrument approach. The data used in this research is panel data or a combination of time series and cross section data for 2010-2023 in the Special Region of Yogyakarta Province. The type of data used is secondary data sourced from the Central Statistics Agency (BPS). The analysis tool used is a Variable Instrument using StataMP. The research results state that GRDP has a positive and significant effect on potential output. Average length of schooling has a negative and insignificant effect on potential output. Minimum wages have a positive and significant effect on potential output. GRDP has a positive and significant effect on labor absorption through potential output. The minimum wage has a negative and significant effect on labor absorption through potential output.

Keywords: Minimum Wage, Labor Absorption, Variable Instruments