

ABSTRACT.

This research aims to examine the effect of Foreign Direct Investment (PMA) on labor demand. This research uses Keynes' aggregate demand theory which provides an important foundation for understanding how changes in demand and investment can affect labor demand. This research uses panel data from the period 2015 – 2022 at the provincial level. The estimation method used is the fixed effect model (FEM). Then, to look more specifically, the research was divided into three parts: Indonesia as a whole, Java Island and Outer Islands.

The research results show that PMA does not have a significant influence on overall labor demand at the national level and outside Java. Apart from that, government spending and the UMP have a positive and significant effect on labor demand in Indonesia as a whole and outside Java. Meanwhile, economic growth has a positive and significant influence on labor demand at the national and Java island levels.

Keywords: Labor Demand, Foreign Direct Investment, Aggregate Demand, Government Expenditure, Economic Growth, Minimum Wage, Fixed Effect Model.

