ABSTRACT


Indonesian manufacturing sector has shown signs of de-industrialization in recent years. It has experienced a decline in the share of manufacturing employment. The purpose of this study is to analyze the factors that affecting the de-industrialization in Indonesia. Panel data regression analysis was applied. The result indicate that each factor i.e national affluence, productivity growth, foreign direct investment, openness and unemployment gives significant contributions to de-industrialization except human capital. Furthermore, economic globalization also affects the de-industrialization, boths directly and indirectly through employment patterns.

Keywords: De-industrialization, Openness, Foreign Direct Investment, Panel Data