

ABSTRACT

This research has three main purpose : (1) to explain Social, Economic, Cultural and Management factors influence towards craftsmen income raise and towards Employment Absorption at embroidery small industries in East Java, (2) to find out the industrial linkage between textile industry sector, including embroidery small industries in East Java, with the other industry sectors, and (3) to compare Employment Absorption and the forming of value added between large / medium size industries with small size embroidery industries in East Java particularly.

To match these purposes, *explanatory* descriptive research approach in used with these approaches : income theory, theory of labor (elasticity), industrial linkage, Employment Absorption theory, and the values added among different scales of industry.

To find out the influences of Social, Economic, Cultural, and Management factors towards craftsmen income raise and toward Employment Absorption, multiple linier regression analysis model in used so that those independent variables could be parted into 2 variable groups which each represents macro aspects (Social, Economic, Cultural) and micro aspect (Management). 14 independent variables represents macro aspects and 30 independent variables represents micro aspect.

The results indicated that independent variables were simultaneously affected the dependent variables (craftsmen income raise) with F significance = $0.0305 < 0.05$. In the Employment Absorption variables F significance = $0.0469 < 0.05$. Partially, the capital factor at present (2nd factor) has the most influence towards both dependent variables, with $p = 0.0003 < 0.05$ for craftsmen income raise variables and $p = 0.0017 < 0.05$ for Employment Absorption variables.

To accomplish the 2nd purpose of this research we used Indonesia and East Java Input-Output Tables. From the present tables we learn that textile industry had enormous linkage whether backward or forward with other industries in Indonesia (in general) and East Java (in particular) indicated by the relatively high backward and forward linkage index in all over Indonesia (in 1985, 1990 and 1995), or East Java industry and the textile industry itself, while forwardly, textile industry has tight linkage with rubber industry, plastic industry, and the textile it self.

Based on industrial linkage approach, small embroidery industries in East Java has tight (backward) linkage to textile industry and has tight (forward) linkage to commercial sector.

Informing value added large industries produce the greatest company's value added and labor value added compare to small industries and home industries.

Keywords : Income raise, Employment Absorption, Demand elasticity of labor, Industrial forward and backward linkage, Labor saving and capital saving