



**UNIVERSITI TEKNOLOGI MARA**

**RESEARCH ON RELATIONSHIP BETWEEN  
MACROECONOMICS VARIABLE TOWARDS  
UNEMPLOYMENT RATE IN INDONESIA.**

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## ABSTRACT

Unemployment is defined as a situation in which a person of working age desires a full-time job but is unable to obtain one due to financial constraints. In this age of globalisation, unemployment has emerged as a problem and a global phenomenon that affects people all over the world. Every country, regardless of its economic status (whether poor or wealthy), will experience an uncontrollable unemployment problem at some point. Therefore, this research purpose is to examine the relationship between macroeconomic factors such as inflation, gross domestic product, and population towards unemployment rate in Indonesia. Research on unemployment in Indonesia is lacking, and the country's unemployment rate is rising year after year, therefore this study focused on Indonesia rather than other countries. The researcher is examining and researching the variations in variable rates from 1991 to 2020. Researcher unable to obtain data for 2021 because Macrotrend, the Indonesian Department of Statistics, and the World Bank have not provided any official figures. In this regard, researcher relying on a single Macroeconomic Theory, Okun's Law, because it appears to be applicable to researcher study. Other theories, like as Keynesian theory, cannot be employed since investors, wages, and other elements are not used as independent variables. This study incorporated multicollinearity, the normality test, and serial correlation. The goal of this study is to establish the relationships between these three independent variables and the dependent variables. The expected finding for this research shows that independent variable which is inflation, and population growth has a positive significant relationship while GDP growth has a negative insignificant relationship with an unemployment rate in Indonesia country.

Keywords: Economics Theory, Macroeconomics Variables, Unemployment Rate.

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## CHAPTER 1: INTRODUCTION

### 1.1 INTRODUCTION

People who are unemployed face a wide range of negative outcomes, including material deprivation, social isolation and a diminished sense of future hope (Cullen, 1999). This means that developing countries face a huge problem with unemployment. Inefficient use of labour resources will lead to a high rate of unemployment. Macroeconomic goals should be reached when the number of people employed is at its highest level. In addition, unemployment refers to persons who are unable to get a job, yet are capable of finding one. In this category, many people are employed, but in the wrong position (Husmanns, 2007). In addition, one of the economic markers of a country's well-being, according to Cullen (1999), is the level of unemployment. Accordingly, worldwide, database unemployment is a big macroeconomic problem. Unemployment continues to be one of the most pressing issues in the world. As per an International Labor Organization (ILO) 2017 poll, it is the largest long-term challenge facing all technologically advanced and underdeveloped countries. More than 5.7 percent of the world's population is out of work.

Other than that, the International Labor Organization (ILO) estimates that developing nations will see an increase of 500,000 jobs per year in unemployment in 2018 and 2019. In some studies, the rate of unemployment is defined as the percentage of the working population that is out of work (Johnson, 2013). There are some people who are unemployed because they are looking for full-time work but can't seem to find it. It is commonly used to gauge the health of a nation's economy. Unemployment is a sign that the country's resources were not employed effectively to prevent the country from reaching its maximum output.

According to Plecher (2021), as a result of the economic downturn induced by the coronavirus outbreak, Indonesia's unemployment rate rose to 6.26 percent in the first quarter of 2021 from 4.28 percent in 2020. There were an additional 1.82 million persons out of work, bringing the total to 8.75 million. There was a 2.23 million drop in the number of people employed, with the highest gain in the number of people employed working in lodging and food service. Large Indonesian populations and a shaky economy will all contribute to an increase in Indonesia's unemployment rate in 2021.