



UNIVERSITI TEKNOLOGI MARA

**HOW POPULATION AND MACROECONOMIC
FACTORS IS AFFECTING THE UNEMPLOYMENT
RATE IN INDONESIA**

**NURUL ATHIRAH BINTI MOHD FADIL
2020993387**

**Bachelor of Business Administration
(Investment Management)**

Faculty of Business and Management

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ABSTRACT

The aim of this research is to identify how population and macroeconomic factors that are affecting the unemployment rate in Indonesia. This research represents the unemployment rate (UER) as dependent variable and gross domestic product (GDP), inflation (INF), foreign direct investment (FDI) and population (POP) as independent variables. This study uses the secondary data from World Development Indicators website from the period of 2001 to 2020. Therefore, to collect the data, I use time series and run it by E-views version 12. Hence, there are some methodologies used to identify the significance and relationship such as descriptive analysis, correlation analysis, multicollinearity test, heteroskedasticity test and regression analysis. The overall result of this research shows that there is significance in population (POP) while insignificance result from gross domestic product (GDP), inflation (INF), and foreign direct investment (FDI) towards the unemployment rate (UER).

Keywords: unemployment rate, gross domestic product, inflation, foreign direct investment and population

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CHAPTER ONE

INTRODUCTION

1.1 Introduction

The unemployment is cannot be avoided by any country. Unemployment affects all countries, including developed countries. The issue of unemployment is a major concern in all countries, particularly developed countries. Failure to address unemployment concerns will obstruct long-term efforts for the country, particularly economic progress, as well as socioeconomic risks associated with a high unemployment rate. Individuals' personal well-being and health suffer as a result of the direct effects of unemployment (Tan, Zahayu, Masnita and Siti, 2021). The unemployment rate is the number of persons in a given population who are searching for jobs. A high unemployment rate has some implications for financial condition, psychological state, physical condition, and government budgetary burden (due to decreased tax income and increased expenditure); additionally, in the long term, it causes the loss of labour expertise, which later reduces national productivity and people's future income (Jumhur, Eddy and Sukma, 2019).

There are a few reasons that lead to high unemployment. The most famous and important reason is economic downturn or crisis that affect to the whole economy performance. People are unemployed for a variety of causes, which are divided into six major groups. The first is frictional unemployment, which is defined as short-term unemployment caused by the circumstance of looking for a new work. The second kind of unemployment is structural unemployment, which occurs when wages in labour markets do not match supply and demand. The third and most common kind of unemployment is cyclical unemployment, which is linked to the economy's ups and downs. Seasonal unemployment is the fourth kind of unemployment, which is tied to the seasonal character of the product or service. The fifth kind of unemployment is voluntary unemployment, which comprises persons who choose not to work for a variety of