

# Unemployment In Indonesia Due To Rising Inflation

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## Abstract

In Indonesia, inflation has climbed by 3.53% in the last year, bringing the country's inflation rate to 5.81% in October 2023. In Indonesia, the unemployment rate is 5.98%, with the number of jobless expected to reach 9.56 million by August 2023. Wage inflation, which occurs when there is a high demand for labour and wages are not offered rapidly enough, can have an influence on unemployment. Workers, on the other hand, will not accept low salaries if labour demand is low and unemployment is high. In Indonesia, inflationary pressures such as wage inflation and others can have an influence on unemployment.

**Keywords:** Impact; Inflation; Unemployment; Statistics; Wages

## Introduction

Inflation is defined as a long-term increase in the price of goods and services. In another definition, inflation is a fall in the value of a country's currency, which causes the country to create more money to circulate, causing the price of products to rise. The impact of inflation on a country begins with the price of a country's currency steadily declining, potentially making the people of a country destitute. Inflationary pressures can also make it difficult for people to make economic judgements. The Consumer Price Index (CPI) indicator may also be used to quantify inflation, which is then divided into seven spending categories, including: (Understanding Inflation and Strategies to Overcome It with Investment, n.d.).

1. Food components
2. Ready to eat food, drinks, cigarettes, and tobacco
3. Housing, water, power, petrol, and fuel
4. Clothing
5. Health
6. Education, Recreation and Sports
7. Transportation, Communication, and financial services

According to Bank Indonesia data, inflation in Indonesia in October 2023 reached 5.81% and has climbed by 3.53% in the previous 12 months since the beginning of 2023. Based on Bank Indonesia data, the following table displays inflation during the last 12 months: (Inflation Data, undated)

Tanggal	Data Inflasi
January 2023	6.04 %
February 2023	5.71 %
March 2023	5.95 %
April 2023	4.69 %
May 2023	4.94 %
June 2023	4.35 %
July 2023	3.55 %
August 2023	3.47 %
September 2023	2.64 %
October 2023	2.06 %
November 2023	2.18 %
December 2023	1.95 %

Figure: Indonesian Inflation Statistics 2017-2023

When inflation happens with a high value and the firm does not require a large amount of labour, there is a link between inflation and unemployment. The corporation will then cut the amount of labour used, causing the unemployment rate to rise further.

## Methods

1. This study employs a qualitative research approach, in which multiple procedures are taken to acquire data and information by interviewing respondents and involving several persons involved in the research (Sugiyono, 2022). This research is based on journal or book searches, as well as news collected on the internet or through websites. The following are the steps of the qualitative method: (Characteristics and Types of Qualitative Data Methods, n.d.)
2. Identifying the research unit of analysis (Participant)

Begin by identifying areas and persons who will be further analysed or studied. This initial step will aid us in the identification process, as we will discover if the item to be researched is an individual or a whole organisation, among other possibilities

### 3. Identifying required licences and information

Once we've discovered and chosen a unit to study in our investigation. The next step is to obtain authorization and consent from the research partner or corporate body. The authorization is to ensure that we have discussed key information with the partner and that the partner is available to deliver the information to the researcher. To reduce the possibility of data or information theft, we might term it professionalism.

### 4. Development of research tools

Instruments for collecting qualitative data include:

- a) Will you build your own ideas from the analysis or utilise a template?
- b) How do you locate the instrument if you wish to utilise a template?

The following are the benefits of qualitative research methods:

1. Capable of gathering information from sources such as participants and in-depth interviews.
2. Capable of producing knowledge finds and constructing phenomena
3. Have comprehensive and deep insights into the topic of education to be investigated.
4. Capable of communicating research findings to the larger community.

The following are the shortcomings of the qualitative research method:

1. A lengthy amount of time spent conducting study.
2. The skill and experience of the researcher influence study outcomes.
3. Possible changes in the behaviour of the research object.
4. Non-standard research methods

## Results and Discussion

A high inflation rate does not encourage national economic growth and development. If expenses continue to climb, industrial operations will become extremely unprofitable. This indicates that capital owners are frequently inclined to utilise their own money for speculative objectives. This aim is met by purchasing physical things such as houses, buildings, and land. Entrepreneurs choose investment activities that limit productive investment and lower the degree of economic activity. As a result, the rate of unemployment rises. As a result, the government takes two actions to manage and mitigate the impact of inflation on unemployment.

### 1. Fiscal Policy

Fiscal policy, developed by John Maynard Keynes, is a notion of economic governance that has been utilised globally since the Great Depression following World War I in 1929. The government of a country, according to Keynes, has the right to control its finances, expenditures, and income through taxes and macroeconomic policies. Fiscal policy, by definition, is a government policy that aims to keep government income and expenditures stable so that the country's economy may expand appropriately. OJK defines fiscal policy as "a policy related to taxes, revenue, debt, and government spending with specific economic objectives." (n.d., *Fiscal Policy: Definition, Objectives, Instruments, and Examples*)  
monetary policy

### 2. Monetary policy

Monetary policy is a government decision to stimulate economic activity by regulating the quantity of money in circulation in a society. The primary goal of monetary policy is to keep the country's money supply stable. This is due to the fact that the government's money supply influences a variety of economic activity such as inflation and bank interest rates. As a result, Bank Indonesia, as Indonesia's central bank, is responsible for and executes monetary policy in the country. This is based on the Monetary Policy Act No. 23 of 1999 of the Bank

Indonesia. In addition to monetary policy, fiscal policy contributes to Indonesia's economic stability. The distinction is that fiscal policy is a choice about government revenue and spending.

## Conclusion

Based on the study, we may conclude that government policy influences unemployment and inflation in Indonesia. In Indonesia, the government is under pressure to stabilise prices and reduce unemployment. As of February 2023, Indonesia's Public Unemployment Rate (PPP) was 5.83%. We have some proposals for further study to help the conversation because this research just shows a tiny fraction of the problem. Focus more on dealing with Indonesia's unemployment problem, probe further into other concerns based on government policies, and generate enough jobs to minimise Indonesia's unemployment rate.

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