

The Effect of Inflation and Economic Growth on the Unemployment Rate in Indonesia for the 2016-2025 Period

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Abstract

This study aims to analyse the effect of inflation and economic growth on the unemployment rate in Indonesia during the 2020–2024 period. The research employs a quantitative approach using multiple linear regression analysis to examine the partial and simultaneous effects of inflation and economic growth on unemployment. The results show that inflation has a positive but statistically insignificant effect on the unemployment rate, with a significance value of 0.274. Meanwhile, economic growth has a negative and significant effect on unemployment, indicated by a significance value of 0.004, suggesting that increased economic activity contributes to reducing unemployment. Simultaneously, inflation and economic growth significantly affect unemployment, with the model explaining 71.8% of the variation in unemployment. The findings support Okun's Law but indicate that the classical Phillips Curve relationship is not fully supported during the research period, which was influenced by the COVID-19 pandemic and economic recovery process.

Keywords: Inflation; Economic Growth; Unemployment Rate

INTRODUCTION

A country's economic development is basically directed to achieve three main goals, namely high economic growth, controlled inflation rates, and optimal labor absorption so that the unemployment rate can be suppressed to a minimum. The three macroeconomic indicators are interrelated with each other and become a benchmark for the success of a government's economic policies. Unemployment is one of the crucial problems in the economy because it has a direct impact on people's welfare, poverty levels, purchasing power, and social and political stability of a country.

During the period 2016 to 2025, the Indonesian economy experienced quite volatile dynamics. Before 2020, Indonesia's open unemployment rate (TPT) showed a downward trend in line with relatively stable economic growth in the range of five percent per year. However, the Covid-19 pandemic in 2020 caused a sharp economic contraction and a significant spike in the number of unemployed. After the post-pandemic recovery period, the national economy again showed fairly solid growth, but the decline in the unemployment rate tended to be slow and not always proportional to the achievement of economic growth.

Based on data from the Central Statistics Agency (BPS), Indonesia's open unemployment rate in February 2025 was recorded at 4.76 percent with the number of unemployed reaching 7.28 million people, then had risen to 4.85 percent in August 2025 with 7.46 million unemployed people, before finally dropping to 4.74 percent in November 2025. This condition shows that although the percentage of TPT is relatively stable and even slightly decreasing, the unemployment rate among young people (15-24 years old) is still relatively high, reaching 16.89 percent in August 2025, far above the national average TPT.

On the other hand, Indonesia's economic growth as measured through Gross Domestic Product (GDP) showed quite good achievements. Economic growth in 2024 was recorded at 5.03 percent (c-to-c) and increased to 5.11 percent (c-to-c) in 2025, although it had slowed down in the first quarter of 2025 to 4.87 percent due to the pressure of global economic uncertainty, before strengthening again in the following quarters. Meanwhile, Indonesia's inflation rate actually shows a fairly low and controlled trend, even recording the lowest annual inflation since 2000 at 0.76 percent in January 2025, before gradually rising and closing at 2.92 percent on an annual basis by the end of 2025, which is still within the inflation target range of Bank Indonesia.

This phenomenon is interesting to study further because in theory, the relationship between inflation and unemployment is explained through the Phillips Curve which states that there is a trade-off, that is, when inflation increases, unemployment tends to decrease, and vice versa. In addition, Okun's Law explains the negative relationship between economic growth and the unemployment rate, where high economic growth should be followed by a significant decrease in the unemployment rate. However, the condition of low inflation that goes hand in hand with fairly high economic growth, while the decline in the unemployment rate is relatively limited, indicates that there is a phenomenon that is not entirely consistent with the two theories, thus raising questions about how big and how significant the influence of inflation and economic growth is on the unemployment rate in Indonesia.

Based on this background description, the author is interested in conducting a study entitled "The Influence of Inflation and Economic Growth on the Unemployment Rate in Indonesia for the 2016-2025 Period" in order to empirically analyze the influence of the two

macroeconomic variables on the unemployment rate, both partially and simultaneously, so as to provide relevant policy descriptions and recommendations for the government in an effort to reduce the unemployment rate in Indonesia.

THEORETICAL REVIEW

Inflation

Inflation is a continuous increase in the average price level of an economy due to an increase in aggregate demand. According to Philips, inflation has a negative relationship with unemployment. Philips (1958) in Mankiw (2003:436) describes how the distribution of the relationship between inflation and the unemployment rate is based on the assumption that inflation is a reflection of an increase in aggregate demand.

Inflation is measured using the Consumer Price Index (CPI) published periodically by BPS. A controlled inflation rate at a low and stable level is generally seen as conducive to economic growth, while inflation that is too high and deflationary can both disrupt economic stability and reduce people's purchasing power.

With the increase in aggregate demand, it is in accordance with the theory of demand, that if demand increases, the price will rise. With the high price of inflation, to meet this demand, producers increase their production capacity by increasing labor (labor is the only input that can increase output). As a result of the increase in labor demand, with the increase in prices (inflation), unemployment decreases

Economic Growth

Economic growth means the development of activities in the economy that cause the goods and services produced in the community to increase and the prosperity of the community to increase. Thus, to determine the level of economic growth that needs to be achieved, it is necessary to calculate real national income according to fixed prices, namely at the prices that apply in the selected base year. So economic growth measures the achievement of the development of an economy. Economic growth reflects the state of the economy in an area.

This economic state affects the growth and condition of companies operating in the area. The higher the economy in an area, the higher the opportunity for development for a company and also the creation of job opportunities for the people in the area concerned. There are several relevant theories of economic growth, including classical growth theory which emphasizes the accumulation of capital, labor, and natural resources; Solow's neoclassical theory of growth which emphasizes the role of technology as an

exogenous factor; and endogenous growth theory which places innovation and human capital as the main determinant actors of long-term growth

Unemployment

Unemployment is a condition in which a person who is included in the labor force but does not have a job. Meanwhile, Unemployment according to (Sumarsono, 2009:6) and Sukirno (2003:328) is the percentage of the number of unemployed to the number of labor force. Residents who are looking for a job but do not have a job are called unemployed. In addition to open unemployment, there are also unemployed people who have experienced an increase in costs, changes in consumer taste, or technological advances. Unemployment can be classified into several types, such as open unemployment and hidden unemployment. Open unemployment occurs when the number of available labor is more than the number of available job vacancies. On the other hand, hidden unemployment occurs when the number of available labor is less than the number of existing job vacancies (Pratama, 2024).

The relationship between inflation and unemployment is theoretically explained through the Phillips Curve first proposed by A.W. Phillips in 1958. This curve describes the trade-off between the inflation rate and the unemployment rate in the short term when the unemployment rate is low, high demand for labor drives wage increases, which in turn drives prices in general (inflation). Conversely, when the unemployment rate is high, the pressure on wage and price increases tends to weaken.

However, in subsequent developments, especially since the stagflation phenomenon in the 1970s, such negative relationships have not always been consistent, especially in the long term. Milton Friedman and Edmund Phelps developed the concept of the long-run Phillips curve which is vertical at the natural rate of unemployment, which indicates that in the long run expansionary monetary policy will only increase inflation without being able to permanently reduce unemployment.

The relationship between economic growth and unemployment is explained through Okun's Law put forward by Arthur Okun in 1962. This law states that there is a negative relationship between output growth (GDP) and the unemployment rate, where any increase in economic growth above its potential growth rate will be followed by a decrease in the unemployment rate, and vice versa. The logic behind this law is that an increase in output requires additional labor to produce, so the demand for labor increases and unemployment decreases.

Previous Research

Nursyafina (2020) in her research found that inflation has a positive but insignificant effect on the unemployment rate in Indonesia, while economic growth has a positive and significant effect on the unemployment rate. Meanwhile, Darmawan, Angga, et al. (2022) examined the influence of inflation and economic growth on the open unemployment rate in East Java Province. The results show that inflation has a positive but insignificant effect on the open unemployment rate, while economic growth has a negative and significant effect on the open unemployment rate in the province.

Meiriza, et al. (2022) The methods applied in this study involve both quantitative and qualitative analysis techniques to process and evaluate data. In conclusion, although there is a relationship between inflation and unemployment, direct evidence regarding the impact of inflation on unemployment in Medan was not found significantly through this study.

Endang, et al (2023) This study discusses unemployment as an economic issue that has a significant impact on social stability and economic growth in a region. The purpose of this study was to analyze and determine the influence of inflation on the open unemployment rate in East Java Province and to analyze and determine the influence of economic growth on the open unemployment rate in East Java Province. This research method uses a descriptive quantitative analysis approach with data sources from the Central Statistics Agency of East Java Province, analyzed using multiple linear regression. The results show that inflation has a positive but insignificant effect on open unemployment in the province.

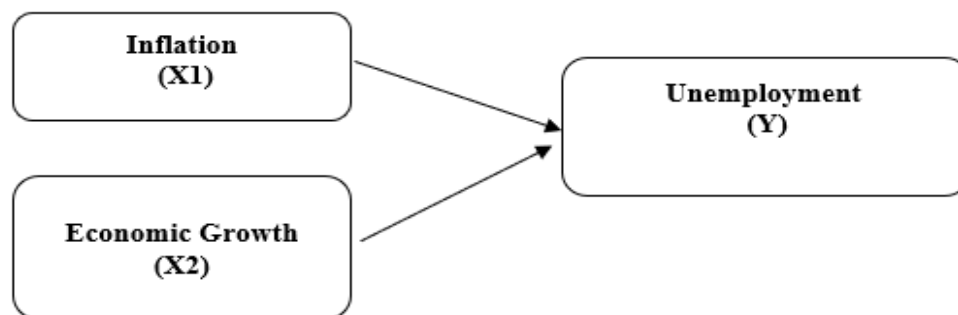
Meiriza, et al. (2024) Inflation has consequences for the decline in population welfare and economic stability of a country. The phenomenon of inflation remains an issue that is avoided by every country globally because it affects general pricing in the market. This study aims to evaluate the impact of inflation on the unemployment rate in Medan. Unemployment, which is defined as a condition in which individuals are not involved in any productive work, is also a commonly found phenomenon. This study takes secondary data from the Central Statistics Agency of Medan City as the basis of the analysis, with additional sources through literature, related documentation, and data searches from the internet. The focus of this journal is to analyze the impact of inflation on unemployment in Medan during the 2019-2023 period.

Sri kedaton, (2020) The study aims to determine the influence of inflation and economic growth on the unemployment rate in Indonesia. The type of data used is secondary data from the 2001-2017 time series, with multiple linear regression analysis methods. As a result, simultaneously the variables of inflation and economic growth have a

significant effect on the unemployment rate, but only partially inflation has a significant effect, while economic growth does not. The R-square value is 0.28, meaning that about 28% of the variation in the unemployment rate is explained by the two variables.

Research Framework

Based on the theoretical foundation that has been described, this study analyzes the influence of two independent variables, namely inflation (X1) and economic growth (X2), on one bound variable, namely the unemployment rate (Y), both partially and simultaneously. The framework of the research can be described as follows: inflation (X1) and economic growth (X2) are each suspected to have an influence on the unemployment rate (Y), so that the model of the relationship between variables can be formulated in the form of multiple linear regression equations as follows:



Description:

X1 = Inflation

X2 = Economic Growth

Y = Unemployment

METHOD

Types of Research

This study uses a quantitative approach with the type of associative-causal research, which is a study that aims to determine the influence or causal relationship between two or more independent variables on one bound variable. In this study, the free variables used are inflation (X1) and economic growth (X2), while the bound variable is the unemployment rate (Y) in Indonesia. The data used is in the form of time series data so that the test is carried out with a time series data regression analysis approach.

Object and Scope of Research

The object of this study is the condition of the Indonesian economy, which includes the variables of inflation, economic growth, and unemployment rate. The scope of the research is limited to time series data for the period from 2016 to 2025, which includes quarterly and annual data according to the availability of official data from relevant institutions.

Types and Data Sources

The type of data used in this study is secondary data in the form of time series data in the period 2016–2025. The secondary data is sourced from official publications of government agencies, namely:

- a. Central Statistics Agency (BPS), for data on the Open Unemployment Rate (TPT) and economic growth (GDP on a constant price basis).
- b. Bank Indonesia (BI), for inflation rate data (Consumer Price Index).
- c. Ministry of Manpower of the Republic of Indonesia and other related statistical publications as supporting data.

Variable Operational Definition

This research consists of one dependent variable and two independent variables, with the following operational definition:

1. Dependent Variable (Y): Unemployment Rate

The unemployment rate is measured using the Open Unemployment Rate (TPT), which is the percentage of the number of unemployed to the number of labor force, published by BPS and expressed in percent units (%).

2. Independent Variable (X1): Inflation

Inflation is measured based on the rate of change in the Consumer Price Index (CPI) on an annual basis (year-on-year), expressed in percent (%).

3. Independent Variable (X2): Economic Growth

Economic growth is measured by the percentage change in Gross Domestic Product (GDP) on a constant year-over-year (c-to-c) price basis, expressed in percent (%).

Data Analysis Techniques

Remarks: Y is the unemployment rate; α is a constant; β_1 and β_2 are the regression coefficients of each variable; X1 is inflation; X2 is economic growth; and E is the error term (disruptive variable).

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e$$

Description:

Y = Unemployment

α = Intercept (Constant)

β_1, β_2 = Variable Coefficients

X1 = Inflation

X2 = Economic Growth

e = Error Term

Schematically, the framework of this study describes two arrows from the variables Inflation (X1) and Economic Growth (X2) to the Unemployment Rate (Y) variable for partial influence, as well as one combined arrow line from X1 and X2 to Y to describe the simultaneous influence of the two independent variables on the bound variable.

RESULTS

Results of Multiple Linear Regression Analysis

This study uses multiple linear regression analysis to determine the influence of inflation and economic growth on the unemployment rate in Indonesia. The dependent variable in this study is the unemployment rate, while the independent variables consist of inflation and economic growth. The use of multiple linear regression aims to determine the direction of the relationship and the magnitude of the influence of each independent variable on the unemployment rate.

Based on the results of data processing, multiple linear regression equations are obtained as follows:

		Coefficient				
		Unstandardized Coefficients		Standardized Coefficients		
Models		B	Std. Error	Beta	t	Sig.
1	(Constant)	6.369	.392		16.257	.000
	INFLATION	.162	.137	.267	1.186	.274
	ECONOMIC GROWTH	-.288	.069	-.934	-4.153	.004

a. Dependent Variable: UNEMPLOYMENT

Source: SPSS Processing Results, 2026

$$Y = 6.369 + 0.162X_1 - 0.288X_2$$

Description:

Y = Unemployment rate

X₁ = Inflation

X₂ = Economic growth

A constant value of 6.369 indicates that if the variables of inflation and economic growth are considered constant or zero, then the unemployment rate is estimated at 6.369 percent. The inflation coefficient of 0.162 indicates that every increase in inflation of one unit will be followed by an increase in the unemployment rate of 0.162 units, assuming fixed economic growth. Meanwhile, an economic growth coefficient of -0.288 indicates that every increase in economic growth of one unit will be followed by a decrease in the unemployment rate of 0.288 units, assuming fixed inflation. The value of the coefficient comes from the results of the estimated regression in SPSS output.

Correlation Coefficient and Coefficient of Determination (R and R² Test)

The test results on the Summary Model showed an R value of 0.848. This value shows a fairly strong simultaneous relationship between inflation and economic growth and the

unemployment rate in the research model. The R value is the correlation between the dependent variable and all independent variables used in the model.

Model Summary

Models	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.848a	.718	.638	.41951

a. Predictors: (Constant), ECONOMIC GROWTH, INFLATION

Source: SPSS Processing Results, 2026

Furthermore, the R Square (R^2) value of 0.718 indicates that 71.8 percent of the variation in the unemployment rate can be explained together by the variables of inflation and economic growth in the model. Thus, the model has a considerable ability to explain the variation in the unemployment rate during the observation period.

Meanwhile, the Adjusted R Square value of 0.638 shows that after adjusting for the number of independent variables and the number of observations, the model was able to explain about 63.8 percent of the variation in the unemployment rate. The approximately 36.2 percent variation in the unemployment rate was explained by other factors that were not included in the study model. The standard error of estimate value obtained was 0.41951.

Test F (Simultaneous Effects of Inflation and Economic Growth)

NEW ERA

Models		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.141	2	1.570	8.923	.012b
	Residual	1.232	7	.176		
	Total	4.373	9			

Source: SPSS Processing Results, 2026

The F test is used to find out whether the variables of inflation and economic growth together have a significant influence on the unemployment rate. Based on the results of the ANOVA test, an F-value of 8.923 was obtained with a significance value of 0.012. Because

the significance value was $0.012 < 0.05$, it can be concluded that the variables of inflation and economic growth simultaneously had a significant effect on the unemployment rate in the research model

These results show that changes in the unemployment rate are not only related to one independent variable, but together inflation and economic growth make a significant contribution to explaining the variation in the unemployment rate. Thus, the hypothesis that inflation and economic growth simultaneously affect the unemployment rate are acceptable based on the estimated model.

T test (Partial Influence)

Coefficient

Models		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.369	.392		16.257	.000
	INFLATION	.162	.137	.267	1.186	.274
	ECONOMIC GROWTH	-.288	.069	-.934	-4.153	.004

a. Dependent Variable: UNEMPLOYMENT

Source: SPSS Processing Results, 2026

The t-test was used to determine the influence of each partially independent variable on the unemployment rate

DISCUSSION

Effect of Inflation on the Unemployment Rate

The results of the t-test showed that the inflation variable had a regression coefficient of 0.162, a calculated t-value of 1.186, and a significance value of 0.274. Because the significance value was $0.274 > 0.05$, inflation partially did not have a significant effect on the unemployment rate.

Although the inflation regression coefficient is positive, the positive relationship is not statistically strong enough to state that changes in inflation in the study model partially lead to significant changes in the unemployment rate. Thus, the results suggest that an

increase in inflation tends to be followed by an increase in the unemployment rate, but the relationship is not statistically significant.

These findings suggest that the relationship between inflation and unemployment in Indonesia in the study period did not fully follow the simple prediction of the Phillips Curve which assumes a negative relationship between inflation and unemployment in the short term. In the paper, the relationship between inflation and unemployment is also described as a relationship that can be influenced by economic conditions, including supply-side shocks and economic recovery policies.

These empirical results are also in line with several previous studies summarized in the paper, such as the research of Nursyafina (2020), Darmawan et al. (2022), and Endang et al. (2023), which found that inflation has a positive direction towards unemployment but is not significant.

Effect of Economic Growth on Unemployment Rate

The economic growth variable has a regression coefficient of -0.288 , a t-value of -4.153 , and a significance value of 0.004 . Because the significance value is $0.004 < 0.05$, economic growth partially has a significant effect on the unemployment rate.

A negative regression coefficient shows that the relationship between economic growth and the unemployment rate is in the opposite direction. This means that when economic growth increases, the unemployment rate tends to decrease. Conversely, when economic growth slows down, the unemployment rate tends to increase.

These results support Okun's Law which explains that increased output or economic growth is related to a decrease in the unemployment rate because increased production requires additional labor. In the theoretical study in the paper, increased output causes the demand for labor to increase so that the unemployment rate tends to decrease.

Thus, based on the regression results, economic growth is a variable that partially has a negative and significant relationship with the unemployment rate in the research model. This finding is also in line with the research of Darmawan et al. (2022) who found that economic growth has a negative and significant effect on the open unemployment rate in East Java.

Discussion of Research Results

Overall, the regression results show that inflation and economic growth simultaneously have a significant effect on the unemployment rate, with the model's ability to explain about 71.8 percent variation in the unemployment rate. However, when partially

tested, only economic growth was shown to have a significant effect, while inflation did not show a significant effect.

The findings indicate that Indonesia's labor market conditions during the study period are stronger in relation to the development of economic activity than to individual changes in inflation. Increased economic growth can boost production, expand business activities, and increase labor demand. Conversely, economic slowdown can suppress production activity and employment opportunities.

This can be seen in the overview of Indonesia's economic development included in the paper. In 2020, when economic growth contracted by -2.07 percent, the unemployment rate reached 7.07 percent. Furthermore, when the economy began to recover, the unemployment rate showed a downward trend. The paper recorded an unemployment rate of 6.49 percent in 2021, 5.86 percent in 2022, 5.32 percent in 2023, and 4.91 percent in 2024. The pattern descriptively shows a negative trend between economic growth and the unemployment rate, thus supporting regression results that show a negative and significant economic growth coefficient. The paper also links the conditions of 2020–2021 to the impact of the COVID-19 pandemic, so the dynamics of the labor market in that period need to be understood in the context of major external shocks.

Meanwhile, the insignificance of inflation suggests that price increases in general do not automatically result in significant changes in the unemployment rate. This can happen because the relationship between inflation and unemployment is influenced by a variety of other factors, including whether inflation comes from an increase in aggregate demand or from supply-side shocks. The paper itself emphasizes that the relationship between inflation and unemployment over the 2020–2024 period is complex and does not always follow the trade-off of the Phillips Curve simply.

Based on the overall results, the research provides an idea that controlling unemployment in Indonesia is not enough to focus only on inflation stability, but also requires policies that are able to maintain quality economic growth and create job opportunities. This is consistent with the direction of the suggestions in the paper that emphasize the importance of inclusive economic growth, especially in sectors that have the ability to absorb labor.

CONCLUSION

Based on the results of the analysis and discussion of the influence of inflation and economic growth on the unemployment rate in Indonesia, several conclusions can be drawn as follows

1. Inflation has no significant effect on the unemployment rate in Indonesia. Based on the results of the t-test, the inflation variable has a regression coefficient of 0.162 with a significance value of 0.274, which is greater than the significance level of 5 percent. Thus, inflation was not partially proven to have a significant effect on the unemployment rate in the study model. Although the direction of the coefficient is positive, the results do not provide sufficient statistical evidence to state that changes in inflation have an effect on changes in the unemployment rate. These findings show that the relationship between inflation and unemployment in the study period does not fully follow the negative relationship as described in the classic Phillips Curve.
2. Economic growth has a negative and significant effect on the unemployment rate in Indonesia. The results of the t-test show that economic growth has a regression coefficient of -0.288 with a significance value of 0.004, which is smaller than 5 percent. This shows that an increase in economic growth tends to be followed by a decrease in the unemployment rate. The findings are in line with Okun's Law, which explains the negative relationship between output growth and the unemployment rate. As economic activity and production increase, the need for labor tends to increase so that job opportunities increase and unemployment decreases.
3. Inflation and economic growth simultaneously have a significant effect on the unemployment rate. Based on the results of the F test, an F value of 8.923 was obtained with a significance value of 0.012, which is smaller than 0.05. Thus, the two independent variables together have a significant effect on the unemployment rate in the research model.
4. The model's ability to explain the variation in the unemployment rate is quite large. The R Square value of 0.718 shows that inflation and economic growth together are able to explain about 71.8 percent of the variation in the unemployment rate in the research model. Meanwhile, about 28.2 percent of the variation in the unemployment rate is explained by other factors that are not included in the model. The Adjusted R Square value of 0.638 shows that after adjusting for the characteristics of the model, the model's explainability is at 63.8 percent.
5. Overall, the results show that economic growth is a variable that has a significant effect on the unemployment rate, while inflation does not show a significant influence partially. Thus, the results provide empirical support for Okun's Law, while the negative relationship between inflation and unemployment as described in the classic Phillips Curve is not significantly supported by the results of this study's estimates.
6. The 2020–2024 research period is a period that has special characteristics because it includes the COVID-19 pandemic and the economic recovery process. This condition

needs to be considered in interpreting the results of the study because changes in the unemployment rate during this period can also be influenced by various external and structural factors outside of inflation and economic growth. The paper shows that in 2020 there was a contraction of economic growth by 2.07 percent and the unemployment rate increased to 7.07 percent, then the unemployment rate tends to decrease along with the economic recovery process.

Recommendations

Based on the results of the research that has been obtained, some of the suggestions that can be given are as follows.

For the Government

1. The government needs to continue to encourage quality, inclusive, and sustainable economic growth, especially through the development of sectors that have great ability to absorb labor. This is important because the results of the study show that economic growth has a negative and significant influence on the unemployment rate.
2. The government needs to maintain inflation stability through fiscal and monetary policy coordination. Although the results of the study show that inflation does not have a significant effect on the unemployment rate partially, price stability is still important for people's purchasing power, business certainty, and the sustainability of economic activity.
3. The government needs to strengthen labor policies that are responsive to economic shocks, such as pandemics, global crises, supply chain disruptions, and economic slowdowns. These policies can be directed at labor protection, upskilling, and job creation and expansion.
4. Efforts to reduce unemployment should not only focus on increasing the economic growth rate, but also on the quality of economic growth so that this growth can create real jobs and increase labor absorption.

For Academics and Subsequent Researchers

1. Further research is suggested to add other variables that can theoretically and empirically affect the unemployment rate, such as investment, minimum wage, education level, labor force participation rate, productivity, and economic structure, so that the model can provide a more comprehensive picture.
2. The research period can be extended and use monthly or quarterly data so that the number of observations is greater and the dynamics of the relationship between inflation, economic growth, and unemployment can be analyzed in more depth.

3. Further research can also use more appropriate econometric methods to analyze short-term and long-term dynamics, such as VAR, VECM, and interprovincial panel data.
4. Researchers then need to ensure consistency in the number of observations, data sources, and observation periods between the research data table and the data used in regression processing. This is important to increase the validity and traceability of the research results.

For the Business World and Society

1. The business world is expected to be able to maintain and increase production activities and create job opportunities while still paying attention to efficiency and changes in economic conditions.
2. The community and the workforce need to improve their competence, skills, and adaptability to changes in economic structure and labor market needs so that job opportunities can increase.

Research Implications

The results of the study imply that reducing the unemployment rate in Indonesia needs to be placed as part of an integrated economic growth and employment policy. The findings that economic growth has a negative and significant effect on unemployment show the importance of maintaining the sustainability of economic activities and ensuring that this growth has the ability to create job opportunities.

Meanwhile, the insignificance of inflation to unemployment suggests that the relationship between inflation and the labor market cannot be understood through simple trade-off mechanisms alone. Therefore, unemployment control policies need to consider various structural factors and external conditions that affect the labor market.

Thus, Indonesia's economic policy needs to be directed not only at achieving high economic growth, but also at creating economic growth that is able to expand job opportunities, increase labor productivity, and support community welfare in a sustainable manner.

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