THE INFLUENCE OF INFLATION, GRDP, LABOR FORCE LEVEL ON THE RATE OF OPEN UNEMPLOYMENT IN WEST JAVA 2018-2023

(Case Study of 7 Selected Cities in West Java)

PENGARUH INFLASI, PDRB, TINGKAT ANGKATAN KERJA TERHADAP TINGKAT PENGANGGURAN TERBUKA DI JAWA BARAT TAHUN 2018-2023 (Studi Kasus 7 Kota Terpilih di Jawa Barat)



Written by: ROSSA INDIRA LUSIANA 20200430085

INTERNATIONAL PROGRAM FOR ISLAMIC ECONOMICS AND FINANCE

FACULTY OF ECONOMICS AND BUSINESS
UNIVERSITAS MUHAMMADIYAH YOGYAKARTA

2024

THE INFLUENCE OF INFLATION, GRDP, LABOR FORCE LEVEL ON THE RATE OF OPEN UNEMPLOYMENT IN WEST JAVA 2018-2023 (Case Study of 7 Selected Cities in West Java)

PENGARUH INFLASI, PDRB, TINGKAT ANGKATAN KERJA TERHADAP TINGKAT PENGANGGURAN TERBUKA DI JAWA BARAT TAHUN 2018-2023 (Studi Kasus 7 Kota Terpilih di Jawa Barat)

UNDERGRADUATE THESIS

Submitted to fulfill the requirements for obtaining a bachelor's degree in the Economics Program, Faculty of Economics and Business Universitas Muhammadiyah Yogyakarta



Written by:

Rossa Indira Lusiana 20200430085

INTERNATIONAL PROGRAM FOR ISLAMIC ECONOMICS AND FINANCE

FACULTY OF ECONOMICS AND BUSINESS
UNIVERSITAS MUHAMMADIYAH YOGYAKARTA

2024

DECLARATION

DECLARATION

I, the undersigned bellow;

Name : Rossa Indira Lusiana

NIM : 20200430085

I consciously, independently of anyone or anything, I declare that my undergraduate thesis entitled "THE INFLUENCE OF INFLATION, GRDP, LABOR FORCE LEVEL ON THE RATE OF OPEN UNEMPLOYMENT IN WEST JAVA 2018-2023 (Case Study of 7 Selected Cities in West Java)", does not consist of any content that has ever been proposed for any degree at other university, as well as ideas from other people's research and publications, with the concession that all quotes and ideas that are proposed to be taken are considered research references and are listed in the reference list. As a result, if any intellectual property violations are discovered in this study, I agree to accept any relevant academic consequences.

Yogyakarta, 22 June 2024

METERAL SOACZAL SOACZA

Rossa Indira Lusiana

DEDICATION

With to the gratitude Alhamdulillah, I dedicate this thesis to:

- 1. Allah SWT, who has given strength, patience, and ease during the process of preparing this thesis so that it could run smoothly.
- 2. My beloved parents, Suharti and Karsono Heru Susanto. Although they did not have the opportunity to pursue higher education, they have nurtured me with endless prayers, love, support, and motivation. It is a great honor to have parents like them.
- 3. My sister and brother, dr. Wiwin Widiyanti and Hendri Agung Harsono, S.E. Thank you for your support throughout my educational journey. Your encouragement, love, and care have been instrumental in completing this thesis.
- 4. My brother and sister-in-law, Deni Sunarya and Diyana Maliha Fauziyyah, S.Psi. Thank you for your support and motivation.
- 5. Muhammad Raihan Alfain Yonanda, who has accompanied me from the beginning to the end of my studies. Thank you for your motivation, support to always grow, and for being a constant source of comfort through the ups and downs of university life.
- 6. My friend Nandhita Eka Putri Restutiraka, thank you for your encouragement, support, and for listening to my grievances, helping me to complete this final task. I am grateful to Allah SWT for blessing me with such a great friend.
- 7. My supervisor, Prof. Dr. Imamudin Yuliadi, S.E., M.Si., and Ahmad Maaruf., S.E., M.Si. thank you for your guidance, feedback, and support throughout this thesis process, ensuring its successful completion.
- 8. Lastly, to myself Rossa Indira Lusiana, thank you for being responsible and dedicated to completing this thesis to the best of your abilities. Thank you for enduring and persevering through this journey, managing various external pressures, and never giving up regardless of the difficulties faced

in writing this thesis. This is an achievement to be proud of. Always be happy wherever you are. Let us celebrate ourselves, with all our strengths and weaknesses.

FOREWORD

All praise to Allah SWT for His blessings and mercy, and salutations to the Prophet Muhammad SAW, for allowing the author to complete this thesis titled "The Influence of Inflation, GRDP, and Labor Force Participation Rate on the Open Unemployment Rate in West Java from 2018-2023 (Case Study of Seven Selected Cities in West Java)" smoothly.

This thesis is prepared to fulfill one of the requirements for obtaining a bachelor's degree at the Faculty of Economics and Business, Universitas Muhammadiyah Yogyakarta. The author sincerely hopes that this thesis will be beneficial to both the author and the readers and that it provides useful knowledge and information to all. The completion of this thesis would not have been possible without the support and guidance of many individuals, for which the author expresses heartfelt gratitude:

- 1. Allah SWT, for granting the health, happiness, and ease needed to complete this thesis.
- 2. Dr. Ir. Gunawan Budiyanto, M.P, Rector of Universitas Muhammadiyah Yogyakarta, for the educational facilities provided, which facilitated the pursuit of knowledge.
- 3. Prof. Rizal Yaya, S.E., M.Sc., Ph.D., Ak., CA., CRP., Dean of the Faculty of Economics and Business, Universitas Muhammadiyah Yogyakarta.
- 4. Prof. Endah Saptutyningsih, S.E., M.Si., Head of the Department of Economics, Faculty of Economics and Business, Universitas Muhammadiyah Yogyakarta.
- 5. Dr. Dimas Bagus Wiranatakusuma, S.E., M.Ec., Ph.D., CRM., CRP., Director of the International Program for Islamic Economics and Finance, for his continuous support and assistance during the learning process at IPIEF.
- 6. Prof. Dr. Imamudin Yuliadi, S.E., M.Si., the thesis supervisor, for his guidance, support, and time, making the completion of this thesis possible.
- 7. My beloved parents, Suharti and Karsono Heru Susanto. Though they did not have the opportunity to pursue higher education, they have educated me and provided endless prayers, love, support, and motivation. It is a great honor to have parents like them.
- 8. My brother and sister, thank you for your support throughout my educational journey. Your encouragement, love, and care have been instrumental in completing this thesis.
- 9. Muhammad Raihan Alfain Yonanda, who has accompanied me from the beginning to the end of my studies. Thank you for your motivation, support to always grow, and for being a constant source of comfort through the ups and downs of university life.

- 10. My friends Nandhita Eka Putri Restutiraka Regina Berliana, and Dian Rahmawati, thank you for your encouragement, support, and for listening to my grievances, helping me to complete this final task.
- 11. All my IPIEF 2020 friends, thank you for the memories over the past four years.
- 12. The economics faculty of Universitas Muhammadiyah Yogyakarta.
- 13. And all those who I cannot mention one by one, who have provided support, assistance, and encouragement throughout the process of completing this thesis.

The author realizes that this thesis is far from perfect. Any criticisms and suggestions for improvement are welcome. May this thesis be useful not only to the author but also to the public.

Yogyakarta, 22 June 2024

Author's

Rossa Indira Lusiana

LIST OF CONTENTS

UNDERGRADUATE THESISii
UNDERGRADUATE THESISiv
DECLARATION
MOTTOvi
DEDICATIONvii
FOREWORDix
LIST OF CONTENTSxx
LIST OF TABLESxiv
LIST OF FIGURESxv
ABSTRACTxvi
INTISARIxvii
CHAPTER 1
INTRODUCTION
A. Research Background
B. Problem Statement
C. Research Objectives
D. Research Benefits
CHAPTER II
LITERATURE REVIEW
A. Theoritical Foundation
1. Unemployment
2. Inflation
3. Gross Regional Domestic Product (GRDP)
4. Labor Force
B. Relationship Between Independent Variables and Dependent Variable 46
1. Relationship Between Inflation and Open Unemployment Rate 46
2. Relationship Between GRDP and Open Unemployment Rate 47
3. Relationship Between Labor Force Participation Rate and Open Unemployment Rate 47

C. Previous Reseach Results	48
D. Hipotheses	53
E. Research Model	55
CHAPTER III	56
RESEARCH METHOD	56
A. Type of Research	56
B. Type and Source of Data	56
C. Data Sampling Technique	57
D. Data Collection Technique	57
E. Operational Definition of Variables	58
1. Dependent Variable	59
2. Independent Variables	59
F. Data Analysis Techniques	61
1. Descriptive Analysis	61
2. Model Testing Techniques	61
3. Classical Assumption Tests	63
4. Hypothesis Testing	64
CHAPTER IV	66
GENEREAL VIEW	66
A. General Overview of the Research Object	66
1. Geographical Conditions of West Java Province	66
2. General Overview of Research Variables	70
CHAPTER V	76
RESEARCH RESULTS AND DISCUSSION	76
A. Data Analysis	76
1. Descriptive Statistical Analysis	76
B. Selection of Panel Data Testing Model	78
1. Chow Test	78
2. Hausman Test	79
D. Best Regression Model	81
C. Classic Assumption Tests	83
1. Normality Test	83

2. Heteroskedasticity Test	84
3. Multicollinearity Test	85
D. Hypothesis Testing	86
1. T-Statistic Test	86
2. Simultaneous Significance Test (F-Test)	88
3. Coefficient of Determination Test (R ² Test)	89
E. Economic Interpretation	90
1. Influence of Inflation on Open Unemployment Rate	90
2. Influence of GRDP on Open Unemployment Rate	92
3. Influence of Labor Force on Open Unemployment Rate	93
CHAPTER VI	96
CONCLUSION AND RECOMMENDATIONS	96
A. Conclusion	96
B. Research Limitations	96
C. Recommendations	97
REFERENCES	99
APPENDICES	101

LIST OF TABLES

Tabel 1. 1 Open Unemployment Rate Data	22
Tabel 1. 2 Inflation Data	
Tabel 1. 3 Gross Regional Domestic Product Data	
Tabel 1. 4 Labor Force Data	
Tabel 2. 3 Variable Significant Levels	52
Tabel 4. 1 Open Unemployment Rate	67
Tabel 4. 2 Inflation	
Tabel 4. 3 Gross Regional Domestic Product	70
Tabel 4. 4 Labor Force	71
Tabel 5. 1 Descriptive Analysis	73
Tabel 5. 2 Chow Test	76
Tabel 5. 3 Hausman Test	77
Tabel 5. 4 Lagrange Multiplier Test	77
Tabel 5. 5 Random Effect Model Test	79
Tabel 5. 7 Heteroskedastisitas Test	82
Tabel 5. 8 Multikoliniearitas Test	83
Tabel 5. 9 T-Statistic Test	84
Tabel 5. 10 Simultaneous Significant Test (f-test)	85
Tabel 5. 11 Coefficient of Determination Test (R2 test)	

LIST OF FIGURES

Gambar 2. 1 Philips Curve	41
Gambar 2. 2 Labor Supply Curve	48
Gambar 2. 4 Framework of Thought	60
Gambar 4. 1 Map of West Java Province	
Gambar 5. 6 Normality Test	