

## The Influence of Minimum Wage Population and Inflation on Unemployment in Manado City

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### ABSTRACT

*Manado as the capital city of North Sulawesi Province is not immune from unemployment problems. This problem does not just appear and give a momentary impact but also has an impact on problems that are often sustainable in the long term. Defining the unemployed are those who are in the age of the labor force and are looking for work at the prevailing wage rate. Unemployment is the inability of the workforce to obtain the jobs they need or want. From the results of several articles that have been reviewed it is found that the method used, the use of secondary data from the Central Bureau of Statistics and studies on combining cross-sectional data, the combination of cross-sectional data and time series is called panel data which provides more information and variety. less collinearity between variables, more degrees of freedom and efficiency. Secondary data is in the form of time series, this data is obtained from libraries, websites, journals or from previous research reports. Quantitative analysis method, in which the method is chosen in order to obtain a clear picture of a phenomenon based on the interpretation of the processed model using the panel data analysis method. The results of the discussion of articles that have been reviewed found that the problem of unemployment is a very complex problem experienced by every developing country. From a macroeconomic point of view, unemployment is a major problem both in the short and long term. With the unemployment rate, it can be seen the inequality or gap in the distribution of income received by a society. The essence of this problem stems from the occurrence of discrepancies between variables that affect unemployment with the low level of absorption of existing labor. Based on the causes,*

*unemployment can be divided into three, namely normal/frictional unemployment, cyclical unemployment, structural unemployment, and real wage unemployment. The conclusion is that there is an effect on the minimum wage population and inflation on unemployment. work resulting in unemployment.*

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## INTRODUCTION

Regional economic development is a process of managing available resources by local governments and communities, as well as partnerships between the private sector and local governments in creating new jobs and stimulating the economic development of a region. Increasing the number of jobs and types of job opportunities for local communities is the main goal in any economic development. Meanwhile, jobs that are smaller than the labor force will cause unemployment. High unemployment is included in economic and social problems. Unemployment will become an economic problem because wasting valuable resources and high unemployment means wasting the production of goods and services that are actually capable of being produced by the unemployed (Panjawa, JL, & Soebagiyo, D. 2014). One of the goals of economic development is to overcome unemployment. Unemployment can occur due to an imbalance in the number of labor force with the number of available job opportunities (Kuntiarti, DD 2018).

Manado as the capital city of North Sulawesi Province is not immune from unemployment problems. This problem does not just appear and give a momentary impact but also has an impact on problems that are often sustainable in the long term. In general, unemployment can be defined as a situation where a person belonging to the category of the labor force does not have a job and is actively looking for work. One illustration of the impact of the high unemployment rate is that many resources will be wasted and people's income will decrease. Reduced public income causes the unemployed to reduce consumption spending which can lead to a decrease in the level of welfare and also the level of prosperity. In such times, Economic pressure spreads everywhere so that it affects people's emotions and household life which can reduce people's welfare. Unemployment is caused by various factors, including the small number of job seekers compared to the number of job seekers, vacancy information is not widely available, and termination of employment occurs because companies are experiencing an economic crisis. Therefore, in overcoming unemployment, we must have a strategy for equal distribution of employment opportunities, because in general unemployment is a workforce that has not had the opportunity to work. With the increase in population every year, the number of workforce increases so that job seekers also increase along with the increase in labor force (Sambaulu et al., 2022).

## METHOD

Several methods are used from the results of article reviews such as the use of secondary data from the Central Bureau of Statistics and studies on combining cross-sectional data, a combination of cross-sectional data and time series is called panel data which provides more information and variation, less collinearity between variables, more degrees freedom and

efficiency (Panjawa, JL, & Soebagiyo, D. 2014). secondary data in the form of time series, this data is obtained from libraries, websites, journals or from previous research reports (Lindiarta, A. 2013). quantitative analysis method, where the method is chosen in order to obtain a clear picture of a phenomenon based on the interpretation of the processed model results using the panel data analysis method (Sembiring, VBP, & Sasongko, G. 2019)

## **DISCUSSION**

### **Unemployment**

Unemployment is a condition where a person belonging to the labor force wants to get a job but has not yet gotten one. A person who is not working but is not actively looking for work is not classified as unemployed. For example, housewives who don't want to work because they want to take care of their family are not classified as unemployed. A child from a rich family who doesn't want to work because his salary is lower than he wants is also not classified as unemployed. Housewives and children of the rich are called voluntary unemployed (Sadono, 2015). Meanwhile, according to (Kasnelly, FAJS 2020) Unemployment is a person who has not done any activity that generates money. Unemployment is not limited to people who have not worked but people who are looking for work and people who are working but whose work is not productive can also be categorized as unemployed or unemployed is a group of the workforce that has not carried out an activity that generates money. Unemployment is not limited to people who have not worked. People who are looking for work and people who work but whose work is not productive can also be categorized as unemployed. According to the Central Bureau of Statistics (BPS) in the employment indicator, unemployment is a population that is not working but is looking for work or is preparing for a new business or residents who are not looking for work because they have been accepted to work but have not yet started working.

According to Sokirno (2006) unemployment is someone who has been classified in the workforce who is actively looking for work at a certain level, but cannot get the job he wants. Irawan and Suparmoko (2002) define the unemployed as those who are in the age of the labor force and are looking for work at the prevailing wage rate. Unemployment is the inability of the workforce to obtain the jobs they need or want. From the above opinion, it can be concluded that the unemployed are the workforce who are actively looking for jobs that match their skills and education, but due to limited employment opportunities they have not got the jobs they want. According to (Mankiw 2018) someone who is waiting for a job call where he used to work and has been laid off is also referred to as unemployed. Unemployment has a category that includes people who are currently unemployed, able to work but having difficulty getting it within 4 (four) weeks.

According to Lindiarta, A. (2013) the problem of unemployment is a very complex problem experienced by every developing country. From a macroeconomic point of view, unemployment is a major problem both in the short and long term. With the unemployment rate, it can be seen the inequality or gap in the distribution of income received by a community. The essence of this problem stems from the occurrence of discrepancies between variables that affect unemployment with the low level of absorption of existing labor. According to (Lipsey et al., 2001) based on the causes, unemployment can be divided into three, namely normal/frictional unemployment, cyclical unemployment, structural unemployment, and real wage unemployment.

According to Djodjobo, CV, & Tawas, HN (2014) Changes in the economic sector in

Indonesia are felt to be very significant. The reality that today's economic conditions are increasingly uncertain is no longer a surprise. The existence of high inflation rates, the decline in the value of the rupiah, the bankruptcy of local entrepreneurs are indicators of the instability of the Indonesian economy which has contributed to the high unemployment rate. In the city of Manado itself, although the unemployment rate is starting to decrease, it is still relatively high.

### **Impact of Unemployment**

According to Sambaulu (2022) Unemployment can cause people to be unable to maximize the level of prosperity they achieve, national income from the tax sector decreases, unemployment does not promote economic growth. The existence of unemployment will cause people's purchasing power to decrease so that the demand for goods produced will decrease. According to (Muhdar 2015) The following are the negative impacts of unemployment on individuals who experience it and on society in general: (1) Unemployment can eliminate livelihoods; (2) Unemployment can eliminate skills; (3) Unemployment will cause socio-political instability. High unemployment is included into economic problems and social problems. (Rianda, CN 2020) argues that unemployment is an economic problem because when the unemployment rate increases as a result, a country disposes of goods and services that can actually be produced by unemployment. Unemployment is a big social problem because it causes great suffering for unemployed workers who have to struggle with reduced income. The economic costs of unemployment are clear, but no amount of money can deduct precisely the psychological and human toll when they are unemployed. Unemployment is a major social problem because it causes great suffering to unemployed workers who have to struggle with reduced incomes. The economic costs of unemployment are clear, but no amount of currency can deduct the precise amount of the psychological and human toll when they are unemployed. Unemployment is a major social problem because it causes great suffering to unemployed workers who have to struggle with reduced incomes. The economic costs of unemployment are clear, but no amount of currency can deduct the precise amount of the psychological and human toll when they are unemployed.

There is also the impact of educated unemployment as according to Ikawati (2019) The large number of educated unemployed can potentially cause negative impacts, such as social problems due to unemployment, and the ineffectiveness of the education budget that is disbursed because it can be said to be pointless, because there is no reciprocity between the large education budget and the poor quality of educated graduates, so that they find it difficult to compete for jobs

### **The Relationship of Minimum Wage Population to Unemployment**

Panjawa, JL, & Soebagiyo, D. (2014) the wage rate is one of the factors that influence the unemployment rate. Wages are the compensation received by a work unit in the form of the amount of money paid. Labor wages are very important for both parties. For producers, wages are production costs that must be reduced as efficiently as possible. For workers, wages are a source of income for themselves, their families and a source of public expenditure. The level of wages is an important factor that determines the standard of living of the people. Mankiw (1999) said that one of the causes of unemployment is wage rigidity. Wage stickiness is the failure of wages to adjust until the supply of labor equals the demand. According to the causes of unemployment when the real wage is above the level that balances supply and demand, the quantity of labor supplied exceeds the quantity demanded. Companies must distribute job

scarcity among workers. Rigidity in real wages reduces the rate of job finding which increases the rate of unemployment. In accordance with the opinion of (Yacoub, Y. 2013) The factors that influence the expansion of employment opportunities include: the development of the population and workforce, economic growth and policies regarding the expansion of employment opportunities themselves. Labor is one of the most important factors of production besides natural resources, capital and technology. Labor has a very important role in development, namely as the agent of development. The problem of employment is a problem that is very real and close to our environment. In fact, employment issues can create new problems in the economic and non-economic fields. High unemployment rates lead to low income which in turn triggers the emergence of poverty.

According to Sisnita, A., & Prawoto, N. (2017) A large population for a country is not always an asset for development because not all residents have the ability to produce. Therefore, getting the opportunity to work (demand for labor) is important for everyone who wants to work, because people who work mean having income. The minimum wage policy carried out by the government seeks to improve the welfare of the workforce. Determination of the minimum wage also takes into account productivity and economic growth to suit the company. Determination of wages consists of setting regional minimum wages and provincial minimum wages. The Regional Minimum Wage only applies to the regional area and the provincial minimum wage applies to all districts and cities in the province. The human development index is one of the benchmarks for a region to see how high the level of human development is. In the view of The United Nations Development Program (UNDP) formulates human development as a choice for humans in increasing their opportunities to obtain education, health, and income and employment. The higher growth in the human development index figure illustrates that human quality is getting better. and income and employment. The higher growth in the human development index figure illustrates that human quality is getting better. and income and employment. The higher growth in the human development index figure illustrates that human quality is getting better.

### **Relationship of Inflation to Unemployment**

According to Sukirno (2004) inflation can be defined as an increase in prevailing prices in an economy. The inflation rate differs from one period to another. And the inflation rate differs from one country to another. Where the inflation rate is divided into three, the first is the low inflation rate, which is below 2 or 3 percent. Second, a moderate inflation rate if price increases can reach 4 to 10 percent, and third is a serious inflation rate, a serious inflation rate occurs if the increase reaches tens or hundreds of percent in a year.

According to Mankiw (1999) that inflation is an increase in the overall price level. In general, inflation is a symptom of continuous (sustainable) rising prices for a number of goods. A temporary increase cannot be called inflation and an increase in the price of one type of commodity cannot be called inflation either. The inflation rate has an influence on the unemployment rate. If the calculated inflation rate is inflation that occurs at prices in general, then the high inflation rate that occurs will result in an increase in interest rates (loans). As a result, high interest rates will reduce investment to develop productive sectors (Sukirno 2004). According to (Lindiarta, A. 2013) inflation in the use of the Philips Curve, This Philips curve is valid only at mild inflation rates and in the short term. This is due to an increase in price which makes the company increase the amount of production in the hope of obtaining higher profits.

However, if the inflation that occurs is hyper inflation, the Philips curve is no longer valid. At times of high inflation which is not accompanied by the ability of the people, companies will reduce the number of workers used so that the number of unemployed will increase.

According to Nugroho, RE (2016) the theoretical framework for the Minimum Wage, Economic Growth, Poverty Rate, Labor Force, and Inflation Rate will affect the level of unemployment in Indonesia. Changes that occur both in the Minimum Wage, Economic Growth, Poverty Rate, Labor Force, and Inflation Rate will result in changes that occur in the unemployment rate in Indonesia. The wage rate variable is one of the factors that affect the unemployment rate because the wage rate received by job seekers will affect a person to be unemployed for a certain time with the assumption of getting a higher wage rate.

### CONCLUSION

Manado as the capital city of North Sulawesi Province is not immune from unemployment problems. This problem does not just appear and give a momentary impact but also has an impact on problems that are often sustainable in the long term. Unemployment is a person who has not done any activity that generates money. Unemployment is not limited to people who have not worked but people who are looking for work and people who are working but whose work is unproductive can also be categorized as unemployed or unemployed is a group of the workforce that has not carried out an activity that generates money. Unemployment is not limited to people who have not worked.

the negative impact of unemployment on individuals who experience it and on society in general: (1) Unemployment can eliminate livelihoods; (2) Unemployment can eliminate skills; (3) Unemployment will cause socio-political instability. A large population for a country is not always a development capital because not all residents have the ability to produce. Therefore, getting the opportunity to work (demand for labor) is important for everyone who wants to work, because people who work mean having income. The minimum wage policy carried out by the government seeks to improve the welfare of the workforce. Determination of the minimum wage also takes into account productivity and economic growth to suit the company. And inflation also has a relationship with unemployment, inflation is an increase in the overall price level. In general, inflation is a symptom of continuous (sustainable) rising prices for a number of goods. A temporary increase cannot be called inflation and an increase in the price of one type of commodity cannot be called inflation either. The inflation rate has an influence on the unemployment rate.

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