

# Efforts To Manage The Unemployment And Poverty Problems In Indonesia

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**Abstract**—Unemployment and poverty are serious problems engaged by the Indonesian government moreover in this pandemic era that the economy goes slower. It causes less production and creates massive unemployment. It would then increase the unemployment rate. It directly influences the social and economic problems. Many influential factors of unemployment and poverty are engaged in Indonesia. Besides cultural or economic structural problems, education is also believed to be an influential factor to increase the rate of unemployment and poverty. This failure in the educational system leads to lower human resource capability. This research aims to discuss the effort to overcome unemployment and poverty problems in Indonesia. Both unemployment and poverty could be suppressed by applying measured and effective policies to improve and solve these problems.

**Keywords:** unemployment, poverty, and economy

## I. INTRODUCTION

Unemployment and poverty are realities in a country. It means poverty and unemployment would always emerge in a country. Heretofore, unemployment, and poverty become problems and require systematic and serious solutions to overcome them.

Uncompleted solution dealing with those problems become the heavier burden at present. COVID-19 pandemic haunts and worsens the economy in Indonesia. This leads to the national economy worsening indicated by lesser economic activities. One of them is the increased rate of unemployment and poverty.

Unemployment and poverty are influential factors of a country to lose a competition. In this current era, indicated by the union of a country and another country, either the area scope or broader regions, will influence the life especially dealing with the national life aspect (Global Review Series). Such unpreparedness to engage with such competition among other countries will cause the demands of goods and domestic services to lose due to the goods and services from overseas. It leads to a slower production sector due to the decreased demands. It will lead to an increasing rate of unemployment and poverty.

Unemployment and poverty are believed to be the low output of a country. They also create many serious problems. The most worrying matters deal with new unemployment and poverty. This causes a

certain country to be marginalized due to getting lost with other countries (Tadjudin Noor).

For Indonesia, unemployment and poverty problems are social-economic phenomena. They have become the analysis variable in planning and promoting national establishment. First deals with the connection to external changes in terms of the economy macro-management. It was significantly proven and has become the parameters to measure the strength of national economy structure ability to anticipate global change pressure. Second deals with unemployment and poverty. For Indonesia, it is a reality that the struggled economy still creates a critical condition. It cannot eradicate unemployment and poverty problems.

Unemployment and poverty problems become the burden for the government especially dealing with fiscal management. Several applied policies, especially dealing with the eradication of unemployment and poverty problems that took the State Expenditure Budget a lot, seem only being routines. However, it could not significantly and solve those problems.

Such a preventive program for unemployment and poverty in Indonesia do not always deal with financial support provision and job vacancy for the people. Those problems have concerned with other social problems such as low human resources, high citizen density, birth rate, and the people's cultural tendency which seems to motivate individuals to become unemployed and poor. Therefore, with those complex problems of unemployment and poverty in Indonesia, the problem solutions would be less effective if they are only not struggled to minimize those social-economic structural factors systematically.

## II. RESULT AND DISCUSSION

### 2.1 Unemployment

Unemployment is an inevitability in an economy. A country is considered to be unemployed free or *full employment* when the rate of unemployment is 5% (Sadono Sukirno). It means unemployment is a natural matter when it is caused by natural reasons. For example, when an individual resigns from his current job to get a better job again; or when an individual resigns due to discrepancy with the working environment. Thus, such an

unemployment problem is not considered as a serious problem. The unemployment problem is considered serious when the workforce is lesser than 95% and it is caused by structural and frictional matters.

Unemployment is a term given for those who do not go to work at all or for those who are seeking a job. Typically, unemployment is caused due to the rate of job seekers and the rate of job vacancies is not equal. In general, there are several matters causing unemployment:

1. The rate of the workforce and job vacancy is not equal.
2. Poor skill and education level.
3. Technology advancement.
4. Economic recession.
5. Unequal workforce recruitment among regions.
6. A policy to terminate the Indonesian Workforce to other countries.

Therefore, unemployment is not only negative for the concerning individuals but also the surrounding people. Less job opportunity causes economic sluggishness, lower personal potential, losing job opportunity, lower tax income, and lower social prosperity.

## 2.2 Types of Unemployment

1. Based on the causal factors.

Based on the causal factors, types of unemployment are:

- a. Seasonal unemployment: due to season or transition changes.
- b. Cyclical unemployment: due to critical economic condition so it rises to work termination.
- c. Demand deficient unemployment: due to the higher rate of the workforce than the available job vacancy.
- d. Voluntary unemployment: a condition when an individual chooses not to work but in fact is still capable.
- e. Structural unemployment: due to structural economic changes of a country.
- f. Technology unemployment: due to technological advancement so human jobs are replaced by machines or engines.
- g. Frictional unemployment: due to the differences in workforce demand and the available offers.

2. Based on years of service

This category is grouped into:

- a. Open Unemployment

It is a situation where individuals do not work at all and do not seek jobs. It is caused by job vacancy unavailability, the discrepancy between the job opportunity and educational background, or laziness.

- b. Underemployment

It is a situation where an individual works but he does not use his force optimally. He only counts based on the working hours, working productivities, and the obtained income. For example, they are *freelancers*. They have no certainties to carry out their jobs at a certain time.

- c. Disguised Unemployment

It occurs due to the workforces do not optimally work. It leads to a discrepancy between the jobs with the talent and the capabilities of the workers. This discrepancy effect will influence performance productivity and low income.

## 2.3 Poverty

Poverty is a condition of incapability to support a basic necessity. For example, an individual is incapable to get meals, clothes, shelters, educations, and proper health. Poverty could be caused by the rarity of basic primary necessity fulfillment. It may be also caused by difficult access to education and jobs. Some individuals understand it subjectively and comparatively. The other perceives it from moral and evaluative aspects while only a few see it from proper review (Wikipedia.com, 2012).

The most frequently applied standard indicator of poverty is the poverty incident. It is defined as the percentage of the citizens who have income lower from the amount to support their basic primary necessity. Even so, poverty has many dimensions besides income. The other dimensions could be seen from the opportunity to get a healthy and long life, to get knowledge and skill, etc. The point is – poverty is strongly correlated to less opportunity for individuals to choose their life choices. However, on another hand, human resource development deals with a broader opportunity for individuals to choose their life choices. This concept is the enlarging choice of humans especially to support their primary life necessities such as health, education, and purchasing power. With such opposing correlation, a certain region with an excellent human development quality should have a lower percentage of poverty (IPM, 2007).

According to the Central Bureau of Statistics (2010), the poor are people with the average per capita expenditure per month under the poverty margin. It is an addition of food and non-food poverty margin. The food-poverty margin is the addition of 52 real primary food commodity expenditure value consumed by the people. The reference is then equalized with 2100 calorie kilo per capita for each day. The non-food poverty margin deals with the calculation with minimum necessity values of those selected-non commodities. They are such as housing, clothing, education, and health. The non-food basic necessity commodity packages are represented by 51 commodities in urban and 47 commodities in suburban areas. The principles of poverty could be seen from two aspects:

## 1. Absolute Poverty

Absolute poverty is correlated to the conflict between income and necessity that are limited to the primary necessities for individuals to live properly. Therefore, poverty is measured by comparing an individual's income and the required income level to support his primary necessities such as meals, clothes, and houses to keep survive. An individual is considered in this category if his income is under the poverty margin and he cannot afford his primary life necessity. This concept is intended to determine the sufficient minimum income level to afford physical necessities such as meals, clothes, and houses to survive.

## 2. Relative Poverty

This category is poverty based on social gaps. It is because of the existence of an individual who could afford his minimum life necessity but it is still too far different from his surrounding people. A greater gap between the level of the upper class and the lower class will lead to an increased rate of the poor. Thus, such poverty is relative and correlated to the income distribution problems.

According to Sastraamadja (2003), poverty could be grouped into four patterns. They are (1) persistent poverty, a chronic or descent poverty; (2) cyclical poverty, a poverty that follows an economic cyclical pattern; (3) seasonal poverty, a condition of seasonal poverty that is found in fishermen's and farmers' cases; and (4) accident poverty, poverty due to disaster, conflict, harms, or other certain policy that could decrease the social wellbeing. Jhingan (1992) states three main features of a growing country that may lead and cause problems concerning poverty. First deals with insufficient educational facilities and tools. It will lead to unskilled human and illiterate cases. Secondly, it deals with health facilities and poor consumption patterns. It leads to only a few people who could be productive workforces. Third, it deals with people's concentrations that are mostly focused on agriculture than mining. It is worsened with outdated technology.

### 2.3.1 The Criteria of Poverty

According to the Central Bureau of Statistics (2010), the poor are people with the average per capita expenditure per month under the poverty margin. It is an addition of food and non-food poverty margin. The food-poverty margin is the addition of 52 real primary food commodity expenditure value consumed by the people. The reference is then equalized with 2100 calorie kilo per capita for each day. The non-food poverty margin deals with the calculation with minimum necessity values of those selected-non commodities. They are such as housing, clothing, education, and health. The non-food basic necessity commodity packages are represented by 51 commodities in urban and 47 commodities in suburban areas.

### 2.3.2 The causes of poverty

The World Bank identifies poverty causes from the access perspective of individuals toward certain important asset numbers to support life. They are primary life necessity assets such as health, skills, and knowledge; natural assets such as a field or processed land); physical assets such as capital, production facility, and infrastructure; financial asset such as bank credit and loan; and social assets such as social security and political rights. The unavailability of those accesses is the cause of the poverty rate.

## 2.4 Unemployment and Poverty in Indonesia

In Indonesia, the percentage of the poor, per September 2019, was 9.41% or 25.14 million people. Although, it had decreased with a percentage of 0.25% the number of the poor was still high when it was compared to the previous period, September 2018. Meanwhile, the rate of unemployment was categorized high. Per 2020, it is noted the rate of unemployment in Indonesia has reached 7.41% of the whole Indonesian workforce. Although there has been a tendency of the decreased rate with the previous year the numbers of unemployment in 2013 were still high. It was 7.39 million people. Meanwhile, the rate of unemployment during this pandemic surely increases significantly.

By seeing this percentage, the unemployment and poverty problems in Indonesia are still the causes of concern because Indonesia is a growing country and it has reached its optimal advancement era. There are still many poor people and the unemployed. It would influence the national economy development so Indonesia's economy is still weak. It makes Indonesia cannot compete with other countries.

In academic studies, unemployment and poverty problems have been mostly investigated by social scientists. They investigated it from various disciplines, concepts, measures to indicate various aspects of the problems. From those analyses, it would lead to the appropriate solution to manage these problems.

To understand these problems, it is important to see the causes. They are such as problems correlated to production factor owners, human resources, productivities, social development level, and the applied national policy. In another word, these problems are caused by natural matters and existing strategies or policy development.

One of the economic policies that indirectly influence the rate of unemployment and poverty is the electricity bill rate. The government argues that increasing the electricity cost is due to the incapability of the State Expenditure Budget to provide domestic electricity subvention. Despite whether the argument is rational or not, the effect of such a policy will lead to social expense borne by the people. By increasing the electricity rate, then the price will also increase. Such price increases without

being entailed by demands will lead to lower workforce demands.

The same thing goes for work termination moreover when it is connected to this COVID-19 pandemic in which many activities are done at home. The reason is that people are afraid of this COVID-19 spread. Another reason is due to Large Scale Social Limitation so the economy runs slowly. The result of such a condition is lower demand and it interrupts the production activity. It also causes drops of production hours extremely. Thus, it leads to work termination.

This work termination will continue if, during this engagement with COVID-19, the government does not anticipate it well. Therefore, work termination is done by cooperations. It is an inevitability in the middle of the sluggish economy. It will automatically cause an increased rate of unemployment.

From the data, when it is analyzed then it will be strongly correlated between the success of economy macro-management and the increased rate of unemployment and poverty in Indonesia. It could be concluded that the causal factor of those problems is structural.

## 2.5 Efforts to manage the unemployment and poverty problems in Indonesia

Unemployment and poverty are complex problems and need serious solutions to manage them. To prevent unemployment and poverty problems is the mandate of the 1945 Constitution. This mandate is stated in several articles such as Article 27, verse (2) "Each citizen shall be entitled to occupation and an existence proper for a human being", Article 28 H, Verse (1) "Each person has a right to a life of well-being in body and mind, to a place to dwell, to enjoy a good and healthy environment, and to receive medical care", verse (2) Each person has the right to facilities and special treatment to get the same opportunities and advantages to reach equality and justice, verse (3) Each person is entitled to social security enabling him to develop his entire self-unimpaired as a dignified human being, verse (4) Each person has the right to own private property and such ownership shall not be appropriated arbitrarily by whomsoever. It is also stated in Article 34 that impoverished persons and abandoned children are to be taken care of by the state.

It means to overcome these unemployment and poverty problems are not only ceremonial activities. They have been mandated for anyone who governs this country.

Unemployment and poverty are social problems in society. They are all parties' responsibilities. Thus, the role of government is important to reduce these problems since the government has the authority, capability, and policy. Within the ideological perspective of the Indonesia nation, the country has a responsibility to create a prosperous country in which the roles of the country

politics are to promote the provision of public sector necessity. It is done through the development. The prosperity of a nation is the realization of the country's protection for all people especially the poor, individuals with disabilities, and unemployed persons (Edi Suharto). The applied programs by the government to prevent these problems should have effective targets for the poor and the unemployed people. Therefore, the promoted efforts will be productive and accurate and it will not be a contra-productive preventive program.

By understanding these problems' backgrounds especially when they are connected to this pandemic event, various efforts through considered and effective policies for either long term or short terms should be applied to overcome these problems.

In the long term, the efforts to overcome the problems are:

1. Improving human resource quality through educational quality improvement.
2. Removing any inhibiting regulation for individuals to attempt.
3. Making an efficient, effective, easy, and friendly bureaucracy.

In the short term, the efforts to overcome the problems in this pandemic are:

1. Distributing the direct cash assistance for the poor and unemployed persons to improve their purchasing power and to trigger the economy.
2. Providing remission or postponing credit payment to improve consumption and purchasing power.
3. Creating a qualified job vacancies to encourage the workforce.
4. Providing capital and guidance to start, improve, and broaden the business opportunity.
5. Intensifying the existing programs to prevent unemployment and poverty problems.

## III. CONCLUSION

All people want a prosperous life and economy. Unemployment and poverty phenomena have been always existing heretofore. They are mostly measured from whether an individual works or not and his income. This condition does not mean unemployment and poverty are not serious problems. No matter how the rate of unemployment and poverty is, there must be efforts to prevent and manage them. Moreover during this pandemic even in which the economy runs slowly and causes the increased rate of unemployment. It would later trigger an increased rate of poverty. This should be anticipated wisely. Serious efforts, considered and effective policies for either long term or short term are required. Thus, the problems could be suppressed and handled.

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