

## CHAPTER V

### CONCLUSION AND IMPLICATION

#### A. Conclusion

Based on the results of research and discussion in this research, several conclusions are taken as follows:

1. The effect of each independent variable on unemployment rate in Central Java.
  - a. Wage rate gives positive and significant effect on unemployment rate in Central Java 1991-2014 period. This is because a high increasing cost input issued the employers to do cost efficiency by reducing labor and choose better quality labor to maximize its production.
  - b. Inflation gives positive relationship, but not significant on unemployment rate in Central Java 1991-2014 period. This may be happening because inflation in Central Java is caused by inflation insistence costs, namely inflation caused by the rising cost over a period of high unemployment and the use of resources is ineffective. Inflation is very difficult for entrepreneurs and forced to lessen the labor to reduce production costs.
  - c. Domestic investment gives negative relationship, but not significant on unemployment rate in Central Java 1991-2014

period. This may be happening because investment in Central Java is plenty in sectors that don't need too much of workers.

- d. Foreign investment gives positive relationship, but not significant on unemployment rate in Central Java 1991-2014 period. The foreign investment cannot absorb big labor in Central Java, it is caused by the company or investors invest in Central Java do not need many labors, this is because the company which is established in modern way and have higher technology and solid capital which labor saving and more efficient..
2. The most influential variable on unemployment rate in Central Java 1991-2014 period is wages.
3. Development Trends in Central Java 2015-2017 is decreasing or has a negative trend. This is likely because the improving economy in Central Java, so that labor force is absorbed more than ever.

## **B. Implications**

The welfare of labor is basically very dependent on improving the wages, but on the other side an increase in wages impact arise cost of production. To prevent rising of unemployment, the government should issued a balanced policy, so not burdening labor welfare and entrepreneurs. The increasing wage levels should be balanced with the accession of the productivity, so that the entrepreneurs not burdened with pay labor higher salaries and labor force will absorbed more.