ABSTRACT

Java Island is the center of economic activity in Indonesia based on the contribution of regional GRDP to the national economy, but the unemployment rate in Java is still relatively high. In the period 2012 - 2019 Java Island contributed to the unemployment rate on average reaching 63,1% of the total unemployment in Indonesia during that period.

This study aims to analyze the effect of the variables of Gross Regional Domestic Product (GRDP), Foreign Direct Investment (FDI), Industry, Infrastructure, Financial Development, Technology, Information and Communication (ICT), and Trade Openness on the unemployment rate in 6 Java provinces in 2012 - 2019. The analytical method used is panel data regression analysis with the Fixed Effect Model (FEM) approach.

The results of panel data regression with the Fixed Effect Model approach show that the GRDP and Financial Development variables have a negative and significant effect on the unemployment rate. In contrast, ICT and Trade Openness has a positive and significant impact on the unemployment rate. And for the FDI variable, Industry and Infrastructure do not significantly effect the unemployment rate.

Keywords: Unemployment, GDRP, FDI, Industry, Infrastructure, Financial Development, ICT, Trade Openness, panel data, Fixed Effect Model