

## **ABSTRACT**

*Unemployment is an economic problem that faced almost in all countries. The effect of unemployment is not only on the economic side, but also on the political, social and security side. There are natural or reasonable limits of unemployment rate in Indonesia, which is 4 percent to 6 percent. If the unemployment rate is about 4 percent to 6 percent, then the region is included in the condition of full employment. In the year 1999-2009, the unemployment rate in Indonesia over 6 percent which indicates the unemployment rate in Indonesia beyond reasonable limits.*

*This study aims to analyze the effect of inflation, the average net wage a month, and investment on the unemployment rate in Indonesia in the year 1999-2009. The method of analysis used is Ordinary Least Square (OLS) using secondary data in time series from 1999 to 2009. Data sourced from Badan Pusat Statistik (BPS) and other relevant sources.*

*The results of simultaneously data analysis show that independent variables (inflation, average net wage a month, and investment) together show the effect on the unemployment rate with R-Square = 73 percent and  $\alpha$  = 10 percent. Partially analysis show that inflation has positive and significant impact on the unemployment rate, investment has negative and significant impact on the unemployment rate, while the average net wage a month has positive and not significant impact on the unemployment rate.*

*Keywords: unemployment rate, inflation, average net wage a month, investment, Indonesia*