

The Impact of Regional Autonomy Policies on Unemployment in Indonesia: A literature review

Meldilianus Nabas J. Lenas¹, Anas Iswanto Anwar², Awal Nopriyanto Bahasoan³,
Fadly Yashari Soumena⁴, Sri Rahmi⁵

¹ STIM-LPI Makassar

² Hasanuddin University

³ University of West Sulawesi

⁴ Indonesian Parahikma Institute

⁵ STIE Amkok Makassar

ARTICLE INFO

Article history:

Received Mar 30, 2023

Revised Apr 16, 2023

Accepted Apr 25, 2023

Keywords:

Regional Autonomy;
Unemployment;
Indonesia;
Literature Review

ABSTRACT

This study aims to determine the impact of regional autonomy policies on unemployment in Indonesia. The research method used in this study is a literature review that can be used to identify problems and solutions that have been found by previous researchers, as well as identify the weaknesses and shortcomings of these studies. The results of this study can be concluded that regional autonomy has a significant influence on the problem of unemployment in Indonesia. This can be seen from studies showing that there is a relationship between regional autonomy and economic growth, employment, the wage gap, and the quality of human resources in the regions

This is an open access article under the [CC BY-NC](https://creativecommons.org/licenses/by-nc/4.0/) license.



Corresponding Author:

Meldilianus Nabas J. Lenas

STIM-LPI Makassar.

Jl. Bung No.3, Tamalanrea Jaya, Kec. Tamalanrea Kota Makassar Sulawesi Selatan

Email: Meldilenes0@gmail.com

1. INTRODUCTION

Regional autonomy in Indonesia has been implemented since 2001 through Law Number 22 of 1999 concerning Regional Government. The granting of regional autonomy aims to provide freedom for regions to regulate and manage government affairs and improve the welfare of the people in the area. However, the regional autonomy policy also had a significant impact on the unemployment rate in Indonesia. Several studies have revealed that there is a relationship between regional autonomy and an increase in the unemployment rate in Indonesia. In terms of job creation, the granting of regional autonomy can create disparities between developed regions and underdeveloped regions. On the one hand, developed regions such as Jakarta, Bandung and Surabaya have more job opportunities compared to lagging regions such as East Nusa Tenggara, Papua and Maluku. This is due to the lack of human and capital resources in lagging regions making it difficult for these regions to attract investment and create jobs. On the other hand, regional autonomy also provides opportunities for regions to develop economic sectors that have not yet been developed in the region. This can create new jobs and reduce unemployment in the area. Therefore, it is necessary to conduct a more comprehensive literature review to determine the impact of regional autonomy on unemployment in Indonesia and how to overcome this problem.

2. RESEARCH METHODS

2.1 Method Study

The literature review research method is a very appropriate method used in articles related to regional autonomy and unemployment in Indonesia. This is because, this method can assist in gaining a more comprehensive understanding of the concept of regional autonomy and unemployment, including theories, concepts, and research results related to these topics.

In this case, the literature review method allows the writer to collect and analyze various reference sources related to the topic, such as books, journals, articles and other relevant documents. Thus, the writer can find and integrate the thoughts and views of experts on the topic.

In addition, the use of the literature review method also provides advantages in terms of time and cost efficiency, because it does not require new data collection through interviews, surveys or observations. Thus, this method allows the author to present complete and actual information on the topic in a relatively short time.

According to Adisasmito (2014), the literature review research method can be used to identify problems and solutions that have been found by previous researchers, as well as identify the weaknesses and deficiencies of these studies. This can help writers build strong arguments and present accurate and reliable information in their articles.

Meanwhile, according to Sekaran (2010), literature reviews can help writers to develop strong hypotheses and frameworks and formulate relevant research questions. In addition, literature reviews can also assist authors in identifying research gaps that still need to be filled and provide ideas for further research. Meanwhile, according to Tranfield, Denyer, and Smart (2003), the literature review research consists of three stages, namely:

- a) Planning stage: this stage includes choosing a topic, collecting and selecting literature sources, and developing a conceptual framework.
- b) Implementation stage: this stage includes reading and evaluating literature sources, as well as collecting and compiling data.
- c) Writing stage: this stage includes preparing a literature review research report, including synthesis and analysis of the collected literature sources.

In the context of regional autonomy and unemployment in Indonesia, the literature review research method can help to collect information and research results related to the implementation of regional autonomy in addressing unemployment in Indonesia. Thus, it can help in building arguments and providing appropriate solutions related to the issue.

3. RESULTS AND DISCUSSIONS

Research related to regional autonomy policies and their impact on unemployment has been carried out in several countries other than Indonesia. Berhe, G., & Mengesha, Y. (2019). conducted research entitled *The impact of decentralization on unemployment in Ethiopia: Evidence from Tigray Regional State*. This study aims to analyze the impact of decentralization on unemployment in Ethiopia. The results of the study show that decentralization has had a positive impact on reducing the unemployment rate in the Tigray Regional State, especially through the development of the local agricultural and industrial sectors. Kim, S. (2019). conducted research entitled *The impact of decentralization on unemployment in South Korea*. This study aims to analyze the impact of decentralization (the transfer of authority from the central government to local governments) on unemployment in South Korea. The results of the study show that decentralization has had a positive impact on reducing the unemployment rate in South Korea, especially through developing the local economic sector and increasing access to education. Kiptui, MJ, Kibet, LK, & Mutai, BK (2020) conducted research entitled *The impact of devolution on employment creation in Kenya: A case study of Nakuru County*. This study aims to analyze the impact of devolution (granting authority to local government) on job creation in Kenya. The research results show that devolution has a positive impact on reducing the unemployment rate in Nakuru County, especially through increased investment and development of local economic sectors. Muhammad, N., Rahman, M., & Hossain, M. (2019) conducted research entitled *The impact of local government autonomy on unemployment*

in Bangladesh. This study aims to analyze the impact of regional autonomy on unemployment in Bangladesh. The results of the study show that regional autonomy has a positive impact on reducing the unemployment rate in Bangladesh, especially through increased investment and economic growth in the regions. Ogbuabor, JE (2016) conducted research on Local government autonomy and unemployment in Nigeria: Issues and challenges. This study aims to analyze the impact of regional autonomy on unemployment in Nigeria. The results of the study show that regional autonomy has not had a significant impact on reducing the unemployment rate in Nigeria, mainly because there are still obstacles in its implementation such as a lack of resources and corruption.

Research that has been conducted in Indonesia related to this article includes: Setiawan, A., & Herlambang, A. (2020). The impact of regional autonomy on economic inequality and unemployment in Indonesia. This study aims to analyze the impact of regional autonomy on economic inequality and unemployment in Indonesia. The results of the study show that regional autonomy has a positive impact on economic inequality in Indonesia. However, the impact on unemployment still needs further review. Factors such as the availability of human resources and infrastructure also influence economic disparities and unemployment in the regions.

Sufiyan, M., & Wahid, A. (2018) conducted research entitled The impact of regional autonomy on economic growth and unemployment in Indonesia. This study aims to analyze the impact of regional autonomy on economic growth and unemployment in Indonesia. The results of the study show that regional autonomy has a positive impact on economic growth in Indonesia. However, the impact on unemployment is still relatively low. This research also shows that factors such as investment and local government spending affect economic growth and unemployment in the region Nurrohmat, DR, & Ghofar, A. (2021) conducted research with the title The impact of regional autonomy on the economic sector and employment in Indonesia. This study aims to analyze the impact of regional autonomy on the economic sector and employment in Indonesia. The results of the study show that regional autonomy has a positive impact on economic growth and employment in Indonesia. In addition, factors such as infrastructure and accessibility also influence the economic sector and employment in the regions. Devi, D. (2021) conducted research entitled The impact of regional autonomy on the wage gap between regions in Indonesia This research examines the impact of regional autonomy on the wage gap between regions in Indonesia. The results of the study show that regional autonomy has a positive impact on the wage gap between regions in Indonesia. In addition, factors such as education level and labor productivity also influence the wage gap between regions.

From all the studies showing that regional autonomy policies can reduce unemployment with several supporting factors for these policies including through increased investment, improved infrastructure in each region, increased education and empowerment of local economic growth potential. However, it needs to be balanced with several policies to optimize this impact, especially preventing corruption.

4. CONCLUSION

Based on a literature review conducted on the article "The Impact of Regional Autonomy on Unemployment in Indonesia: A Literature Review", it can be concluded that regional autonomy has a significant influence on the problem of unemployment in Indonesia. This can be seen from studies showing that there is a relationship between regional autonomy and economic growth, employment, the wage gap, and the quality of human resources in the regions. To overcome the problem of unemployment that occurs in Indonesia, several ways that can be done include increasing investment and developing the economic sector in areas that are still lagging behind, providing job training and developing human resources, encouraging job creation through government programs, providing easy funding and access to finance for small and medium enterprises, as well as improving coordination between the central and regional governments. Therefore, the active role of the government, society and the private sector is needed to work together in overcoming the problem of unemployment in Indonesia and improving the quality of life for people in these areas. This can be done by implementing appropriate and sustainable policies in developing the economic sector and

increasing human resources in the regions as well as building synergies between the central and regional governments.

REFERENCES

- Abbas, Hafid (2014). *Otonomi Daerah: Teori dan Implementasi*. Jakarta: Kencana Prenada Media Group.
- Adisasmito, W. (2014). *Metode Penelitian Kualitatif: Perspektif Kritis atas Penelitian Ilmu Sosial*. Prenada Media Group
- Arifin, A. Zainal (2013). *Teori Otonomi Daerah: Konsep, Implementasi, dan Evaluasi*. Yogyakarta: Graha Ilmu.
- Asrun, Moh. (2009). *Teori Otonomi Daerah*. Jakarta: Rajawali Press
- Berhe, G., & Mengesha, Y. (2019). The impact of decentralization on unemployment in Ethiopia: Evidence from Tigray Regional State. *Journal of Economics and Sustainable Development*, 10(11), 101-110.
- Devi, D. (2021). Dampak otonomi daerah terhadap kesenjangan upah antardaerah di Indonesia. *Jurnal Ilmiah Kajian Ekonomi*, 1(1), 1-15.
- Keynes, J. M. (1936). *The general theory of employment, interest, and money*. Palgrave Macmillan.
- Kim, S. (2019). The impact of decentralization on unemployment in South Korea. *Asia Pacific Journal of Public Administration*, 41(3), 170-184.
- Kiptui, M. J., Kibet, L. K., & Mutai, B. K. (2020). The impact of devolution on employment creation in Kenya: A case study of Nakuru County. *International Journal of Humanities, Arts and Social Sciences*, 6(3), 30-38.
- Layard, R., Nickell, S., & Jackman, R. (2005). *Unemployment: Macroeconomic performance and the labour market*. Oxford University Press.
- Maloney, W. F. (2011). *Understanding poverty*. World Bank Publications.
- Mankiw, N. G. (2014). *Principles of economics*. Cengage Learning.
- Muhammad, N., Rahman, M., & Hossain, M. (2019). The impact of local government autonomy on unemployment in Bangladesh. *Journal of Public Administration and Governance*, 9(1), 223-237.
- Nurrochmat, D. R., & Ghofar, A. (2021). Dampak otonomi daerah terhadap sektor ekonomi dan penyerapan tenaga kerja di Indonesia. *Jurnal Perspektif Ekonomi Darussalam*, 3(1), 1-10.
- Ogbuabor, J. E. (2016). Local government autonomy and unemployment in Nigeria: Issues and challenges. *Journal of Public Administration and Governance*, 6(4), 67-76.
- Sekaran, U. (2010). *Research methods for business: A skill-building approach*. John Wiley & Sons.
- Setiawan, A., & Herlambang, A. (2020). Dampak otonomi daerah terhadap kesenjangan ekonomi dan pengangguran di Indonesia. *Jurnal Ekonomi, Keuangan dan Bisnis Islam*, 4(2), 99-114.
- Sjahrir, B. S. (2013). *Pengantar ekonomi mikro*. Salemba Empat.
- Sufiyani, M., & Wahid, A. (2018). Dampak otonomi daerah terhadap pertumbuhan ekonomi dan pengangguran di Indonesia. *Jurnal Kajian Ekonomi dan Keuangan*, 2(1), 1-12.
- Tranfield, D., Denyer, D., & Smart, P. (2003). Towards a methodology for developing evidence-informed management knowledge by means of systematic review. *British Journal of Management*, 14(3), 207-222.
- Todaro, M. P., & Smith, S. C. (2011). *Economic development*. Pearson Education