The Link between Fiscal Decentralization and Unemployment Evidence from Indonesia

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ARTICLE INFO

Research Paper

ABSTRACT

Objectives – This article is to analyze the relationship between fiscal decentralization and unemployment in Indonesia.

Methodology- Using quantitative analysis using panel data from 37 provinces in Indonesia with data from 2017-2021 from the Central Statistics Agency and the Ministry of Finance.

Findings – The average variable independence is small but able to support the level of disbursement of 3,711 meaning the role of Regional Original Income (PAD), Special Allocation Fund (DAK), General Allocation Fund (DAU), Profit Sharing Fund (DBH), Employee Expenditure (BPG), Goods and Services Expenditure (BBJ) and Capital Expenditure (BMD) has a contribution to the unemployment rate so it can be said that fiscal decentralization has a strong relationship to the unemployment rate in Indonesia. Where the more efficient the budget allocation in fiscal decentralization, the faster it is to be able to overcome the problem of unemployment in Indonesia. With a variable value of Unemployment of 3,711, it means that each of these independent variables also shows a number that does not reach 1 so from this it can be explained that the role of the variables PAD, DAK, DAU, DBH, BPG, BBJ and BMD towards fiscal decentralization is directly not very visible but the role of the variables PAD, DAK, DAU, DBH, BPG, BBJ and BMD on the unemployment rate is quite visible even with a low average. This means that fiscal decentralization has a strong relationship with unemployment.

Renewal- analyzes the relationship between fiscal decentralization and unemployment using latent variables and indirectly analyzes fiscal decentralization with unemployment but analyzes fiscal decentralization with Degree of development, Degree of dependence, and degree of independence after which it is only analyzed with unemployment.

Key Words: Decentralization, Unemployment, APBD Allocation

INTRODUCTION

The purpose of decentralization is so that local governments in their territories can develop the potential possessed by the region. Through this decentralization policy, it can be seen the effectiveness of government administration in each region and this greatly facilitates the work of the central government so that the central government is more focused on what is the responsibility of the central government. Since the enactment of the autonomy law number 5 of 1974 where decentralization is a strategy to carry out public sector efficiency. One form of implementation of decentralization is through fictitious decentralization intending to improve the quality of public services to achieve public welfare and efficiency of resource management. Achieve public

welfare, of them is by reducing the unemployment rate because the unemployed population will not be able to meet their living needs, let alone achieve welfare such as the vision and mission contained in the fiscal decentralization policy.

Welfare can be achieved, one of which is if a country can reduce its unemployment rate. Based on a report from the Center for Budget Studies of the Expertise Agency of the DPR-RI, it is stated that the productive age population contributes significantly to Indonesia's economic growth, but on the other hand, the unemployment rate at the productive age is also high. This means that the level of education in Indonesia has not fully produced graduates who are easily absorbed by employment. The productive age population has a hand in scoring the unemployment rate in Indonesia as shown in figure 1 below.

Figure 1: The Condition of the Indonesian Labor Force According to the Level of Education Completed
Source: Report of the Center for Budget Studies of the DPR-RI Expertise Agency

The average job is dominated by laborer/employee/employee jobs in agriculture and non-farm free laborers. To support the needs of job seekers lives, the average person works in the informal sector, this happens because job seekers are very difficult to improve their skills or increase their skills to increase their productivity. Not only is the productivity of Indonesian workers low but their welfare is also low. Based on data released by BPS, the average wage/salary received by informal sector workers is the highest at Rp 4,463,388, and for formal workers receiving wages/salaries at Rp 3,515,184. (Blasques et al., 2021) and (Pompei & Selezneva, 2019) mention that productivity can reduce unemployment through education and training that impacts the welfare of workers.
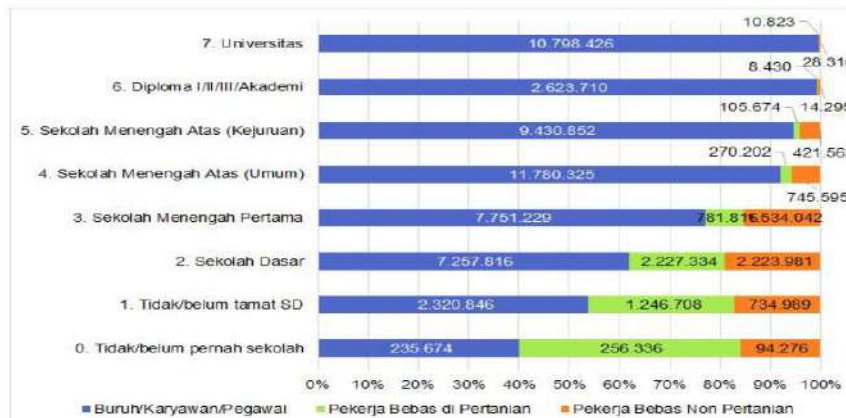

Figure 2: Workers According to the Highest Education Completed and Main Employment Status Source: Report of the Center for Budget Studies of the DPR-RI Expertise Agency

One of the problems facing developing countries such as Indonesia is unemployment. Based on data published by the Central Statistics Agency, unemployment in Indonesia in 2022 reached 8.4 million people or 5.83% of the total labor force of 144.04 million people. This figure shows an increase from 2021 amounting to 6.49%. Especially with the Covid-19 case that hit Indonesia, has further triggered a high unemployment rate of 7.07% due to many layoffs in companies. Based on data from the World Bank in 2021, unemployment

in Indonesia is 6.49% of the working-age population of 208.54 million people and 14 percent of them are diploma and undergraduate graduates.
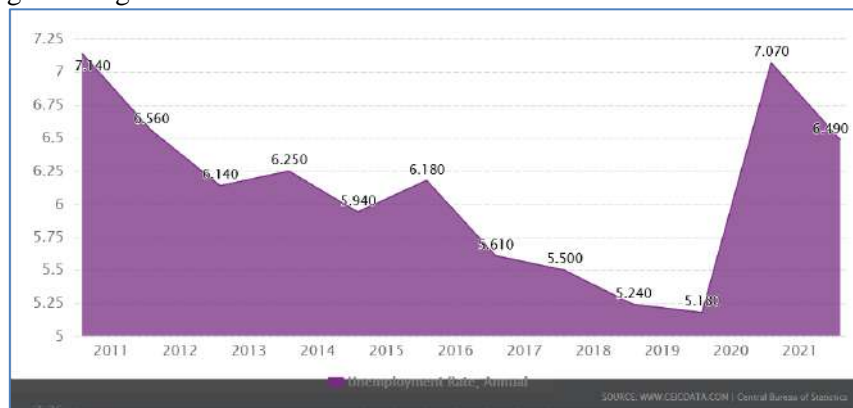

Figure 3: Unemployment Rate in Indonesia in 2011-2021
Source: www ceicdata.com

Keynes argued that to overcome the problem of unemployment, the government can do it through government spending, namely by increasing aggregate demand because increasing aggregate demand will have an impact on increasing employment opportunities and reducing unemployment. This means that the problem of unemployment is not biased to be left to free market mechanisms so it needs government intervention. Because if the number of workers increases and the wage rate falls, this will have an impact on people's purchasing power which also falls. Therefore, the government through its authority can formulate policies and programs to overcome the problem of unemployment in its government areas, one of which is through fiscal policy. Because the purpose of fiscal decentralization is to improve the performance of the public sector, this fiscal decentralization policy hopes that the central and local governments can be closer and more responsive to the needs of their communities.(Oates, 1999).

Fiscal decentralization in Indonesia is characterized by the devolution of central government spending responsibilities to the district level with the consequence that the central government must finance most of the decentralized spending at the regional level (Lewis & Oosterman, 2009). Since the implementation of regional autonomy in 1998 in Indonesia where fiscal decentralization began to be officially implemented in 2001. Fiscal decentralization is the implementation of regional autonomy. Fiscal Decentralization is the delegation of authority and responsibility in the fiscal field to create independence in the regions. The purpose of this fiscal decentralization is to fulfill the aspirations that exist in the regions related to state financial resources to reduce inequality, ensure public services and improve public welfare. (Nurhemi, 2015).

When fiscal decentralization is implemented, local governments must get support from the central government such as subsidies or loans derived from Regional Original Income (PAD), equalization funds from the central government, and additional tax costs. (Hastuti, 2018). In fiscal decentralization, some things must be considered, especially factors of fiscal potential, fiscal needs, internal control, financial performance, and economic performance conditions which are the main variables to determine the financial needs of a region (Muda et al., 2014). The role of the government is to improve people's welfare, community welfare can be realized if the economy of a country/region grows, and for the economy to grow, one of the indicators is the availability of jobs for the working-age population so that unemployment can be suppressed. Because the benchmark of successful autonomy is the success of fiscal decentralization.

(Akhmad, Noer Azam Achsani, 2012) mentioning in the fiscal policy carried out by local governments shows that capital expenditure can encourage private investment which can also encourage an increase in Regional Gross Domestic Product and reduce the unemployment rate and inflation meaning that budget policies have a better impact compared to policies to increase or decrease Regional Native Income (PAD). mentioning in the fiscal policy carried out by local governments shows that capital expenditure can encourage private investment which can also encourage an increase in Regional Gross Domestic Product and reduce the unemployment rate and inflation meaning that budget policies have a better impact compared to policies to increase or decrease Regional Native Income (PAD).

Based on data from the Ministry of Finance, welfare indicators show that the achievement of the Open Unemployment Rate (TPT) indicator of 7.07% means that there are 7 unemployed people out of 100 people in the labor force, this figure is an increase of 1.84% from the previous year. The Gini ratio of 0.381% means that there is an increase for the population group with the lowest income and income while for the population with high income, it is decreasing from here it is concluded that there is an improvement in inequality. The percentage of poor people in 2021 increased to 10.14% whereas the previous year was 9.78% there was an increase of 0.36%. Meanwhile, the HDI was 72.29%, which increased by 0.49% from 2020 which was only 71.94%.
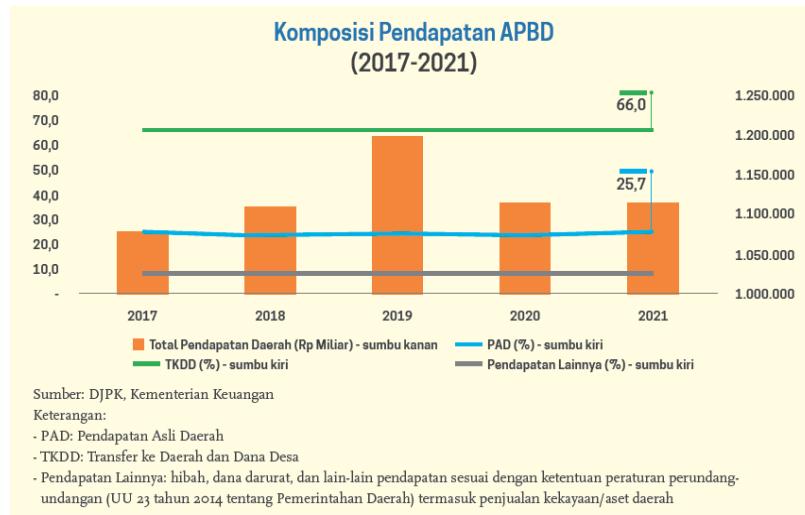
Figure 4: State Budget Allocation for Regions in 2017-2021
Source: DGT, Ministry of Finance

Based on figure 3, the most widely used budget allocation is used for employee spending with a portion of 33.8% or Rp 367.5 trillion from Rp 1,088.6 trillion in total regional expenditure. After that, the portion of shopping for goods and services (Badung, 2022). Regional spending aims to prosper the community because the higher the income of an area, the more independent an area is because it can finance its expenditure.
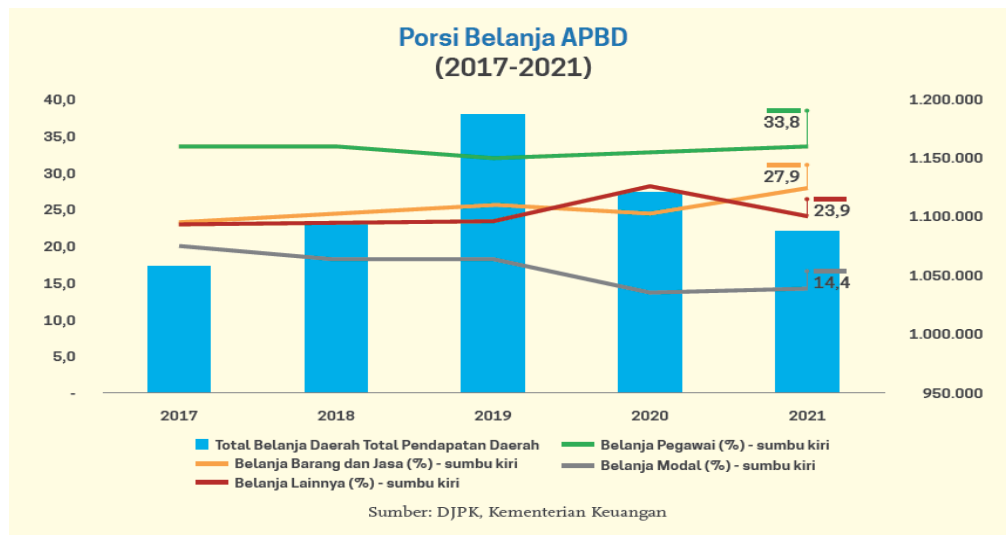
Figure 5: APBD Shopping Portion
Source: DGT, Ministry of Finance

Regulations in the implementation of fiscal decentralization in Indonesia have been started from Law No. 22 of 1999 to Law Number 2 of 2021. Through the fiscal decentralization policy after Law No. 22 and 25 of 1999, it is regulated that the portion of state budget transfers to the regions increases by 32.06% of state expenditure and there is an increase in the authority of local governments in collecting taxes. Where in principle the implementation of fiscal decentralization focuses more on funding expenditures through transfer

funds that focus more on the needs of a region by the mission of fiscal decentralization, namely minimizing inequality, the efficiency of national resource allocation, the flexibility of regional spending to achieve specified minimum service standards, alignment in the budget between local and central governments to achieve optimal public services.

During the implementation of fiscal decentralization in Indonesia, efforts to improve welfare by reducing the unemployment rate, where what is used is sourced from transfer funds. Transfer funds have been allocated to finance the needs of an area, all of which have been budgeted in the state budget. The development of transfer funds can be seen in figure 1, where since 2001 the amount of transfer funds has increased by 145.06% or Rp 33.07 trillion but along with the occurrence of Covid-19 the increase to Rp 762.54 trillion. This increase is an illustration of the government's efforts to improve community welfare and increase the acceleration of development in the regions. For 2022 the budget is allocated to help the poor, help people who have lost their jobs due to Covid-19, health, and others.

Figure 6. Development of Transfer Funds in 1996-2020
Source: Ministry of Finance

The linkage between fiscal decentralization and unemployment is related to the principle of fiscal decentralization itself. Previous studies have stated that this decentralization, is not able to improve the prospects of job seekers besides that it will also require large fiscal costs so decentralization reform requires a careful assessment of potential incentives for fiscal problems and externalities to avoid unintended consequences. (Mergele & Weber, 2020). Studies conducted (Putro, 2016) mentioned that the regional budget allocation has not been fully able to address unemployment.

Research conducted (Mahdavi & Alanis, 2013) states that public expenditure by the government has a negative influence on improving the unemployment rate although public expenditure is also supported by subsidies, salaries, or expenditures of employees and social insurance it also hurts unemployment. (Murwirapachena et al., 2013) It states that government consumption expenditure and taxes have a positive effect on unemployment while government investment expenditure negatively affects unemployment. .(Onwuka, 2021) mentions that government spending has a negative and significant effect on unemployment.

The purpose of this article is to explain the relationship between fiscal decentralization and unemployment in Indonesia. Indonesia was chosen as the object of this study because first, Indonesia experienced a phase where there was a change in the government authority system from centralization to decentralization, this would certainly affect the decision-making process at the central and local government levels. Second, Indonesia is a developing country with a population of 275.77 million people with an unemployment rate dominated by the productive age according to data from the International Labor Organization (ILO) compiled by the World Bank that the unemployment rate in Indonesia is at the age of 15-24 years reaching 16% and Indonesia is second only to Brunei Darussalam which is next in third place

Malaysia (15.6%), East Timor (13.8%) and Singapore (9.1%). This article is based on data published by the Central Statistics Agency (BPS) for the provincial level in Indonesia.

The challenges of fiscal decentralization in Indonesia are: (1) the utilization of Transfers to Regions and Village Funds (TKDD) (2) the low local tax ratio (3) the lack of optimal spending quality structure (4) there is no synergy between the central and regional governments for fiscal (5) there are limitations in alternative financing (Kemenkeu 2021). The challenges of fiscal decentralization in Indonesia are: (1) the utilization of Transfers to Regions and Village Funds (TKDD) (2) the low local tax ratio (3) the lack of optimal spending quality structure (4) there is no synergy between the central and regional governments for fiscal (5) there are limitations in alternative financing (Saputri, 2021).

The Center for Budget Studies of the Expertise Agency of the DPR-RI released that during 2021 the allocation of transfer funds to the tend regions showed a downward trend such as the TKDD budget allocation, DAU tended to experience a decline due to the Covid-19 pandemic, while DAK had an increasing tendency but this could not be realized because the government's fiscal ability to cause the DAK in 2021 to be the same as the DAK in 2020, The Regional Incentive Fund (DID) has decreased due to limited fiscal capacity.

The financial independence of a region can be seen from the absence of dependence on the central and external parties. Based on data published by BPS, the average level of independence of regencies/cities in Indonesia is still very low, namely 25.7% of the average ratio of PAD to regional income in 2021. This means that there are 514 regencies/cities that have a dependence on the center, which is 66.0% (Badung, 2022).

This article offers the originality that exists related to topics that occur in Indonesia. First, this article accommodates an important issue that has not been discussed by previous studies, namely endogeneity between variables by applying the estimation method. Later this article will also implement a measure of expenditure-based decentralization, which is more suitable for Indonesia, and finally, this article provides policy recommendations to assist the Indonesian government in addressing the relationship between fiscal decentralization and unemployment. Second, this article uses panel data and uses common effects and fixed effects, and random effects.

BIBLIOGRAPHY REVIEW

Unemployment has an impact on a country's economic downturn. The occurrence of unemployment in an area is due to the imbalance between labor demand and labor supply. This greatly affects the economic growth of a country where the welfare of a country's population will decrease if social inequality expands and there is an increase in poverty as a result of the vertical increase in the unemployment rate in the country (Papadakis et al., 2022).

The demand for labor occurs because the production of goods of an enterprise increases so it is necessary to increase the number of workers for the production process. Meanwhile, labor supply is synonymous with increasing the number of workers in a country (Novia Dani Pramusinto & Mulyaningsih, 2019). This is reinforced by the results of studies from (Kotir et al., 2022) Mentioning that the demand for labor can contribute to the business sector in a country and have an impact on state income.

Job growth follows the paradigm of employment (Assaad et al., 2020), Unemployment occurs due to an imbalance between the demand and supply of labor (Putro, 2016) In addition, the low quality and skills of the workforce are also alleged to be a trigger for unemployment (Maryanti, 2012).

The total amount of labor provided for the economy depends on the population, the percentage of the population entering the labor force, and the number of hours worked by labor. A small amount of labor demand will result in an oversupply of workers who offer to work, the result is unemployment so local governments have a very important role in facilitating and coordinating the design and implementation of policies to reduce the unemployment rate (Novia Dani Pramusinto & Mulyaningsih, 2019).

One of the efforts made by local governments is to increase Gross Regional Domestic Product (GRDP) to overcome unemployment although several studies in several regions in Indonesia show that GRDP has a significant effect on employment for several business sectors. (N.D Pramusinto & Daerobi, 2020). Because GRDP has links with Local Revenue, General Allocation Fund, Profit Sharing Fund, Inflation, Foreign Investment, Domestic InvestmentGovernment, and Labor Expenditure.

Bardhan (2002) The involvement of local governments in decision-making in their government areas will tend to give responsibility, provide public goods and act as agents to the people of the region. The fiscal decentralization policy implemented in Indonesia certainly provides opportunities for local governments to be able to increase per capita income through the programs that have been implemented. Estuary fiscal

decentralization from the form of delegation of authority from the central government to the regions (Arinaitwe et al., 2021) so that every problem in all regions in Indonesia can be resolved because the local government understands the conditions of the working area.

Funds managed by local governments through fiscal decentralization policies can be efficient in their distribution, of course, through institutional governance and human resources, and in this case, local governments have the responsibility to build infrastructure, and higher resources to achieve community welfare. .(Shao & Razzaq, 2022).

Fiscal decentralization has an impact on a region where fiscal decentralization can widen vertical imbalances so that local governments become more dependent on transfers, and local and central debt increases (Guo et al., 2022). Thus giving rise to the negative effect of decentralization there is a gap in job search rates (Mergele & Weber, 2020). Increased government spending can increase aggregate demand, tighten the job market and reduce unemployment whereas increased government spending can reduce the risk of more unemployment (Albertini et al., 2020).

Fiscal decentralization policies can produce conflicting effects in the long term such as growth and prosperity. In addition, it can also create an oversupply of labor and higher unemployment because many costs must be incurred to finance the implementation of the policy (Agénor & Lim, 2018). However, when government spending can be allocated as it should be, it will have an impact on the regional/state economy.

But the reality is that not all government spending can be absorbed and utilized appropriately.(Setiawan & Aritenang, 2019) The fuss is that fiscal centralization can have a negative impact because there is still income disparity due to the high unemployment rate, so efforts are needed to reduce the economic imbalance that occurs.

For the implementation of fiscal decentralization to run effectively and efficiently, according (Siburian, 2022) It takes the active role of the community to supervise the utilization of resources by the regional government because regular supervision is needed to maintain the performance of local governments in providing public goods efficiently.

(Chletsos & Sintos, 2022) Unemployment will have an impact on four policies: deregulation of the labor market, reforms requiring privatization, external reforms, and fiscal policy reforms that limit government spending.(Hasna & Novitasari, 2018) Every local government will try to finance government spending, one of which is to reduce the unemployment rate through its local government policies because the best policy, one of which is to move jobs to areas with high unemployment rates. (Durand-Lasserve, 2022) Fiscal policy, one of them has an impact on unemployment because of the subsidies that will be provided by the government to job seekers so that every year the government has to make fiscal adjustments related to the budget that has been spent.

According to (Michaillat & Saez, 2021) The side effects of fiscal decentralization can be seen in social welfare, one of which is unemployment using the unemployment gap if there is a gap between the actual unemployment rate and the efficient unemployment rate, where this unemployment gap is a determining factor in measuring the optimization of fiscal policy because it can measure the impact of fiscal decentralization on welfare through unemployment.

RESEARCH METHODS
Data and Research variables
The study used data on 37 provinces in Indonesia from 2017-2021 from the Central Statistics Agency and the Ministry of Finance. The variables used in this study were fiscal decentralization and unemployment rates. The variables of fiscal decentralization used are the degree of dependence, the degree of development, and the degree of independence. The entire population in this study used 37 provinces and all of these populations were sampled.

Empirical Analysis
The data analysis used in this study is a quantitative analysis where the model used in this article adopts from the model created by (Putro, 2016) dan (Onwuka, 2021) What distinguishes the research from others is that in this study 37 provinces were taken (taking Indonesian data) and carried out variable latent calculations:

$$UNEMP_{it} = \alpha + \beta_1 PAD_{it} + \beta_2 DAU_{it} + \beta_3 DAK_{it} + \beta_4 DBH_{it} + \beta_5 BPG_{it} + \beta_6 BBJ_{it} + \beta_7 BMD_{it-2} + \varepsilon_{it} \qquad (1)$$

Information:

α	= Constant
ε	= error rate
β	= Coefficient
UNEMP	= Unemployment Rate (TPT)
PAD	= Local Revenue
DAK	= Special Allocation Fund
DAU	= General Allocation Fund
DBH	= Revenue Sharing Fund
BPG	= Employee Shopping
BBJ	= Shop for Goods and Services
BMD	= Capital Expenditures

Latent variables of fiscal decentralization:

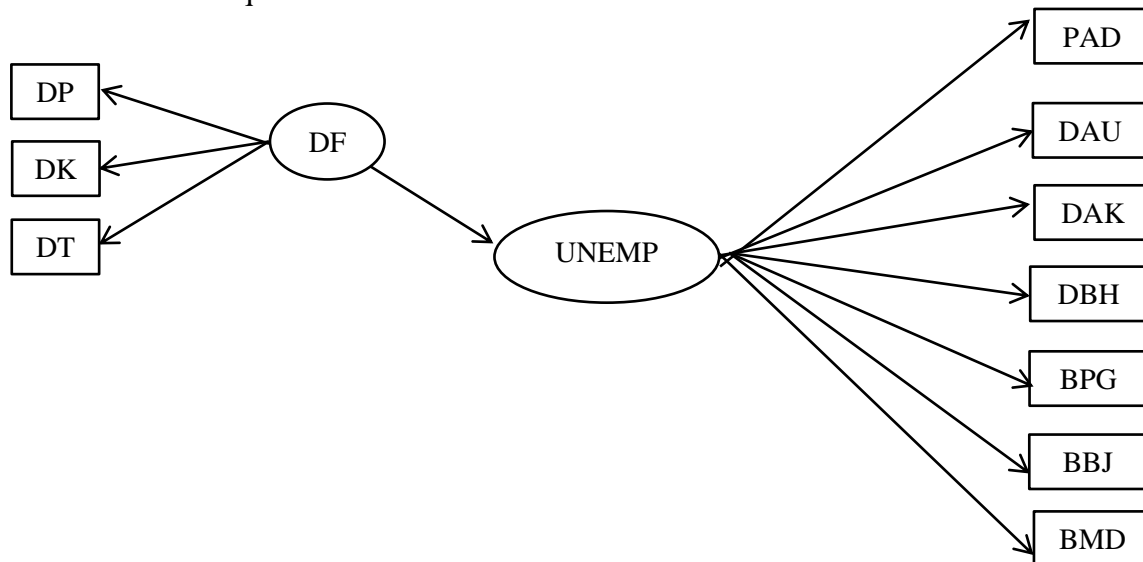$$DP = \lambda_{DP} DF + \varepsilon_1 \quad (2)$$
$$DK = \lambda_{DK} DF + \varepsilon_2 \quad (3)$$
$$DT = \lambda_{DT} DF + \varepsilon_3 \quad (4)$$

Information:

DP = Degree of Development
DK = Degree of Independence
DT = Drajat Dependence
DF = Fiscal Decentralization

Construction of Equations

RESULTS AND DISCUSSION

Based on table 1 of 185 observations made on 37 provinces using panel data shows that the average value (Mean) for the fiscal decentralization variable of 0.21 means that the percentage comparison of fiscal decentralization with Development Degree, Degree of Independence, and Degree of Dependence is 21%. The average Development Degree of 32.32 Degrees of Independence of 42.45 and the Degree of Dependence of 52.15 means that the Degree of Development in Indonesia is still not optimal because it is only at an average of 32.32 this is supported by the lack of regional independence since fiscal decentralization was implemented,

which shows an average of 42.45 where the level of dependence is still 52.25 so that with this condition it certainly has an impact on the implementation of fiscal decentralization.

Table 1: Descriptive Statistical Results of Research Variables

Variable	Observation	Average	Standard Deviation
Desentralisasi Fiskal	185	0,21	0,182
DP	185	32,32	0,994
DK	185	42,45	17,37
DT	185	52,15	15,54
UNEMP	185	3,711	3,080
PAD	185	0,042	0,006
DAK	185	0,780	0,752
DAU	185	0,126	0,467
DBH	185	0,041	0,015
BPG	185	0,140	0,372
BBJ	185	0,025	0,005
BMD	185	0,027	0,003

Source: Processed Data

To determine the average unemployment rate against the variables of Regional Original Income (PAD), Special Allocation Fund (DAK), General Allocation Fund (DAU), Profit Sharing Fund (DBH), Employee Expenditure (BPG), Goods and Services Expenditure (BBJ) and Capital Expenditure (BMD) shows an average of 3,711 with PAD of 0.042, DAK of 0.780, DAU of 0.126, DBH of 0.041, BPG of 0.140 BPJ of 0.025 and BMD of 0.027 meaning the comparison of Unemployment variables to PAD variables, DAK, DAU, DBH, BPG, BBJ, and BMD were only 3,711. This means that the independent variable on average contributes to the Unemployment variable, which is quite large, namely 3,711. Where the average of each independent variable also shows a number that does not reach 1 so from this it can be explained that the role of the variables PAD, DAK, DAU, DBH, BPG, BBJ, and BMD towards fiscal decentralization is directly not very visible but the role of the variables PAD, DAK, DAU, DBH, BPG, BBJ and BMD to the unemployment rate is quite visible even with a low average.

The results of this study show strong evidence between fiscal decentralization and unemployment. Where the fiscal decentralization policy provides a function to help a region to reduce unemployment, this is very helpful because overcoming the problems of each region is very different so it needs special treatment in each region and it is impossible to handle it uniformly by the central government. So it needs control from the central and local governments. Through this article, regular monitoring of the performance of local governments is also carried out to reduce the unemployment rate in their respective regions. Where the government must also provide minimum standards for local government's efforts to reduce the unemployment rate.

If analyzed related to fiscal independence against unemployment, it shows that the ability of PAD in provinces in Indonesia has a negative but significant effect. This means that the management of the regional budget in each region is considered to be by the allocation of the APBD funds. So that in fiscal independence can be achieved this is a success of local governments but it is necessary to develop resource autonomy to improve public services so that PAD can be maximized its designation. In terms of budget distribution, it shows that DAK and DAU have a positive relationship with the unemployment rate in Indonesia, but DBH, it shows negative results on unemployment.

When viewed from the regional budget allocation, it can be concluded that there are regional budget allocation items that have a significant impact on unemployment such as employee spending while goods and services spending has a positive impact on unemployment. Therefore, investors are needed to be able to build

the region so that it can create jobs in each region in Indonesia so that the unemployment rate can be reduced to a minimum. However, there is still a need for supervision related to the performance of local governments in managing their regional budget allocations.

Dependent Variable: TPT

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	10,26064	0,701775	14,62099	0,0000
PAD	-0,158431	0,042972	-3,686860	0,0006
DAU	-0,092572	0,126267	-0,733147	0,4674
DAK	-0,276168	0,780624	-0,353779	0,7252
DBH	-0,104129	0,041258	-2,523845	0,0154
BPG	-0,126326	0,140289	-0,900472	0,3729
BBJ	0,097710	0,025742	3,795681	0,0005
BMD(-2)	-0,085363	0,027899	-3,059663	0,0038
R-squared	0,870927	**F-statistic**		18,13405
Adjusted R-squared	0,822900	**Prob (F-statistic)**		0,000000
Durbin-Watson stat	1,937233			

Table 2: Variable Processed Results

Source : Processed Data

Based on table 2, the unemployment rate equation is obtained against the variables PAD, DAU, DAK, DBH, BPG, BBJ and BMD, namely:

$$UNEMP\ (TPT) = 10,260 - 0,158PAD - 0,093DAU - 0,276DAK - 0,104DBH - 0,125BPG + 0,098\ BBJ - 0,0085\ BMD$$

If an analysis is carried out between the unemployment rate against the variables PAD, DAU, DAK, DBH, BPG, BBJ, and BMD, it shows that the R squared value of 0.871 means that the distribution of dependent variables can be explained by independent variables. While the Adjusted R Squared value of 0.823 indicates the level of confidence in adding independent variables precisely in adding to the predictive power of the model. So it can be concluded that the R squared is 0.871 where 87.1% of the variable unemployment rate is influenced by independent variables, namely PAD, DAU, DAK, DBH, BPG, BBJ, and BMD. This is supported by a small average level of variable independents but able to support a reduction rate of 3,711 meaning the role of Regional Original Income (PAD), Special Allocation Fund (DAK), General Allocation Fund (DAU), Profit Sharing Fund (DBH), Employee Expenditure (BPG), Goods and Services Expenditure (BBJ) and Capital Expenditure (BMD) has a contribution to the unemployment rate so it can be said that fiscal decentralization has a strong relationship to the unemployment rate in Indonesian. Where the more efficient the budget allocation in fiscal decentralization, the faster it is to be able to overcome the problem of unemployment in Indonesia.

CONCLUSION

Regional budget allocations still need supervision in their allocation so that they can be used for proper allocation. Fiscal decentralization has an impact on unemployment in the Indonesian territory. This can be seen from the results of DAK and DAU funds as well as the level of dependence and regional independence and the management of the regional budget is appropriate but still needs supervision from the central and regional governments.

Fiscal decentralization through the use of the Regional Original Revenue (PAD) budget, Special Allocation Fund (DAK), General Allocation Fund (DAU), Profit Sharing Fund (DBH), Employee Expenditure (BPG), Goods and Services Expenditure (BBJ) and Capital Expenditure (BMD) has a contribution or relationship to the unemployment rate in Indonesia.

So it is hoped that the government can be more efficient and effective in managing the budget so that the budget disbursed can be used to reduce the unemployment rate in Indonesia, one of which is providing training and increasing knowledge, and helping in the business world which has an impact on the decreasing unemployment rate in Indonesia.

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