



## THE EFFECT OF INFLATION ON WORKERS AND EMPLOYEE SALARIES IN SEMARANG CITY

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### Abstract

This research aims to analyze the effect of inflation on the salaries of workers and employees in Semarang City. Inflation is a macroeconomic factor that can influence the economic growth of society, including workers and employees. The method used in this research is qualitative with a case study approach, data obtained from surveys and in-depth interviews with several employees in various sectors. The research results show that inflation has a significant influence on the salaries of workers/employees in Semarang City. High inflation rates tend to be accompanied by increases in salaries, but this is not always commensurate with increases in the cost of living. It is hoped that this research will provide insight for policy makers in determining wage strategies that are fairer and more responsive to inflationary conditions.

**Keywords:** *Inflation, Labor/Employee Salaries, Semarang City.*

## **INTRODUCTION**

Inflation is an economic phenomenon that refers to a general increase in the prices of goods and services over a certain period of time. In Indonesia, especially in the city of Semarang, inflation not only affects the purchasing power of society as a whole, but also has a significant impact on the welfare of workers and employees. Inflation causes an increase in the cost of living, so that the wages received by workers tend to be insufficient to meet their daily needs if there are no appropriate salary adjustments.

In the city of Semarang, which is one of the economic centers in Central Java, many workers and employees work in the industrial, service and trade sectors. When inflation increases, the cost of living in this city also increases, starting from basic necessities, transportation costs, to housing. If wages/salaries do not increase in line with the rate of inflation, their ability to meet their daily living needs will decrease. As a result, the welfare of workers and employees can be disrupted, which in turn has the potential to affect work productivity and economic stability in the area.

Therefore, it is important for the government, employers and labor unions in the city of Semarang to continue to monitor the impact of inflation on workers' living standards. Wage policies, such as adjustments to the city minimum wage (UMK), must be carried out taking into account the rate of inflation so that workers and employees can maintain their purchasing power and welfare. This problem is relevant and considering that the city of Semarang continues to develop as an industrial and service city, so that the balance between rising inflation and increasing wages is a key factor in maintaining socio-economic stability in the city.

## **LITERATURE REVIEW**

### **INFLATION**

Inflation is a condition where the prices of goods and services continue to increase over a certain period. Every country faces the problem of inflation. Because the level of inflation that occurs in a country is a measure of the economic problems faced by that country. So, the government needs to determine appropriate regulations to maintain and monitor the

inflation rate. When inflation is high, it can have a negative effect on the economy, namely causing a decrease in the level of economic growth, which causes an increase in unemployment (Kairupan, 2013). Inflation has an impact on output and employment opportunities, industry can produce more or less than it does depending on how much inflation the company experiences.

Besides that, inflation also affects economic growth. Inflation is a process of continuously increasing product prices or an economic situation that shows a tendency to increase the general price level (price level). David Hume (1771-1776) developed the quantity theory of money.

According to Mankiw (2003), determining salaries or wages cannot be separated from the employee relationship itself, which is then interpreted through the determination of others in the economy which has been determined through the potential aspects of demand and supply. Wages or salaries are an important factor in employee motivation. This does not mean that the wage level is the main driving force, the wage level is only a boost to the level where wages do not adequately meet the living needs of employees (Hendra & Yuliana, 2019).

Inflation is a social and economic indicator that cannot be ignored because it has a big impact on the economy and ensures people's welfare. In countries where inflation is very high, unstable, people's desire to save is reduced, they are reluctant to invest, and export financing is difficult. Inflation reduces workers' purchasing power, which in turn reduces consumption levels. Inflation is part of economic growth. If the inflation rate is high, growth can slow down. When inflation is relatively low and stable, growth can be encouraged (Muqrobi & Pujiati, 2011).

## **SALARY/WAGES**

Wages are compensation for services that a person receives in an employment relationship in the form of money or goods, through a work agreement, compensation for services and is intended to meet the needs of himself and his family. In terms of economic theory, wages are payments obtained from various forms of services provided and rendered by workers to entrepreneurs, Sadono Sukirno (2002:353)

## RESEARCH METHODOLOGY

In this research, the method used is a qualitative approach with a descriptive method, namely the data collected is in the form of words and not numbers. According to Indriantoro and Supono (2012:26), descriptive research is research on problems in the form of current facts from a population.

According to Melong (2017:6) qualitative research is research that intends to understand what phenomena are experienced by research subjects such as behavior, perception, motivation, actions and so on holistically and by means of descriptions in the form of words and language, at a time. special natural contexts by utilizing various natural methods.

Data collection techniques in this research are observation, interviews and documentation. The types of methods will be explained as follows:

a. Interview

According to Moleong (2005: 186), an interview is a conversation with a specific purpose, the conversation is carried out by two parties, namely the interviewer who asks questions and the interviewee who provides answers to the questions.

An interview is a conversation process with the aim of constructing knowledge about people, events, organizations, motivations, feelings, and so on carried out by two parties. Interviews are a very popular data collection method, therefore they are widely used in various studies (Burhan Bungin, 2003:155)

b. Observation

According to W. Gulo (2002: 116), it is a data collection method where researchers record information as they see it during research. Observation involves two components, namely the observer or observer and the object being observed.

c. Documentation

Documentation is the collection of data obtained from documents and libraries as material in this research. Documentation in this research is needed to sharpen the research analysis.

## RESULT AND DISCUSSION

Semarang City, as the capital of Central Java Province, is one of the main economic centers in the region. The workforce population in Semarang consists of two large groups, namely employees and laborers who work in various sectors, such as the manufacturing industry, services, trade, transportation, and others. Based on data from the Central Java Central Statistics Agency (BPS) (2022), the manufacturing sector is one of the dominant sectors that employs many workers, while employees are more spread out in the service, government and corporate sectors.

Most workers in the manufacturing sector work in medium to large scale factories, especially in the textile, food and beverage and logistics industries. Meanwhile, employees generally work in service companies, banking, education and the public service sector. In the context of adjusting salaries/wages to inflation, both employees and workers face different challenges based on the sector in which they work.

One important result of the analysis is that there is a significant income gap between employees and laborers in the city of Semarang. Employees in the service sector or who work in large companies generally receive higher salaries than workers who work in the manufacturing sector or the informal sector. This is reflected in survey data which shows that the opinions of employees with higher education and longer work experience are usually far above the minimum wage. Meanwhile, workers who work in factories or the informal sector, such as casual daily workers, often earn wages that are close to or even below the minimum wage. This gap causes a significant difference in purchasing power between the two. Workers are more vulnerable to the impact of inflation because of their dependence on minimum wages set by the government, while employees tend to be more able to adjust to inflationary conditions through additional income or benefits from the company.

Most workers and employees in the city of Semarang feel that efforts to adjust salaries/wages to inflation are still inadequate. Workers in labor-intensive industrial sectors, such as textiles and food, often experience delays in receiving salary increases. Apart from that, workers in the informal sector such as street vendors or casual workers do not always receive protection from minimum wage policies. This sparked dissatisfaction among workers, which in some cases led to increased demands from trade unions for improved working conditions.

Meanwhile, employees in the formal sector benefit more from company facilities, such as transportation allowances, meals or health insurance which can reduce their expenses. However, among lower level employees, such as administrative staff, salary adjustments are often not commensurate with increases in goods prices.

The influence of inflation on the salaries of employees and workers in the city of Semarang shows that there is an urgent need to develop wage policies that are more adaptive and responsive to inflation. An increase in the city minimum wage (UMK) that is not balanced with the rate of inflation can reduce the welfare of workers, especially workers in labor-intensive sectors. Local governments and employers need to have an open dialogue with trade unions to ensure inflation, but also consider the overall economic conditions of workers.

Protection for workers in the informal sector must be strengthened, because they are often neglected in formal wage policies. Increasing access to skills training and employment opportunities in the formal sector can also be a long-term solution to reduce workers' dependence on low-wage jobs.

## **CONCLUSION**

The influence of inflation on the salaries of workers and employees in the city of Semarang highlights the importance of salary/wage adjustment policies that take into account the increase in the cost of living. Even though there are efforts to increase the minimum wage, workers' purchasing power is still under pressure, especially in sectors where salaries are still relatively stagnant. Therefore, policies that are more responsive to inflation dynamics are very important to maintain the economic and social welfare of workers in the city of Semarang.

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