

Analysis of the Indonesian Government's Efforts to Reduce the Unemployment Rate: A Review of the Literature Study

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ARTICLE INFO

Keywords:

Government Policy;
Unemployment;
Labor Market;
Policy Effectiveness;
Literature Review

Article history:

Received 2025-08-22

Revised 2025-09-24

Accepted 2025-11-11

ABSTRACT

Unemployment remains one of the major challenges faced by Indonesia. The government has implemented various policies such as the Pre-Employment Card (Kartu Prakerja), vocational education, labor-intensive programs, and regulatory reforms through the Job Creation Law. This study aims to analyze the effectiveness of the Indonesian government's efforts to reduce unemployment based on previous research using a qualitative descriptive approach through a literature review. The findings indicate that government policies have had a positive impact on improving skills and maintaining social stability; however, their effectiveness remains limited due to weak inter-agency coordination, skill mismatches between workers and industry needs, and a lack of sustainable employment opportunities. Therefore, stronger synergy among programs and better alignment between training and industrial demands are needed to ensure that government policies have a tangible impact on reducing national unemployment rates.

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1. INTRODUCTION

Indonesia is the country with the largest population in Southeast Asia and the fourth in the world, with a population of around 285.7 million people (*Worldmeters*, 2025). This rapid population growth not only shows the great potential of human resources but also brings complex consequences to the national economic structure, including increasing challenges in the provision of jobs. One of the main problems that arises due to this condition is the high unemployment rate in Indonesia.

Unemployment is a problem that every country has, even in developed countries. Like the human body, if it is affected by a disease, it is not able to carry out activities optimally. It is the same with a country, where the state is a system whose components are interrelated with each other. One of these components is Human Resources (HR). Large population is one of the characteristics of population

problems in Indonesia. Other population problems are high population growth, uneven distribution, and young population composition. The population density in Indonesia causes various kinds of social problems such as poverty, congestion, unemployment, employment and so on. Population problems often have to do with

Employment problems. An example is population density or increasing population growth which affects the increase in the need for labor supply. An increase in labor supply without being accompanied by an increase in job opportunities will create new problems. Various problems in Indonesia's labor force continue to emerge to this day, such as an imbalance between the number of labor force and job opportunities, relatively low labor quality, uneven distribution of labor, and unemployment. One of these problems is the rising unemployment rate, (Madjid1 & Umar2, 2023)

Unemployment is one of the important indicators in the field of employment which is generally considered to be the most recognized and most widely used measure to assess the condition of a country's labor market. According to *International Labour Organization (ILO)* in *Key Indicators of the Labour Market (KILM)*, the unemployment rate reflects the extent to which the national workforce has not been optimally absorbed into economic activities. Together with the indicator of the ratio of unemployment to population, this measure provides a comprehensive picture of a country's ability to provide employment for the working-age population. Thus, the unemployment rate not only reflects a lack of job opportunities, but is also a key indicator for understanding the dynamics and effectiveness of the labor market at the national level (*International Labour Organization (ILO)*, 2016)

The COVID-19 pandemic in 2020 also worsened employment conditions in Indonesia. In a relatively short time, the COVID-19 pandemic has had a very wide impact on various aspects of life. This pandemic not only has an impact on the health sector, but also suppresses the economic, educational, and social activities of the community. To suppress the spread of the virus, the government implemented various policies such as Large-Scale Social Restrictions (PSBB) and lockdowns. Although these steps are taken to maintain public safety, the consequences are disruption of economic activities and decreased national productivity. This condition weakens the resilience of the business sector, so that many companies are unable to pay workers' wages due to the slowdown in the production process and the lack of financial liquidity. As a result, there has been a large wave of Termination of Employment (PHK) in various industrial sectors as the last effort of business actors to maintain the survival of companies. This event shows the fragility of the national employment structure in the midst of a global crisis situation (Oktaviana & Rahmawati, 2020)

In addition to economic factors, the high unemployment rate is also caused by a mismatch between labor skills and industrial needs (skill mismatch). Study Prayudhani (2020) shows that the level of qualification non-conformity in Indonesia is 44.8% based on August 2019 Sakernas data. This condition shows that the world of education and training in Indonesia is not fully able to produce a workforce that meets market needs. In other words, an increase in the number of highly educated graduates does not automatically reduce the unemployment rate if it is not accompanied by the relevance of skills to the world of work. In other words, an increase in the number of highly educated graduates does not automatically reduce the unemployment rate if it is not accompanied by the relevance of skills to the world of work.

Socially and economically, the impact of unemployment is vast and complex. For individuals, losing their jobs can lower their income and create psychological distress such as stress, anxiety, and insecurity about the future. On a national scale, unemployment can exacerbate poverty levels, widen social gaps across communities, and potentially create social instability if prolonged without effective policy interventions (Septiyanti, Putri, Zirani, & Pangestoeti, 2016). Therefore, unemployment is not just an economic problem, but also a social issue that requires comprehensive policies so that it does not develop into a multidimensional crisis in society.

A number of studies show that various government policies have been implemented to overcome unemployment, but their effectiveness is still not optimal. Lusiana et al (2024) emphasized that unemployment remains a major problem even though the government has made various efforts such

as improving the education system, job creation, training programs, and simplifying investment licensing. They argue that the problem of unemployment cannot be overcome through a single policy because it is a multidimensional problem and interrelated between economic, social, and educational dimensions. The same thing was also conveyed by KH et al (2023), which explains that government policies during the post-pandemic recovery period such as the Pre-Employment Card program have played a role in helping to improve the skills of the workforce through competency-based training. In addition to the pre-employment card, the government also optimizes the Job Training Center (BLK), provides tax incentives, credit relaxation, and the expansion of employment social security for people affected by the pandemic. However, the policy is not entirely sufficient in reducing the unemployment rate due to the weak absorption of the industrial sector into new workers and uneven access to training in all regions.

Other research by Kurniawan & Azis (2021) It also shows that although labor-intensive programs and productive social assistance are able to maintain people's purchasing power and provide temporary jobs, they are not enough to create new sustainable jobs. The program is more short-term and reactive to economic emergency conditions, such as the impact of the COVID-19 pandemic, so it has not been able to answer the structural problems of unemployment related to the miscarriage of skills and low productivity in the informal sector.

Meanwhile, the results of the study from Ningrum (2025) in the Journal of Management and Education Sciences states that the success of vocational education does not only depend on the quality of the curriculum, but also on the integration between educational institutions and the industrial world through link and match policies. This policy encourages a match between the competencies taught in vocational schools and the skills needed in the world of work. However, the study also shows that the readiness of graduates to enter the job market still varies, because not all vocational institutions have partnerships with the industrial sector.

This condition shows that the unemployment problem in Indonesia is not only caused by limited employment, but also by the mismatch of labor skills, weak coordination between agencies, and lack of optimal policy implementation. Therefore, an in-depth analysis through a literature study approach is needed to review the extent to which government policies have been implemented in overcoming unemployment and understand the challenges still faced in their implementation.

This research aims to describe and understand the various efforts that have been made by the Indonesian government in overcoming the unemployment problem, by emphasizing the effectiveness of policies and the challenges faced in their implementation. Through a literature review approach, this study seeks to review the results of previous research to identify the extent to which government policies are able to reduce the unemployment rate in Indonesia, as well as the factors that support or hinder the success of these policies.

Based on this description, the researcher was interested in conducting a study entitled "Analysis of the Indonesian Government's Efforts to Reduce the Unemployment Rate: A Review of a Literature Study." This research is expected to provide a more comprehensive picture of the direction, effectiveness, and challenges of government policies in tackling unemployment, so that it can be a source for reflection and consideration in the preparation of employment policies in the future.

2. METHOD

This study uses a descriptive qualitative method to gain an in-depth understanding of the various efforts of the Indonesian government in overcoming the unemployment problem. This method was chosen because it is able to provide a systematic and contextual picture of the implementation of public policies, especially in the context of employment policy. The descriptive qualitative approach allows researchers to describe policy phenomena based on previous research results and relevant literature sources, without conducting direct field data collection (Creswell, 2014).

This research is included in the category of literature studies (*library research*), which is a scientific activity that examines and traces various written sources that have an interest in the research theme.

According to Torraco (2016) In integrative review literature, literature study is a process of review, criticism, and synthesis of existing literature to produce new knowledge. In line with Torraco's definition, according to Surwono in Munib & Wulandari (2022) It states that literature study is a process of analysis and synthesis of theories, results of previous research, and academic documents relevant to research to build a strong conceptual foundation. Through this approach, the researcher reviewed various research results on government policies in reducing the unemployment rate, to identify patterns, strategies, and challenges that arise in their implementation.

The data collection technique is carried out by collecting secondary data from various sources such as national scientific journals, books, research articles, government policy documents, and official reports from related institutions. The literature used was obtained through academic databases such as Google Scholar, Garuda Kemdikbud, SINTA, and other national journal portals.

The selection of sources is carried out systematically and selectively, taking into account the relevance of the research topic, the up-to-date publication (maximum of the last ten years), and the credibility of the author and the publishing institution. The collected data was then analyzed using qualitative descriptive analysis techniques, through several stages: (1) literature collection according to the focus of the research; (2) classification of information based on the type of government policies and strategies; (3) comparison of findings between studies; and (4) drawing conclusions to describe the direction and effectiveness of government policies in reducing the unemployment rate in Indonesia.

The results of the analysis are presented in the form of a descriptive narrative, which relates the findings of previous research to the context of Indonesian government policies. Thus, this study not only provides an overview of the policies that have been implemented, but also examines the extent to which the policies are effective and what are the factors that are obstacles in overcoming unemployment in Indonesia.

3. FINDINGS AND DISCUSSION

The unemployment rate in Indonesia is still one of the main problems in national development. Based on data from the Central Statistics Agency (BPS, 2025), the open unemployment rate (TPT) was recorded at 4.76 percent, or around 7.28 million people from the total national labor force (BPS, 2025). This figure has indeed decreased compared to the COVID-19 pandemic period, but it still shows that the provision of jobs is not proportional to the growth in the number of productive age population. This phenomenon indicates that even though economic conditions have improved, the problem of unemployment remains a challenge that requires serious attention.

The problem of unemployment in Indonesia is a complex and multidimensional problem, not solely caused by the limited number of available jobs. Other factors such as the mismatch between labor skills and industrial needs, weak coordination between agencies, and shifts in the national economic structure also complicate efforts to counter them (Lusiana et al., 2024). This condition has required the government to continue to innovate in formulating policies that are not only oriented towards creating new jobs, but also improving the competence of human resources and strengthening productive investment that can encourage sustainable economic growth and improve the welfare of the community as a whole.

One of the government's strategic steps in reducing unemployment is through a program to increase labor competency. This policy is manifested in the form of vocational training, competency certification programs, and Pre-Employment Cards. According to KH et al (2023), the Pre-Employment Card program has two main objectives, namely providing financial assistance for people who have lost their jobs and improving skills to be ready to return to the workforce. This program is considered quite effective in reaching the wider community, especially during the pandemic. Although vocational training programmes and Pre-Employment Cards have made a positive contribution to the upskilling of individuals, the effectiveness of these policies depends on the integration between training institutions and industry needs. Without this synchronization, training will only produce skilled labor on paper, but it will still be difficult to absorb in the labor market.

Furthermore, the results of the study conducted by Ningrum (2025), mentioning the Link and Match policy in vocational education in Indonesia aims to strengthen the relationship between educational institutions and the industrial world in order to increase the work readiness of graduates. Although this policy has been widely implemented, the unemployment rate of vocational graduates, especially vocational schools, is still relatively high due to the mismatch between the skills taught and the needs of the industry. This is due to several factors, such as a curriculum that is not sufficiently adaptive to technological developments, the lack of active participation of industry, and quality inequality between regions.

Thus, the *Link and Match* policy is considered to have a positive direction in strengthening the competitiveness of human resources, but its effectiveness still needs to be improved through strengthening strategic partnerships, developing a more dynamic curriculum, and improving the competence of educators so that graduates are really ready to compete in the modern job market. Therefore, vocational education policies need to be directed not only at improving technical skills, but also at strengthening long-term cooperation between educational institutions and the industrial sector. This approach will ensure that training programs are truly oriented to labor market demand, not just the fulfillment of government administrative targets

In addition to improving labor competence, the government also implements various community empowerment-based programs such as cash labor and productive assistance for small businesses as a strategic step in reducing the unemployment rate and maintaining people's purchasing power. According to Kurniawan & Azis (2021) The policy has proven to be able to have a positive impact on maintaining people's purchasing power and encouraging local economic activities, especially in areas with high unemployment rates. The cash-intensive program run by the Ministry of Manpower and the Ministry of PUPR has proven to be able to reduce the temporary unemployment rate, especially in rural areas. However, the same study results confirm that labor-intensive programs are not sustainable because the jobs created are generally temporary and do not create new skills. Therefore, the researchers recommend that labor-intensive policies be combined with entrepreneurship training or small business support to encourage long-term job uptake.

It can be concluded that labor-intensive programs are effective in maintaining the socio-economic stability of the community, but they are less effective in reducing the rate of structural unemployment because they do not address the root of the problem of labor skills limitations. Thus, although the labor-intensive program has succeeded in maintaining social stability and people's purchasing power, its contribution to the reduction of structural unemployment is still limited. This policy should not stop at the provision of temporary jobs, but be developed as a means of transition to economic independence of the community through productive skills training.

Another important step taken by the government in reducing unemployment is to improve the investment climate and labor regulations. This policy is realized through the Job Creation Law (Law No. 11 of 2020) which aims to simplify the investment licensing process, encourage industrial growth, and open up new job opportunities. In addition, this law also emphasizes the importance of improving the competence of workers through vocational training and competency certification in order to be able to compete in a dynamic job market (Government of the Republic of Indonesia, 2020).

However, the success of this policy is not only determined by the ease of investment, but also by the readiness of the domestic workforce in the face of increasing industrial needs. Without a parallel improvement in the quality of human resources, the benefits of liberalization have the potential to be enjoyed more by foreign workers or capital-intensive sectors.

In the results of the study Lusiana et al (2024) It was stated that licensing reform and investment deregulation are key factors to accelerate the creation of new jobs in the industrial and service sectors. However, the study also highlights that the effectiveness of this policy is still hampered by inequality in implementation between regions and the lack of readiness of local workers to fill positions opened up due to new investment. In other words, investment policies need to be balanced with strengthening human resources so that local workers are not less competitive with foreign and foreign workers.

Collaboration between local governments, the education sector, and industry players is an important requirement for regulatory reform to really have an impact on reducing the national unemployment rate.

Based on the results of a review of various literature, the Indonesian government's policies in reducing the unemployment rate have included improving labor competence, community empowerment, and regulatory reform. However, its effectiveness is still limited because employment growth has not been balanced with the increase in the number of labor force, and there is still a mismatch between labor competencies and industrial needs. In addition, inter-agency coordination and program evaluation mechanisms are still weak, so the impact of policies is not optimal. However, steps such as the Pre-Employment Card, vocational education, and labor-intensive show a positive direction towards more adaptive and inclusive employment development.

The results of the literature synthesis show that government policies in addressing unemployment include short-term and long-term programs. The training program and the Pre-Employment Card have improved people's skills, but they have not opened many new jobs. Labor-intensive policies are effective in maintaining people's purchasing power, but they are not economically sustainable. On the other hand, investment and regulatory reforms such as the Job Creation Law have long-term potential in creating jobs, as long as they are supported by the readiness of the local workforce.

Overall, policy effectiveness will increase if there is integration between the world of education, the industrial sector, and the government. This emphasizes that the effectiveness of employment policies does not only depend on the number of programs implemented, but also on the extent to which these policies are integrated into one economic development system oriented towards the creation of sustainable jobs

From the results of various studies, it can be concluded that increasing the effectiveness of employment policies requires the involvement of industry in the preparation of training programs to be more relevant to the needs of the job market. Labor-intensive programs need to be directed to productive activities that create new skills, while investment policies must be accompanied by improving the quality of local labor so that the economic benefits are felt by the community. In addition, policy evaluations need to be carried out periodically so that the government can assess achievements and adjust strategies appropriately. Thus, unemployment mitigation policies will be more directed, sustainable, and have a real impact. By strengthening coordination between sectors and prioritizing industry-based training, governments can narrow the gap between labor availability and market demand. This cross-policy synergy-based approach will be key to reducing unemployment rates in Indonesia sustainably.

4. CONCLUSION

Based on the results of literature review from various previous studies, it can be concluded that the Indonesian government's efforts to reduce the unemployment rate have included various strategic policies oriented towards improving labor competence, empowering the community's economy, and regulatory and investment reforms. Programs such as pre-employment cards, vocational training, and labor-intensive programs show a positive direction in improving people's skills and maintaining socio-economic stability, especially during the pandemic and post-crisis.

The Pre-Employment Card program and vocational education are the main steps in improving the competence of the workforce. These two programs have had a positive impact on improving people's skills, especially during the COVID-19 pandemic. However, its effectiveness is still limited because it is not always followed by the creation of new jobs. Cash-intensive policies and productive assistance for small businesses have been proven to help maintain people's purchasing power and reduce temporary unemployment. However, this policy is short-term and has not been able to create sustainable jobs.

Other efforts, namely through regulatory and investment reforms, such as the implementation of the Job Creation Law, are considered as policies that have the potential to open up new job

opportunities in the industrial and service sectors. However, its implementation still faces challenges in the form of inequality between regions, unpreparedness of local workers, and limited coordination between the central and regional governments.

In general, the results of the literature study show that the Indonesian government's efforts to reduce the unemployment rate have gone in the right direction, but are not yet fully optimal. The effectiveness of these policies is still limited because they are not fully able to create sustainable jobs. The main challenges include the mismatch of labor skills with industrial needs, weak coordination between agencies, and low integration between training programs and labor market needs. Existing policies have more impact on improving individual skills and social stability, but have not been able to significantly reduce the unemployment rate. This indicates the need for synergy between policies, increasing the relevance of training to industry needs, and strengthening the monitoring and evaluation system of labor policies so that the results are more real and sustainable.

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