

Employment Dynamics in the Midst of Limited Job Opportunities and Rising Termination of Employment in Indonesia

Dinamika Ketenagakerjaan Di Tengah Krisis Minimnya Lapangan Kerja Dan Peningkatan Pemutusan Hubungan Kerja Di Indonesia

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ABSTRAK

Artikel ini mengkaji dinamika ketenagakerjaan di Indonesia di tengah krisis yang ditandai dengan terbatasnya peluang kerja dan meningkatnya pemutusan hubungan kerja (PHK). Fokus utama dari studi ini adalah untuk menelaah faktor-faktor penyebab terbatasnya kesempatan kerja serta pemicu meningkatnya PHK, khususnya setelah pandemi dan dalam situasi ekonomi global yang tidak menentu. Tujuan dari studi ini adalah untuk menganalisis dampak sosial dan ekonomi dari fenomena tersebut serta mengevaluasi efektivitas kebijakan pemerintah yang telah diterapkan. Penelitian ini dilakukan dengan metode kualitatif melalui studi pustaka dan wawancara mendalam dengan pekerja yang terdampak, pelaku usaha, dan pembuat kebijakan. Temuan menunjukkan bahwa penurunan kesempatan kerja dipengaruhi oleh percepatan digitalisasi yang tidak sejalan dengan peningkatan kompetensi tenaga kerja, serta tingginya ketergantungan pada pasar internasional. PHK massal terjadi di sektor manufaktur dan jasa akibat strategi efisiensi dan menurunnya permintaan. Program pemerintah seperti Kartu Prakerja dan insentif ketenagakerjaan belum cukup efektif dalam merespons situasi ini. Oleh karena itu, studi ini menyarankan perlunya kebijakan ketenagakerjaan jangka panjang berbasis data serta peningkatan kualitas sumber daya manusia melalui pelatihan yang relevan dengan kebutuhan industri.

ABSTRACT

This study examines the dynamics of employment in Indonesia in the midst of a crisis characterized by limited employment opportunities and increased layoffs. The main focus of this study is to examine the factors causing limited employment opportunities as well as the triggers for increased layoffs, especially after the pandemic and in an uncertain global economic situation. The purpose of this study is to analyze the social and economic impacts of the phenomenon and assess the effectiveness of government policies that have been implemented. The research was conducted using qualitative methods through desk research and in-depth interviews with affected workers, businesses, and policymakers. The findings show that the reduction in employment is influenced by the acceleration of digitalization that is not in line with the increase in workforce competence, as well as the high dependence on international markets. Massive layoffs occurred in the manufacturing and services sectors due to efficiency strategies and declining demand. Government programs such as pre-employment cards and employment incentives have not been effective enough in responding to this situation. Therefore, this study suggests the need for a long-term, data-driven employment policy as well as improving the quality of human resources through training that is relevant to industry needs.

1. INTRODUCTION

The current employment issues are increasingly complex as global issues, encompassing economic, social, and political impacts. In the midst of the process of globalization and technological

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revolution, the challenge of creating decent jobs is becoming increasingly urgent. Globalization and neoliberal economic trends play a significant role in changing work patterns, where many jobs are now present in flexible forms that often do not provide security for employees. Jobs become uncertain, with an increase in layoffs (PHK) due to company efficiency and automation in various sectors. Therefore, it is known that the economic transformation towards the neoliberal paradigm not only widens the gap of inequality but also reduces the quality of life of many workers (Abeliansky dkk., 2020).

According to the 2024 report by the Central Statistics Agency (BPS), the open unemployment rate in Indonesia reached 5.5%, with the manufacturing and trade sectors being the main contributors to the high unemployment rate. Data from the Ministry of Manpower indicates that more than one million workers have been forced to face layoffs in the past two years, contributing to the increase in the national poverty rate to 9.8% (Risky & Projo, 2022). The informal sector is indeed the main source of labor absorption, but it is often unable to provide adequate social protection for its workers, who remain trapped in conditions vulnerable to social and economic exclusion (Adigun, Mba, Pmp & Hyatt, Ph.D.*, 2024).

The application of neoliberal economic principles that prioritize labor efficiency and flexibility has caused workers to not only face non-traditional jobs such as short-term contracts and freelance work, but also jobs in the digital economy (gig economy), which are generally not equipped with adequate social protection. Thus, workers now face high job insecurity, potentially worsening household economic welfare and widening social inequality in society. This situation demands an active role from the state in protecting labor rights and formulating concrete steps to mitigate the risk of layoffs and create decent employment opportunities (Sartono dkk., 2023).

The demand to produce policies that are responsive to current employment conditions is very urgent. Worker welfare can be better guaranteed if the state and authorities unite to promote policies that support social protection and create a safer and more stable working climate (Bakung dkk., 2024). Expansion of employment through the development of the formal sector must be balanced with the provision of appropriate guarantees and protection in order to create an ecosystem that can support the welfare of all citizens.

2. THEORETICAL STUDY

a. Classical and Neoclassical Labor Market Theory

Classical and neoclassical labor market theory assumes that the labor market will always reach an equilibrium between demand and supply. When poverty occurs, it is considered to be the result of wage mismatches or labor inefficiencies. However, this approach has been criticized for ignoring structural and institutional factors, including labor regulations, union power, and macroeconomic policies that affect job creation systemically..

b. Labor Market Dualism Theory (Labor Market Dualism)

This theory explains that the labor market is divided into two segments: the primary (formal) market and the secondary (informal) market. The primary market offers jobs with decent wages, legal protection, and career paths, while the secondary market is characterized by temporary jobs, low wages, and no social security. The imbalance between these two markets reinforces economic exclusion and increases the risk of worker poverty, especially when layoffs lead to forced migration from the formal to the informal sector.

c. Job Insecurity Theory

Job insecurity is a worker's subjective perception of the risk of losing their job and reduced job stability. According to (Setiawan, t.t.), Job insecurity has a negative impact on mental health, work motivation, and productivity. In the context of neoliberalism and labor market deregulation, this insecurity has become a widespread phenomenon, especially among contract workers and platform workers (gigworkers)..

d. Social and Economic Inequality Theory

According to this theory, poverty and lack of access to decent work widen the gap between economic and social inequality. (Wilkinson, 2005) states that inequality not only impacts poverty, but also provides other social indicators such as crime, poor health, and social disintegration. Mass layoffs and the inaccessibility of formal employment weaken inter-group and inter-regiona.

e. Public Policy Theory

From a public policy perspective, employment is an area that is highly dependent on state intervention. This theory emphasizes that policy formulation and implementation must be based on evidence, participatory, and focused on results. The government's failure to respond to structural changes in the labor market, such as technological disruption or the global economic crisis, will lead to increased poverty and weak worker protection.

3. METHOD

This study uses a descriptive qualitative approach with a literature study method. This approach was chosen to explore social phenomena in depth with a policy literature study method. This approach was chosen to explore in depth the socio-economic phenomena related to increasing layoffs (PHK) and limited employment opportunities, as well as to analyze policy responses and their impacts on community welfare.

a. Data source

The data used is secondary and obtained from scientific journal articles (national and international), official institutional reports (BPS, Ministry of Manpower, ILO, World Bank) and reference books and academic results of previous research.

b. Data Collection Techniques

Data collection was conducted through systematic searches on database networks such as Google Scholar, ResearchGate, and ScienceDirect. Inclusion criteria include: Relevance to the topic (PHK, poverty, employment), Publication in the last 5–10 years, Source credibility.

c. Data Analysis Techniques

Data were analyzed using content analysis techniques (content analysis) and thematic analysis (thematic analysis), with the stages of coding data based on themes, categorizing causal factors, impacts, and solutions, synthesizing findings to formulate conclusions and recommendations..

d. Data Validity

To maintain validity, triangulation and cross-verification between literature and adjustments were carried out.

4. RESULTS AND DISCUSSION

a. Rising Layoffs and Job Instability

Literature review shows that the rate of layoffs in Indonesia has increased significantly in recent years, mainly due to the global economic crisis, digitalization, and post-pandemic disruption. According to the Ministry of Manpower report (2023), more than 1.3 million workers have been laid off in the past two years, especially in labor-intensive industrial sectors such as textiles, manufacturing, and retail (William et al., 2022). Companies are reducing workforce efficiency due to declining demand and increasing automation. In addition, flexible forms of employment relationships such as outsourcing, short-term contract work, and platform-based work (gig economy) are increasingly dominating the labor market (Annazah et al., 2023). This condition opens up access to work but reduces social security and legal protection for workers, where protection for workers is getting weaker due to ineffective implementation of laws and lack of coordination between stakeholders.

b. Lack of Formal Employment Opportunities and Dominance of the Informal Sector

The 2024 BPS report shows that 58.6% of Indonesian workers are still in the informal sector. The lack of formal employment is caused by low labor-intensive investment, the gap between the world of education and industrial needs (skill mismatch), and employment policies that are not yet adaptive to the transformation of the digital economy. Research shows that the high open unemployment rate, which has now reached 5.5%, can be attributed to the problem of skills mismatch with labor market needs, which makes it difficult for college graduates to find suitable jobs (Hana Kaharudin et al., 2023). On the other hand, the informal sector, which absorbs most of the workforce, is unable to provide decent wages, health insurance, and job security, thus contributing to the high poverty rate of workers, as shown in research on the impact of unemployment and minimum wages on poverty alleviation in Indonesia (Feriyanto et al., 2020). The combination of these factors reinforces the cycle of poverty among the "working poor" in Indonesia, which is increasingly concerning.

c. Socio-Economic Impacts of Layoffs and Unemployment

High unemployment and limited employment opportunities have a significant impact on family well-being, increasing the risk of poverty, social vulnerability, and conflict within the household. Research shows that job loss not only reduces income but also has an impact on individual mental health, where individuals who lose their jobs tend to experience long-term declines in productivity. In addition, high unemployment can trigger broader social problems, including uncontrolled urbanization and increased crime rates. For example, related research shows that there is a relationship between unemployment rates and criminal behavior in society, where unemployment can cause social frustration that leads to criminal acts, although this study is not entirely consensus (Moyano et al., 2024). Strengthened by findings showing

that lower economic groups are often more affected by economic downturns than upper groups, creating a widening gap in social inequality (Zahid dkk., 2023).

d. Evaluation of Employment Policy

The government has attempted various policies to address employment issues through vocational training programs, public job creation, tax incentives for labor-intensive companies, and support for entrepreneurship. A study shows that the effectiveness of these policies is often hampered by weak coordination between agencies and lack of sustainable funding (Effendi et al., 2024). In addition, low private sector participation also contributes to suboptimal program performance. Pros and cons have emerged regarding deregulation through the Job Creation Law (Omnibus Law), where there is a view that this law provides convenience for investors, but at the same time is considered detrimental to workers' bargaining position and opens up opportunities for inhumane work practices (Sarjito, 2024). Such criticism reflects the need to create a balance between incentives for investment and protection for workers.

5. CONCLUSION

Employment problems in Indonesia, especially related to the increasing number of layoffs (PHK) and the lack of formal employment opportunities, are multidimensional issues that are omitted from structural factors, economic policies, and global labor market dynamics. This study found that labor congestion promoted by neoliberal policies actually increases employment opportunities, expands the informal sector, and reduces worker welfare.

The dominance of unprotected informal jobs, unequal access to decent employment opportunities, and weak absorption of the formal sector have become major challenges in creating a fair and inclusive employment system. The socio-economic impacts are very broad, ranging from increasing poverty and poverty rates, to worsening mental and social conditions of the community.

The government's efforts to respond to this problem are still not optimal. Sustainable employment policy innovation is needed, focusing on worker protection, and cross-sector collaboration to create productive, safe, and decent jobs. State intervention in the form of vocational training, fair employment regulations, and incentives for labor-intensive sectors need to be strengthened to encourage inclusive economic recovery.

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