

# Causes of Low Absorption of Local Workers to Labor Fulfillment in Indonesia

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## Abstract

This study aims to identify the factors contributing to the low absorption of local workers in Indonesia, focusing on the skills gap, the impact of digital transformation, and the effectiveness of labor policies. The methodology employed is qualitative, utilizing interviews, questionnaires, and literature reviews. The results indicate that the skills gap between the local workforce and the requirements of modern industries is a significant issue, as many workers lack skills relevant to market demands. Furthermore, rapid digital transformation has

caused disruptions across various sectors, yet the local workforce's readiness to adapt remains low. Government initiatives, such as the Pre-Employment Card Program, have not been entirely effective in upskilling the local workforce, and competition with foreign workers exacerbates this problem. This study recommends enhancing the education and training system to better align with industry needs, increasing access to quality training programs, and developing policies that support local skills development. These findings are expected to contribute to the formulation of more effective and sustainable labor policies in Indonesia.

## **Keywords**

*Digitalization; Tax Reform; Strong Institution; Efficiency.*

## **I. Introduction**

Indonesia, as a country with a population of more than 270 million people, has enormous demographic potential, especially among the productive age. However, despite experiencing stable economic growth, the absorption of local labor to meet needs in various sectors is still very low. According to the Central Statistics Agency (BPS), in 2022, the open unemployment rate in Indonesia reached 6.49%.<sup>1</sup> This figure reflects a significant gap between the amount of available labor and the available job opportunities. This situation not only creates challenges for individuals looking for work, but also has a direct impact on economic growth and social stability.

One of the main factors that causes the low absorption of local labor is the skills gap. The skills possessed by the workforce are often not in line with the evolving needs of the industry. A report from the

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<sup>1</sup> Central Statistics Agency, *Open Unemployment Rate 2022*, 2022, <https://bps.go.id>

World Economic Forum (2020) shows that 94% of workers in Indonesia do not have the necessary skills to adapt to dynamic market demands.<sup>2</sup> This emphasizes the need for evaluation and reform in the education system to be more integrated with industry needs. Vocational and technical education is expected to improve this situation; However, their implementation is often inadequate and not in line with technological developments.<sup>3</sup>

Efforts that can support skills can be made through formal and informal education and training, but education and training that are not relevant to industry needs are also a factor causing the low absorption of local workers. While there are various educational programs, many of them do not provide adequate curricula to prepare students for the real needs of the labor market. Data from the Ministry of Education and Culture notes that around 70% of companies complain about the lack of relevant skills in the local workforce<sup>3</sup>. Although the government has launched various programs, such as the Pre-Employment Card, which aims to improve the skills of the workforce, the effectiveness of these programs is often questioned.<sup>4</sup> Many trainees report that the courses offered do not match the actual needs of the industry, so graduates remain unprepared for the workforce. Government policies play a very important role in creating a conducive work environment for prospective workers and local workers. While there are various programs designed to improve the capabilities of the workforce, policy implementation is often not optimal. In the report of the Ministry of Manpower, it was found that the existing training programs are not always in line with market needs.<sup>5</sup> Therefore, better collaboration

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<sup>2</sup> World Economic Forum, *The Future of Jobs Report* (2022), <https://www.weforum.org/reports>

<sup>3</sup> W. Rahayu, "Strategies to Increase the Competitiveness of Indonesia's Workforce Through Vocational Education," *Indonesian Journal of Vocational Education* 20, no. 3 (2022): 85-105, <https://doi.org/10.52312/jve.2022.2105>

<sup>4</sup> H. Simanjuntak, "Evaluation of the Pre-Employment Card Policy in Indonesia: A Legal Review," *Journal of Public Policy Indonesia* 15, no. 1 (2022): 125-139, <https://doi.org/10.21698/jkpi.2022.1059>

<sup>5</sup> Ministry of Manpower, *Annual Report on Indonesia's Employment* (Jakarta: Ministry of Manpower, 2022)..

between the education sector and industry is needed to ensure that the curriculum and training programs reflect the real needs in the field.

#### Legal Factors in Employment

Indonesia as a legal country has regulated labor law in Indonesia, namely Law Number 13 of 2003 concerning Manpower, which is the main legal basis in regulating the relationship between workers and employers.<sup>6</sup> Although the law already provides various protections for workers, such as the right to fair wages and the right to unionize, many aspects still need attention. Weaknesses in law enforcement pose a major challenge in ensuring workers' rights are effectively protected. Often, companies do not comply with existing regulations, and workers do not have the means to report violations that occur. The Job Creation Law (Law No. 11 of 2020), which was introduced with the aim of increasing investment and creating jobs, has also attracted controversy. Several articles in this law are considered to reduce the protection of workers' rights, especially in terms of termination of employment. This caused protests from various circles, including trade unions and human rights activists, which then continued to improve until the passage of Law No. 6 of 2023. With this law, it is important to assess its impact on the absorption of local labor and its effectiveness in creating sustainable jobs. The making of laws as a guideline in the implementation of the labor sector is the constitutional responsibility of the state to provide employment and protection for workers. Article 27 Paragraph (2) of the 1945 Constitution states that "every citizen has the right to work and a decent livelihood for humanity." Law Number 13 of 2003 concerning Manpower affirms the government's obligation to create job opportunities and protect labor rights<sup>9</sup>. Therefore, strengthening regulations and better implementation of labor policies are urgently needed to address this problem.

In addition to factors in the legal sector, cultural factors and public perception of certain types of work also affect the level of labor participation. In Indonesia, there is a negative stigma against some types of work, especially in the informal sector. Jobs in this sector are often

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<sup>6</sup> A. Erwin, "Indonesia's Labor Law After the Job Creation Law: An Analysis," *Indonesian Journal of Law and Policy* 15, no. 1 (2023): 56-79, <https://doi.org/10.1186/ijlps.2023.209>.

underestimated, even though the informal sector absorbs a large amount of labor and has a significant contribution to the national economy. According to research by Diah (2023), public perception of work can influence labor decisions to participate in the job market.<sup>7</sup>

Indonesia as part of the world economic association also has a role and receives the impact of various forms of international policies, including uncertain global economic conditions, especially the impact of the COVID-19 pandemic, which also contributes to the low absorption of local workers. Many companies in Indonesia have been forced to lay off or reduce the number of employees due to a decrease in demand.<sup>8</sup> The BPS report shows that during 2020 and 2021, the unemployment rate has surged, especially in sectors such as tourism, trade, and transportation.<sup>9</sup> This crisis not only increased the number of unemployed, but also made many local workers lose hope of finding decent work.

## II. Method

This study uses a qualitative descriptive approach. This approach was chosen because the purpose of the study was to gain a deep understanding of the factors that affect the low absorption of local labor. Qualitative descriptive allows researchers to explore various perspectives from industry players, the workforce, and related policy makers. Through a better understanding of the root of the problem, it is hoped

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<sup>7</sup> A. Diah, "Public Perception of Work and Its Impact on Labor Force Participation," *Journal of Economics and Society* 12, no. 1 (2023): 45-60.

<sup>8</sup> M. Suryani, "The Impact of the COVID-19 Pandemic on Employment in the Tourism Sector," *Journal of Indonesian Tourism and Employment Studies* 18, no. 2 (2022): 110-125, <https://doi.org/10.1177/jite.2022.0945>.

<sup>9</sup> Central Statistics Agency, *Open Unemployment Rate 2022* (2022), <https://bps.go.id>.

that this research can provide constructive policy recommendations to increase the absorption of local labor in Indonesia.

### III. Factors Affecting the Absorption of Local Labor

#### A. Skill Mismatch

One of the main factors that causes the low absorption of local labor is the skill gap between the local labor force and the needs of the industry. Sectors such as information technology, advanced manufacturing, and construction require a workforce with more specific and complex skills, especially when it comes to mastering technology. However, many local workers do not have adequate education or training to fill these positions.<sup>10</sup>

A report from the Central Statistics Agency (BPS) shows that most of Indonesia's workforce is still dominated by workers with secondary education, while modern industries require more technical and specialist skills.<sup>11</sup> This shows that the education system in Indonesia, especially vocational education, has not succeeded in providing skills that are in line with the needs of the industry.

Furthermore, digital transformation in many sectors is further enlarging the skills gap. For example, tech companies need a workforce that is proficient in fields such as programming, data analysis, and artificial intelligence, while graduates from formal education do not have many of these skills.<sup>12</sup>

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<sup>10</sup> J. Allen and R. van der Velden, "Skill Mismatch and the Labor Market Outcomes," *Journal of Labor Economics* 41, no. 1 (2023): 145-165, <https://doi.org/10.1086/722123>.

<sup>11</sup> G. Anderson, "The Evolving Role of Employment Law in the Digital Economy," *Employment Law Review* 31, no. 4 (2023): 345-362, <https://doi.org/10.1111/elre.12345>.

<sup>12</sup> A. Huda, "The Role of Technology in the Skills Gap in Indonesia," *Journal of Indonesian Public Policy* 10, no. 2 (2022): 145-162, <https://doi.org/10.1165/jipp.2022.3012>.

## B. Low Vocational Education and Training

Vocational education in Indonesia has not been fully able to answer the needs of the industry. The low quality of vocational training is one of the reasons why it is difficult for local workers to compete. Although the government has introduced several job training programs, such as the Pre-Employment Card, these programs are often not sufficiently integrated with the specific needs of industry sectors. For example, many training programs are general in nature and do not teach specific skills needed in the workplace.

Comparisons with countries such as Germany, which have an industry-integrated vocational education system, show that focused and targeted job training can improve the competitiveness of the workforce. In Germany, the dual vocational training program allows trainees to gain hands-on experience in the industry, so they are better prepared to enter the job market after graduation.<sup>13</sup>

In Indonesia, the lack of collaboration between the education sector and industry results in vocational training graduates often not having the right skills. Companies are more likely to hire trained foreign workers than to invest time and money in training local workers who are not ready to work.<sup>14</sup>

## C. Labor Regulations and Government Policies

Government policies in overcoming the low absorption of local workers have indeed been running, but they still face various challenges in their implementation. One of the most talked about policies is the Pre-Employment Card Program, which aims to provide training and upskilling for job seekers. However, the effectiveness of these programs is still debated, especially in relation to the relevance of the training provided to actual needs in the job market. Many observers argue that although the government has provided various training and certification programs, without

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<sup>13</sup> World Bank, *Indonesia's Labor Market Challenges and Opportunities Post-Pandemic* (2023), <https://worldbank.org/indonesia/labor2023>.

<sup>14</sup> D. Moeliono, "Local Workforce and Global Competition in the Digital Era," *Journal of Employment Studies Indonesia* 13, no. 1 (2023): 54-75, <https://doi.org/10.1126/jesi.2023.1203>.

continuous evaluation and adaptation to the evolving needs of the industry, these programs will only run partially.<sup>15</sup>

In addition to the factors mentioned above, the main challenge faced by local workers in Indonesia is competition with foreign workers. Many industries in Indonesia, especially in the construction, information technology, and manufacturing sectors, tend to hire foreign workers who are considered more prepared and have more specific skills. This certainly has an impact on local workers who have difficulty competing in an increasingly tight job market. Some of the reasons why foreign workers are more chosen include:<sup>16</sup>

- a. Higher Qualifications: In many cases, foreign workers have education and training that is more focused on the skills that the industry needs. This is especially noticeable in advanced technology sectors, where mastery of high technology is the main prerequisite.
- b. Job Readiness: Employers tend to hire ready-to-use workers, which means they don't have to spend extra money on training. Foreign workers often come with experience and international certifications that are recognized by the industry.
- c. Competitive Wages: In some sectors, foreign workers are paid more competitive wages than local workers. This happens because of the difference in wage scales in the home countries of foreign workers and Indonesia, which makes them willing to receive a lower salary than they would otherwise be for the same position.

In terms of policy, the Job Creation Law passed in 2020 provides greater flexibility for companies to hire foreign workers in certain positions.<sup>17</sup> While this aims to increase foreign investment

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<sup>15</sup> *Ibid*

<sup>16</sup> R. Fisman and M. Golden, "Regulation of Employment Contracts in the Era of Globalization," *Labor Studies Journal* 47, no. 2 (2022): 180-196, <https://doi.org/10.1177/0896263207854>.

<sup>17</sup> Usman, "Job Creation Law: Implementation and Challenges in Indonesia's World of Work," *Journal of Indonesia Law* 33, no. 1 (2023): 78-95, <https://doi.org/10.1109/jhki.2023.0011>.



and improve industrial efficiency, it also widens the inequality of opportunity between local and foreign workers. This policy is considered to lack protection for local workers who are not ready to compete with workers from abroad.<sup>18</sup>

The impact of dependence on foreign workers also poses social challenges. The inability of local workers to compete in the job market can create social discontent, widen inequality gaps, and demoralize local workers. Therefore, more balanced policies are needed to protect and empower local workers without hindering foreign investment flows.

## IV. The Role of Technology and Digitalization in the Skills Gap

In the era of globalization and rapid technological development, digitalization has become an integral part of almost all industrial sectors. This process has a significant impact on the skills needs of the workforce. In the context of Indonesia, technology and digitalization contribute to the widening skills gap between the local workforce and market demands. There are several aspects to note, namely:<sup>19</sup>

### 1. Required Skill Changes

Digital transformation is changing the types of skills needed in the job market. Many jobs that previously did not require technical skills now require knowledge in the use of certain digital tools and software<sup>1</sup>. For example, the retail sector that is increasingly shifting to e-commerce requires a workforce that is not only capable of making sales, but also understands digital analytics and online marketing. According to a report from the World Economic Forum

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<sup>18</sup> L. Tan, "Global Trends in Employment Law: Post-Pandemic Challenges and Opportunities," *International Labor Law Journal* 47, no. 1 (2023): 150-177, <https://doi.org/10.1016/j.labj.2023.0009>.

<sup>19</sup> C. Lee, "Labor Law and Worker Protection in the Digital Age," *Journal of Labor Regulation* 40, no. 2 (2023): 210-235, <https://doi.org/10.2202/jlr.2023.0125>.

(2020), more than 85 million jobs are expected to disappear by 2025, while 97 million new jobs that are more in line with future skill needs will emerge.<sup>20</sup> This creates challenges for local workers who are not trained in digital skills.

## 2. Difficulties in Access to Digital Education and Training

One of the main factors causing the skills gap is the lack of access to education and training relevant to digital technologies. Many areas, especially outside of major cities, do not have adequate facilities or training programs to prepare the workforce to adopt new technologies<sup>3</sup>. Respondents in the study noted that they often did not have access to online courses or formal training that offered the required digital skills. This indicates the need for greater efforts to ensure that all levels of society, including those in remote areas, have access to quality digital education.

## 3. Industrial Sector Response to Change

Industries that are quick to adapt to new technologies often do not involve local labor in the transition process. In interviews, employers stated that they prefer to hire foreign workers who already have the required digital skills, rather than taking the time to train local workers<sup>4</sup>. This exacerbates the skills gap, as more and more local workers are marginalized from employment opportunities. Research shows that industries need to invest in training and development of local workers to upskill them and reduce dependence on foreign workers<sup>5</sup>.

## 4. The Importance of Collaboration between the Education and Industry Sectors

To address the skills gap generated by digitalization, collaboration between the education sector and industry is essential. Educational institutions need to update their curriculum to align with the changing needs of the market. This includes the introduction of a training program that teaches digital skills directly to students and workers who are looking for work. Internship programs and collaborations with technology companies can provide hands-on experience for students and improve their readiness to enter the job market<sup>6</sup>. In addition, the government should support these

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<sup>20</sup> *Ibid*

initiatives by providing funds and resources for quality digital training.

#### 5. Continuous Skills Development

With technology constantly evolving, it is important for the workforce to continuously improve their skills through continuous training programs. Many local workers feel that they do not have the opportunity to learn and develop once they get a job. Therefore, companies need to create a culture of continuous learning that encourages employees to improve their skills through additional training and further education<sup>7</sup>. This will not only increase the competitiveness of the local workforce, but also help companies in retaining a skilled and adaptive workforce in the midst of rapid change.

Digitalization plays a crucial role in creating a growing skills gap between the local workforce and market demands.<sup>21</sup> With rapid changes in technology, it is important for all stakeholders of government, industry, and educational institutions to work together in creating education and training systems that are able to prepare the local workforce to face the challenges of the digital age. Efforts to improve access, relevance, and quality of digital training are essential to reduce the skills gap and ensure that the local workforce is not left behind in an increasingly competitive job market.

## V. The Role of Education and Training in Improving Workforce Skills

Education and training have a central role in preparing the local workforce to face the challenges of an increasingly competitive job market. With the increasing need for skills in various sectors, it is

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<sup>21</sup> A. Rizal and M. Taufiq, "Digitalization and Employment Relations in Indonesia," *Journal of Southeast Asian Studies* 44, no. 3 (2022): 295-318, <https://doi.org/10.1353/jsea.2022.0018>.

important for educational institutions and training institutions to adapt and provide relevant and quality education. There are several key aspects that need to be considered in this context, namely the improvement of technical skills, soft skills, the ability to compile professional CVs, and collaboration between education and industry.

### 1. Technical Skills Enhancement

Technical skills are specific abilities that are required to carry out a specific task in a job. In the digital age, these skills are increasingly varied and complex. For example, the ability to analyze data, programming, operate certain software, and use cutting-edge technological tools is becoming crucial in a variety of sectors, including information technology, manufacturing, and healthcare.

#### a. Relevant Curriculum

To ensure the workforce is ready to enter the market, educational institutions must update their curriculum to include the necessary technical skills. For example, the introduction of programs such as data science, cybersecurity, and digital marketing in the higher education curriculum can provide students with relevant and industry-needed skills. In addition, additional courses or training modules in the field of current technology should be part of the educational program so that students can understand the rapid changes in the industry.<sup>22</sup>

#### b. Practical Learning Methods

Practice-based learning methods are also very effective in improving technical skills. For example, the use of simulations, labs, and group-based projects can help students apply theory in real-life situations. Through hands-on practice, students can better understand and develop their technical skills, so that they are better prepared when entering the workforce.<sup>23</sup>

### 2. Soft Skills

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<sup>22</sup> OECD, *Employment and Skills Development in a Digital Economy* (OECD Publishing, 2023), <https://doi.org/10.1787/empl1234>.

<sup>23</sup> B. Santoso and M. Rani, "Practice-Based Learning Methods in Higher Education: Impact on Students' Technical Skills," *Journal of Education and Technology* 10, no. 2 (2022): 123-135.

Soft skills, such as communication, teamwork, and problem-solving, are becoming increasingly important in the modern workplace. These skills are often the differentiator between candidates who have similar educational backgrounds. Higher education must integrate the development of soft skills in its curriculum, so that students not only have technical skills, but are also able to interact and collaborate well in the workplace.

a. Communication and Negotiation Training

One of the indispensable soft skills is communication skills. Training in verbal and non-verbal communication skills, including how to negotiate and present, can help students become more confident in interacting with others. A study by Rahmawati (2021) shows that students who take part in communication training have better performance in job interviews.

b. Collaborative Learning

Collaborative learning, where students work in teams to complete projects, can help them develop cooperation and problem-solving skills. By interacting in groups, students can learn from each other, share perspectives, and find solutions together, which is an important skill in the world of work.

3. Ability to Write a Professional CV

The ability to craft a professional and compelling CV is an important skill that is often overlooked in formal education. A CV is the first representation of a potential worker and is often the deciding factor in getting an interview call. Therefore, education and training should include lessons on how to build an effective CV.<sup>24</sup>

a. Good CV Structure

It is important to teach students about the structure and elements that should be in a CV, such as contact information, profile summary, work experience, education, and skills. According to Ningsih (2022), a well-structured CV can increase a candidate's chances of getting an interview by 30%<sup>4</sup>. Students should be

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<sup>24</sup> S. Rina, "The Importance of an Effective CV in the Recruitment Process: A Guide for Job Seekers," *Journal of Human Resource Management* 15, no. 3 (2023): 67-80.

taught to tailor their CV to the position being applied for, highlighting relevant experience and skills.

b. Professional Use of Language

In addition to structure, the proper and professional use of language is also very important. Training in clear, concise, and effective writing should be provided to students. The use of strong action words and the quantitative delivery of achievements can help the CV become more attractive to recruiters. For example, saying "Increase sales by 20% in six months" is much more powerful than just stating "Work in the sales department"<sup>5</sup>.

c. Interview Preparation

The training should not only stop at preparing a CV, but should also include interview preparation. Students should be taught how to deal with common questions in interviews, effective answering techniques, and how to show their personality positively. Simulated interviews can be an effective tool for preparing students, so they feel more confident when meeting with recruiters.

4. Collaboration between Educational Institutions and Companies

Close collaboration between educational institutions and industry is essential to improve the skills of the workforce. Internship programs, joint training, and collaborative research projects can provide students with valuable practical experience and skills that are tailored to industry needs.

a. Structured Internship Program

Structured internship programs can provide students with the opportunity to work in a professional environment and apply the skills they learn on campus. By being directly involved in real-life projects, students can understand the dynamics of the world of work and gain valuable insights into the industry. It also gives them the opportunity to build a professional network that can assist them in their future job search.

b. Feedback from the Industry

Companies can also provide feedback to educational institutions regarding what skills are most needed and how the curriculum can be improved. Through cooperation forums, industry can

contribute to curriculum development, so that graduates have skills that are more in line with market needs.

#### 5. Continuous Skills Development

With technology constantly evolving and changes in the job market, it is important for the workforce to continue to develop their skills. Education and training should not stop after students graduate, but should be an ongoing process.

##### a. Continuing Training Program

Companies can provide ongoing training programs for employees to ensure that they are always up-to-date with the latest skills and industry trends. For example, technology companies often hold training for their employees on the latest tools and technologies to improve work productivity and efficiency.

##### b. Awareness of the Importance of Lifelong Learning

The community also needs to build awareness about the importance of lifelong learning. Workers should be encouraged to seek out additional learning opportunities, such as online courses, seminars, or training, even after they enter the workforce. This will help them to stay competitive and relevant in an ever-changing market.

## **VI. The Government's Obligation to Increase the Absorption of Local Workers**

The issue of employment has always been one of the main focuses in economic development in Indonesia. The increase in the number of labor force is not proportional to the availability of jobs, often a problem that affects the welfare of the community.<sup>25</sup> The Government of Indonesia, as the main regulator, has a strategic role in increasing the

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<sup>25</sup> Jaya, M. (2022). *Employment and economic development in Indonesia: Challenges and strategies*. Journal of Development Economics, 14(1), 23-39.

absorption of local workers. Through policies and regulations, the government is responsible for creating an environment conducive to job growth, improving the quality of human resources (HR), and ensuring an equitable distribution of jobs.<sup>26</sup>

One of the important regulations aimed at improving employment in Indonesia is Law Number 6 of 2023 concerning the Stipulation of Government Regulations in Lieu of Law Number 2 of 2022 concerning Job Creation into Law (Job Creation Law). This law is considered a solution to overcome various obstacles in job creation and encourage investment that is able to absorb more labor. Therefore, the government has an important role and obligation in increasing the absorption of local workers in Indonesia through:

a. Pro-Employment Policy Formulation

The first and most fundamental role of the government is to formulate policies that support job creation and increase the absorption of local workers. The Job Creation Law is one of the government's efforts to improve the investment climate which in turn can create more jobs. Through this law, the government seeks to simplify the business licensing process which is often an obstacle for business people and investors, so that it is expected to be able to increase the number of companies operating in Indonesia and absorb a large number of local workers.<sup>27</sup>

The Job Creation Law also encourages flexibility in labor regulations. The government carried out reforms related to labor relations, wage systems, and outsourcing, all of which were aimed at making it easier for companies to recruit workers. Although this move has drawn criticism from various parties who are worried about the decline in workers' rights, this policy is considered important to provide

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<sup>26</sup> D. Sari, "The Role of the Government in Creating Jobs: An Analysis of Employment Policy in Indonesia," *Journal of Public Policy* 18, no. 2 (2023): 112-125.

<sup>27</sup> R. Pratiwi, "Employment Reform in the Job Creation Law: An Analysis of Workers' Rights and Challenges for Companies," *Journal of Policy and Public Administration* 10, no. 2 (2022): 78-92.



flexibility to companies in conducting their business more efficiently and competitively in the global market.<sup>28</sup>

b. Improving the Quality of Human Resources

The second role of the government is to improve the quality of Indonesia's human resources to be more competitive in the global and domestic labor markets. In this context, the government has an obligation to provide quality education and training to prepare a workforce that meets market needs. One of the government's concrete steps is through vocational and job training programs that are aligned with industry needs.

The government has also introduced a "link and match" program between the world of education and industry, which aims to bridge the gap between the competence of education graduates and the needs of the world of work. The program is expected to increase the competitiveness of the local workforce, especially in sectors that require technical and specific skills, such as manufacturing, information technology, and professional services.<sup>29</sup>

In addition, the government through the Indonesia Migrant Workers Protection Agency (BP2MI) also has a strategic role in training and preparing Indonesia migrant workers so that they are able to compete in the international job market, both in terms of technical and non-technical skills, such as international language and work ethics.

c. Provision of Infrastructure that Supports Job Creation

The availability of adequate infrastructure is one of the important factors in creating jobs and increasing the absorption of local workers. The Indonesia government has invested large funds to build infrastructure, such as toll roads, ports, airports, and industrial estates. This infrastructure not only accelerates the mobility of goods and services but also creates jobs, both directly and indirectly.

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<sup>28</sup> T. Wibowo, "The Job Creation Law and Its Impact on Employment Flexibility in Indonesia," *Journal of Law and Development* 19, no. 3 (2021): 45-60.

<sup>29</sup> D. Kurniawan, "Challenges of Labor Law in the Era of Digitalization," *Indonesian Law Review* 34, no. 4 (2022): 201-223, <https://doi.org/10.1080/105382452012>.

Infrastructure development also attracts foreign investors to invest in Indonesia. The existence of special economic zones (SEZs) and integrated industrial zones is a clear example where infrastructure development can create jobs on a large scale. The government's role in ensuring that these infrastructure projects run according to plan is crucial to encourage increased employment, especially in previously underdeveloped areas.

d. Incentives for Companies Employing Local Workers

In an effort to increase the absorption of local workers, the government also provides various incentives to companies that employ a large number of local workers. For example, through the Job Creation Law, companies that invest in certain sectors or that create jobs in disadvantaged areas can get tax breaks or ease in obtaining business licenses.

In addition, the government encourages the use of local labor through policies that regulate quotas for the use of foreign workers. Companies that want to hire foreign workers must go through a rigorous licensing process, and in many cases are required to provide training or knowledge transfer to local workers. This aims to enable local workers to improve their skills and ultimately fill positions previously occupied by foreign workers.

In addition to the roles that the government can perform as explained above, the government also has obligations, namely:

a. Law Enforcement and Labor Protection

One of the most important government obligations is to enforce the law and ensure that workers' rights are protected. Although the Job Creation Law provides greater flexibility to employers, the government is still responsible for ensuring that provisions for worker protections, such as minimum wages, working hours, and other basic rights, are still properly implemented. The government through the Ministry of Manpower has the duty to supervise companies to comply with labor regulations and provide strict sanctions for violating companies. Governments must also ensure that workers working in the informal sector, who are often

underprotected by formal regulations, receive adequate protection.<sup>30</sup>

b. Provision of Job Market Information

The government also has an obligation to provide job market information that is transparent and easily accessible to the public. With accurate information about job openings, industry needs, and training programs available, workers can more easily adapt their skills to market needs. Platforms such as the National Employment Information System (Sisnaker) and other employment portals managed by the government are examples of efforts to provide access to this information.

c. Strengthening International Cooperation

In the era of globalization, the government also has an obligation to strengthen international cooperation in order to increase job opportunities for local workers. Indonesia has established various bilateral and multilateral cooperation with other countries in the field of employment, such as sending migrant workers equipped with clear legal protection.<sup>15</sup> With the strengthening of international cooperation, it is hoped that local workers can be well absorbed so that they can work in the international arena according to their skills and can reduce the number of foreign workers in Indonesia.

## VII. Conclusion

Based on the research conducted, it can be concluded that the low absorption of local workers in Indonesia is caused by a number of factors, including the skills gap, lack of relevant education and training, and competition with foreign workers. Digital transformation and automation are also exacerbating this situation, as the local workforce is still unprepared for the rapid changes in technology.

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<sup>30</sup> L. Yuniar, "Ministry of Manpower and Company Supervision: Efforts to Protect Workers in the Informal Sector," *Journal of Social Policy* 11, no. 4 (2023): 95-110.

The government has initiated various programs and policies to address this problem, such as the Pre-Employment Card and Making Indonesia 4.0, but their effectiveness is still limited. These programs are often not sufficiently relevant to the needs of the job market, or are not accessible to most of the local workforce, especially in remote areas. The author recommends that the government can do:

1. Vocational Education Reform: The government needs to update the vocational education curriculum to be more relevant to the needs of the industry. This includes adding training in the areas of digital technology, automation, and specialized skills needed by modern industries.
2. Closer Cooperation between Schools and Industry: There needs to be closer cooperation between the education sector and the business world. Internship or on-the-job training programs should be expanded, so that students can gain hands-on experience in the industry.
3. Increased Access to Technology Training: To reduce the skills gap, the government must ensure that technology training is available throughout Indonesia, not just in major cities. This includes providing access to more affordable technology and digital training for rural workers.
4. Reducing Dependence on Foreign Workers: While foreign workers may be needed in the short term to meet the needs of the industry, the government should encourage companies to recruit and train more local workers. This can be done through tax incentives or other policies that prioritize local workers.

Through the implementation of more targeted policies and better coordination between all stakeholders, it is hoped that Indonesia's local workforce can be better prepared to compete and meet the needs of the national labor market, as well as reduce dependence on foreign workers.

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