

THE INFLUENCE OF GENERATION Z TO UNEMPLOYMENT IN INDONESIA START UP

Dicky Kurniawan

Departement of Management, Faculty Magister Management, Universitas Komputer Indonesia, Jalan
Dipati Ukur No 112 -116 Bandung

Deden A. Wahab Sya'roni

Departement of Management, Faculty Magister Management, Universitas Komputer Indonesia, Jalan
Dipati Ukur No 112 -116 Bandung

Email: dicky.75224009@mahasiswa.unikom.ac.id

ABSTRACT

Generation Z, born between 1997 and 2012, accounts for 27.94% of Indonesia's population. Based on BPS data (2023), 42.62% of Gen Z aged 15–24 are unemployed due to limited work experience, skill mismatches, and age-related hiring restrictions. This situation creates an imbalance between workforce supply and demand, particularly in start-up companies that require adaptive and resilient employees. Although Generation Z is recognized for their digital literacy and entrepreneurial mindset, many face challenges adjusting to the fast-paced and demanding nature of start-up environments. This study aims to examine the influence of Generation Z's characteristics on the unemployment rate in Indonesia's start-up sector. A quantitative method was used by distributing questionnaires to individuals with experience working for or applying to start-ups. The findings reveal a notable gap between Gen Z's work expectations and the actual conditions within start-ups, contributing to higher unemployment among this group. The study emphasizes the need for adaptive HR strategies aligned with generational traits and modern workplace demands.

Keywords: *Generation Z, unemployment, start-ups, workforce dynamics, human resources, skill mismatch, job expectations, Indonesian labor market.*

INTRODUCTION

Unemployment is a problem in the world of work, especially in Indonesia, which affects the condition of the economic turnover in Indonesia so that the selling and buying power decreases. The availability of jobs and the number of labor forces that exist at this time is not balanced, which has an impact on unemployment which is increasing due to the lack of jobs and the opening of new jobs (Saputra et al., 2021). Apart from being influenced by factors from employment, interest, ability and generation are other problems because cross-generation is influenced by conditions and changing times.

Generation Z is a generation born between 1997 and 2012 which in 2024 the age of this generation is in the age

range of 12 to 27 years (Bambang, et al., 2020). Based on data from the Central Statistics Agency (BPS), the Generation Z population in Indonesia in 2020 reached 74.93 million people or 27.94% of the total population of Indonesia with the highest population so that the productive age of generation Z is much needed in various sectors.

As a generation that grew up in the digital and information age, they have unique characteristics in their way of thinking, expectations of work, and career preferences. Despite their great potential, Generation Z also faces various challenges in the world of work, one of which is contributing to the high unemployment rate if it cannot be controlled. Some of the factors that cause this condition include a mismatch between the skills possessed and industry needs, lack of work experience, and changes in work patterns due to digitalization. This high unemployment rate has an impact on various sectors, especially in the start-up environment in Indonesia.

Increasing participation in the world of work does not escape the ways and efforts of individual humans. Individuals who have quality abilities and determination will create a positive reciprocity in themselves that can improve their standard of living so that it increases. Bontis and Serenko in 2009 in their research explained that human capital is divided into three factors, namely experience, competence and insight in individuals which are also referred to as self-investment. The psychological approach in a generation will be different from one another. In this study, the shaping factors in an individual human are education and environment which are key factors in the formation of human character that will be a provision in the world of work. Education can be obtained through formal education introduced by Charles Hummel, namely lifelong education including pre-school education, basic education, major education, and adult education (Hakim, 2020). Formal education pursued by individuals can open up higher opportunities in entering the world of work, this is because the level of education pursued will affect individuals to have competent expertise in their fields. The stigma of society assumes that someone with a high education will definitely have a high chance of being absorbed into the world of work. But in fact the level of employment opportunities.

On the other hand, labor characteristics are also seen from gender. The work participation of men and women can contribute to economic growth and also reduce poverty in Indonesia, especially in Generation Z. But in its implementation in the field, women who participate in the world of work will carry two responsibilities, namely taking care of the household and working, which women must play a dual role. However, women's work participation is also a manifestation of women's emancipation by RA Kartini, namely women must get a fair proportion in entering the labor market. However, it cannot be denied that currently men are preferred in entering the labor market because physically men are stronger and more productive than women. This is because women have a nature to give birth and must take leave to give birth so that companies are less likely to choose female labor.

In participating in the world of work, there are many factors that determine individuals in entering the job market. Gen-Z is a generation that is currently in the phase of entering the labor market. Therefore, this research will discuss the factors that influence work participation in terms of demographics and non-demographics, namely education, training, gender, and region of residence to find out the factors that influence Gen-Z work participation in Indonesia, especially in start-up companies which on the other hand open up new jobs that attract a lot of interest from generation Z because of flexible time and wide open self-development. Which is expected to be a reference in entering the existing job market in Indonesia and opening up jobs and reducing unemployment in Indonesia.

LITERATURE REVIEW

Generation Z (Gen Z) are individuals born between 1997 and 2012 and are known as digital natives, having grown up in the era of digital technology (Prensky, 2001). They have a tendency to choose flexible jobs, prioritize work-life balance, and are more interested in technology-based jobs. In addition, research shows that Gen Z is more comfortable working in teams, has an orientation towards innovation, and wants a work environment that supports skill development.

Based on BPS or the Indonesian Central Bureau of Statistics data for 2020, the 10 - 24 year old group born between 1997 and 2012, with an age range of around 8 to 23 years in 2020 is estimated to be around 70 million people. This age group is a very large part of the total population of Indonesia, which in 2020 was recorded at around

270 million people or around 25.93% of the Indonesian population dominated by generation z. The following data on the total population of Indonesia with various generations is in the figure 1 below.

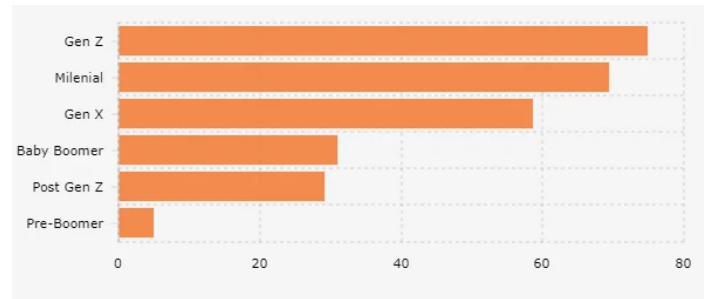


Figure 1. Indonesian Population Data For Each Generation

Source: <https://databoks.katadata.co.id/demografi/statistik> (2020)

Unemployment Rate among Gen Z

Data from the Central Statistics Agency (BPS, 2023) shows that the open unemployment rate (TPT) in Indonesia is still high, especially in the age groups of 15-19 years (26.67%) and 20-24 years (16.73%). The main factors causing unemployment among Gen Z are lack of work experience, mismatch of skills with industry needs, and limited job opportunities that match their interests (McKinsey & Company, 2022). Other studies also highlight the skills gap, which is the mismatch between the competencies of graduates and the needs of the world of work (World Economic Forum, 2021).

Start-up Company

Start-ups are attractive workplaces for Gen Z because they offer a dynamic and innovative environment (Ries, 2011). However, studies show that high employee turnover among Gen Z can disrupt company stability and productivity (Gartner, 2020). Deloitte (2023) found that Gen Z changes jobs more frequently than previous generations, as they prioritize work flexibility and personal development opportunities.

Company Adaptation Strategy for Gen Z

One of the main strategies that can be implemented is to improve employee engagement. Generation Z has a tendency to seek work-life balance. Therefore, flexible work systems, such as remote work or hybrid models, can be an effective solution in increasing their satisfaction and loyalty to the company. Studies from Harvard Business Review (2021) show that work flexibility has a positive impact on the well-being of young employees, which in turn improves their retention and productivity. By providing flexibility in the way they work, companies can create a more comfortable work environment and support Generation Z's career development in the long run.

In addition, developing skills that match industry needs is an important step to ensure Generation Z is ready to enter the workforce. Lack of practical experience is often a major obstacle for them in securing a stable job. Therefore, companies need to provide industry-based training that is aligned with the needs of the labor market. According to Schwab (2020), an industry-based approach to training can help improve Generation Z's work readiness by providing hands-on experience that is relevant to market demands. Technical training programs, soft skills development, and wider internship opportunities will help Generation Z hone the skills needed to contribute effectively in the company.

The last but not least strategy is to build a company image that appeals to Generation Z. As a generation that pays close attention to company values, they are more likely to choose a workplace that has a good reputation for innovation and employee welfare. The LinkedIn Workplace Learning Report (2022) reveals that Generation Z is interested in working for companies that offer an inclusive, innovative work culture and have a commitment to employee well-being. Therefore, companies must actively build a positive reputation by creating a healthy work environment, offering career growth opportunities, and ensuring employee well-being remains a priority.

By implementing these strategies, companies can more effectively attract and retain talent from Generation Z, while increasing their productivity in an increasingly dynamic work environment. Increasing employee engagement, developing relevant skills, and building an attractive corporate image will be important steps in addressing the challenges of unemployment among Generation Z and supporting the growth of startups in Indonesia.

METHODOLOGY

The data used is secondary data with a generation z population with demographic and non-demographic characteristics including education, gender, region of residence and also training that has been attended. As for the data sample in this study, namely employment data in Indonesia in 2024 with supporting variables The following are the data used in this study in Table 1.

Table 1. Definition of Dependent Variable

Variables		Definition	Category
Dependent Variable (X)			
X	Contribution to the world of work	Generation Z's Work Contribution	0 = unemployed 1 = working in the formal sector 2 = working in the informal sector
Dependent Variables (Y)			
Y1	Education	Level of Formal Education completed by respondents	0 = No / Not yet graduated 1 = Tamat SD / MI / Paket A 2 = Tamat SMP / MTS / SMPLB / Paket B 3 = Tamat SMA / MA / SMALB / SMK / Paket C 4 = Diploma I/II/III 5 = Diploma IV 6 = S1/S2/S3
Y2	Training	Institution-certified training that respondents have attended	0 = never been 1 = have participated in training
Y3	Gender	Gender of Respondents	0 = female 1 = male
Y4	Region of Residence	Classification of areas where Respondents live	0 = rural 1 = urban

Source: Author (2025)

The table above shows that the lower the level of education completed by Generation Z, the more they will work in the informal sector. However, the higher the education completed, the greater the chance of working in the formal sector. In the data graph, Generation-Z who have not yet obtained a job or are unemployed show a very high percentage. Which is caused by Generation Z who are fresh graduates who will just enter the existing labor market in Indonesia who have not been maximally absorbed in the labor market in both the formal and informal sectors. The following is Table 2 data on the general description of generation z characteristics.

Table 2. Statistical Data Sampling Characteristics of Generation Z

Characteristics	Unemployed	Work		Obs	Mean	Standard Deviations	Min	Max
		Formal	Informal					
Education				156,374	9,95576	3,167898	0	22
No/Not yet	2,716	539	2,323					
SD/MI	11,429	1,765	5,234					
SMP/MTS	47,052	3,181	12,352					
SMA/SMK	37,01	13,604	15,045					
DI/II/III	623	504	217					
D IV	102	67	32					
S1/S2/S3	1,232	1,002	498					
Training				156,373	0.02176	0.145927	0	1
No	97,514	20,156	34,987					
Yes	2,100	618	686					
Gender				156,373	0.51770	0.499688	0	1
Female	53,245	8,620	13,553					
Male	46,369	12,166	22,420					
Region of Residence				156,373	0.44257	0.496692	0	1
Rural	52,642	8,832	25,693					
Urban	46,972	11,954	10,280					

Source: sakernas (2019)

Based on the data in Table 2 sampling the characteristics of Generation Z, there is a relationship between education level and work participation. The majority of Generation Z who are unemployed have a junior high school education level, amounting to 47.052%. This figure is much higher than the other education levels. Meanwhile, Generation Z who are employed, both in the formal and informal sectors, are dominated by SMA/SMK graduates. In the formal sector, the percentage of SMA/SMK graduates working is 13.604%, while in the informal sector it is 15.045%.

This shows that high school/vocational school graduates have a greater chance of finding a job compared to graduates of other education levels. However, it is important to note that there is still a portion of Generation Z with higher levels of education, such as DI/DII/DIII, DIV, and S1/S2/S3, who also participate in the labor force. Nonetheless, their numbers are relatively smaller than those of SMA/SMK graduates.

Overall, this data indicates that education level has an influence on Generation Z's labor participation. SMA/SMK graduates tend to have greater employment opportunities, while SMP/MTS graduates have higher unemployment rates. However, other factors such as skills, experience, and labor market conditions can also influence Generation Z's labor participation. Generation Z is known for its digital skills and creativity, which should be a valuable asset for startups in Indonesia. However, if the majority of Generation Z has a secondary or primary level of education, they may face difficulties in meeting the workforce needs of startups that generally require technical and analytical expertise. This gap could potentially increase the unemployment rate among Generation Z, especially if they don't have skills that match the demand of the job market.

The correlation of education majors is an important factor important in this analysis. Majors such as Informatics Engineering, Computer Science, Graphic Design, and Business Management are highly relevant to the needs of startups. However, if the majority of graduates from these majors are limited, or if the quality of education does not meet industry standards, this may hinder the startup's ability to grow. education does not meet industry standards, this may hinder the growth of startups. startup growth. Conversely, if Generation Z with relevant majors have the appropriate skills, they can be a key driver of startup productivity, bringing innovation and efficiency. startup productivity, bringing innovation and efficiency startup productivity, bringing innovation and efficiency.

Unemployment among Generation Z can have a negative impact on startup productivity. Startups often rely on a young, dynamic and innovative workforce. If many Generation Zs are unemployed, startups may struggle to find the talent they need, ultimately affecting their growth and competitiveness. In addition, unemployment can reduce the purchasing power of Generation Z, who are potential consumers for startup products and services. To address these challenges, efforts are needed to improve the quality of education, especially in majors relevant to the needs of startups. Digital skills and entrepreneurship training programs are also important to equip Generation Z with the skills needed by the job market. The government, educational institutions, and the private sector need to work together to create an ecosystem that supports startup growth and youth employment.

Overall, the education level data provides important context for understanding the potential and challenges that Generation Z in Indonesia faces in contributing to the job market and startup productivity. With a focus on improving education quality and developing relevant skills, Indonesia can maximize the potential of Generation Z to drive economic growth and innovation.

RESULTS AND DISCUSSION

Descriptive Analysis

Descriptive analysis in this study is presented in the form of data tables, diagrams, and other quantities, namely mean, standard deviation, to determine the condition of the characteristics of the Generation Z workforce in contributing to the world of work. The following in Figure 2 is the percentage of graduates based on education level.

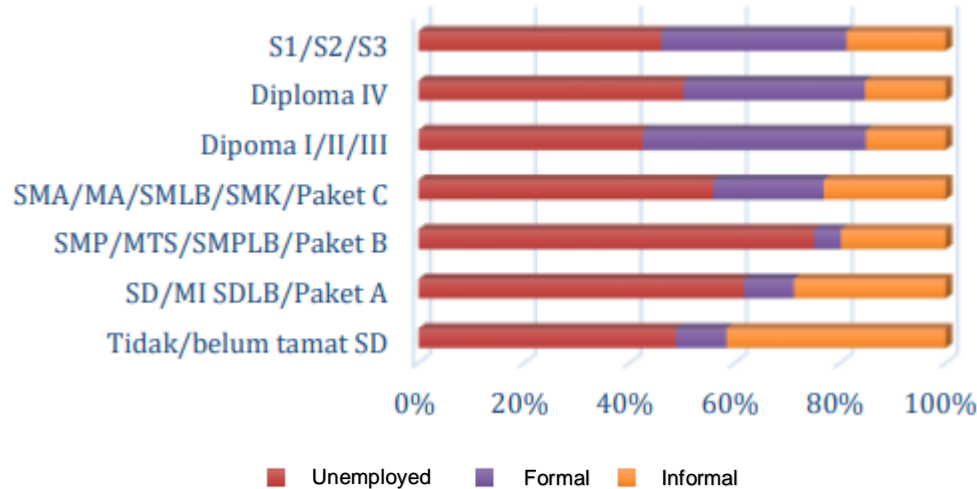


Figure 2. Percentage of Graduates by Education Level

Source: Author (2025)

The bar chart data above illustrates the percentage distribution of education levels within a population. For the education level of Not yet graduated from primary school, the orange segment dominates, indicating a significant percentage in this category. This indicates that most of the population in this category has a very low level of education. A similar pattern is seen at the SD/MI SDLB/Paket A education level, where the orange segment remains dominant, indicating that the proportion of individuals with basic education is also quite large.

However, there is a change in the distribution pattern at the junior high school (SMP/MTS/SMPLB/Paket B) and senior high school (SMA/MA/SMLB/SMK/Paket C) education levels. In these two categories, the red segment is more dominant than before, indicating that the proportion of individuals with secondary education is lower than that with primary education. This indicates a decrease in the number of individuals continuing their education to the secondary level.

Significant changes occur at the Diploma I/II/III, Diploma IV, and S1/S2/S3 education levels. In these three categories, the red segment is dominant, indicating that the proportion of individuals with higher education is very small. This indicates that the higher the level of education, the fewer individuals who achieve it.

Discussion

The following is a discussion of the factors that influence the contribution of work for Generation Z in Indonesia based on the characteristics of the workforce in reducing unemployment in Indonesia as follows:

1. Education Influence

One of the employment contributions of Generation Z in Indonesia is the level of education completed by Generation Z which has an influence in the world of work. The higher the level of education taken, the easier it will be to enter formal sector jobs. Formal sector jobs require high qualifications in the recruitment process, so it is very tight in competition with other job seekers (Arisetyawan & Prastiwi, 2023).

2. Effect of Training

The training that has been attended before will be higher absorbed in formal sector jobs. Based on human capital theory, if someone invests in themselves, it will have a positive impact that returns to themselves, this

can also be obtained through training. Training in the world of work is carried out with the aim of honing the ability within individuals to improve skills that are not obtained in formal education (Mutholib, 2019).

3. The Influence of Gender

Gender differences between men and women are a major discussion in the world of work. In Indonesia, gender differences are still a barrier or a limitation in participating in the world of work. In addition, Indonesia also still assumes that men's job is to earn a living while women are tasked with taking care of husbands, children and households at home (Kartini & Maulana, 2019).

4. Place of Residence

Region and place of residence can influence the chances of individuals being absorbed into the labor market. It can be seen that each region has different potential with different levels of development. The progress of an area opens up opportunities for easy opening of new business opportunities which will result in employment (Vlados & Chatzinikolaou, 2020). Indonesia is an archipelago consisting of 38 provinces and diverse races, tribes and religions. This vast area makes economic growth uneven. It can be seen that the center of the economy is currently on the island of Java (BPS) Central Bureau of Statistics, (2019).

CONCLUSIONS

The results showed that generation z has an effect on contributing to unemployment which has an impact on performance productivity, especially in the startup sector in Indonesia with the correlation of education majors so that it affects the absorption of professional companies with generation z workers. In addition, the level of education taken will improve performance and improve the quality of performance results, especially in startup companies. Then the participation factor in training by Gen-Z will increase the opportunity to work in the formal sector. However, awareness of the importance of this training is still very low, where the percentage of Gen-Z who participated in training is very low compared to those who have never attended training. Men still dominate jobs in the formal and informal sectors where the percentage of men participating in the workforce is very high compared to women. Women tend to dominate unemployment in Indonesia.

There are many factors behind women not participating in the world of work, such as the assumption that women only have the nature to take care of households at home and not work. However, currently women are starting to participate in the world of work while still taking care of the household by opening a shop, utilizing IT technology such as selling products in market places and so on. In urban areas, the chances of Generation Z being absorbed in formal sector jobs tend to be higher. This is due to the many start-up companies established in urban areas due to the ease of access to reach other areas. The number of companies in urban areas makes many individuals move from villages to urban areas so that the large number of residents in urban areas also has an impact on the high unemployment of Generation Z. Meanwhile, informal sector employment tends to be higher in rural areas.

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ABOUT THE AUTHORS

Dicky Kurniawan, email: dicky.75224009@mahasiswa.unikom.ac.id

Dicky Kurniawan, S.Kom. was born in Banyumas, on October 21, 1996, completed his Bachelor's degree in Computer Systems Study Program at Universitas Komputer Indonesia in 2020. Worked in one of the IT companies in Bandung in the field of IoT and founder of one of the IT companies in the field of precision agriculture. Currently continuing a master's program at Universitas Komputer Indonesia majoring in master of management in 2024.

Assoc. Prof. Dr. Ir. Deden A. Wahab Sya'rani, M.Si. lecturer in Master of Management at UNIKOM Postgraduate Program. His writings have been published in various media, journals, and seminars both nationally and internationally (Scopus). For academic purposes, you can contact him via email: wahab@email.unikom.ac.id