

## GEN Z AND THE EMPLOYMENT OPPORTUNITY CRISIS : AN ECONOMIC STUDY ON THE HIGH YOUTH UNEMPLOYMENT RATE IN PALEMBANG CITY

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### Abstract

*This study investigates the phenomenon of unemployment among Generation Z in Palembang, Indonesia. Using a qualitative descriptive approach, the research draws insights from survey data collected through Google Forms and a literature review. This research is a qualitative descriptive study. The study was conducted in Palembang, showing that the majority of Gen Z are unemployed due to lack of experience, mismatch between education and job requirements, and limited access to job training. Open unemployment among Gen Z, especially those aged 15-24 years, tends to increase from year to year, so serious efforts are needed to increase the availability of jobs and job training that suits Gen Z's needs. Unemployment among Generation Z, which is quite widespread, generally stems from different factors depending on the conditions in each region. Specifically in the city of Palembang, most unemployment occurs primarily due to the mismatch between job openings and the capabilities of the majority of Gen Z potential in this city. The available jobs in Palembang still tend to prioritize rigid discipline, while the existing potential is increasingly shifting towards creative abilities. The most evident example is the abundance of general job vacancies, such as sales, administration, service staff, and the like, while many Gen Z individuals in Palembang are becoming more open to roles involving technology, such as content creation, graphic design, photography, and creative writing. This phenomenon needs to be further explored to identify the root causes behind the limited opportunities for Gen Z in Palembang to find suitable employment.*

**Keywords:** Gen Z, Youth Unemployment, Palembang, Job Mismatch, Qualitative Study.

### Introduction

The availability of adequate employment in various sectors is key to optimal workforce absorption. This is very important considering Indonesia's low Human Development Index which places our country at 108th in the world (Nugroho & Rahmawati, 2019). Sustainable economic growth depends not only on increased investment and production, but also on the presence of quality labor effectively absorbed. In Indonesia, the greatest current challenge is how to integrate the younger generation, particularly Generation Z (Gen Z), into the constantly changing job market, especially in the digital and post-pandemic era. The role of labor becomes crucial, considering the demographic bonus potential that Indonesia possesses.

Indonesia is predicted to experience significant population growth between 2012 and 2028. In 2018, more than sixty million Indonesians were part of Gen Z aged fifteen to twenty-five, which means they had entered the workforce age. This number is expected to continue growing. This demographic bonus presents a major opportunity for increased productivity and economic growth, while also posing a challenge in providing sufficient and quality jobs to absorb this growing labor force. Unfortunately, the utilization of this demographic bonus is not without obstacles. For example, South Sumatra Province is predicted to miss or delay receiving the demographic bonus, showing that labor absorption and improving the quality of human resources are critical issues in various regions of Indonesia.

Gen Z, born between 1997 and 2012, grew up in the digital era with unique characteristics. They are known to be tech-savvy, creative, and entrepreneurial. However, they also face specific challenges in the job market. Research shows that Gen Z faces various social and economic challenges, including mental health issues, high education costs, labor market uncertainty, and social isolation. One of the main challenges faced by Gen Z is unemployment.

Data from the Central Statistics Agency shows an increase in the Open Unemployment Rate (OUR) in the 20 to 24-year-old age group around 15% of Gen Z's working-age population is unemployed. This unemployment rate is higher compared to previous generations. This phenomenon of unemployment among

Gen Z has a significant impact on the economy, both nationally and locally. Unemployment can reduce economic productivity, increase poverty levels, and create social pressure. Unemployed youth are vulnerable to decreased motivation, loss of direction, and becoming economic burdens on their families.

Sustainable economic growth is not only determined by increased investment and production output but also by the availability of quality labor that is optimally absorbed. In Indonesia, the biggest challenge today is how to integrate young people, especially Generation Z (Gen Z), into the constantly changing labor market, particularly in the digital and post-pandemic era. The role of labor becomes very crucial, given that they are the production factor that drives the wheels of the economy in a company, both in technical implementation such as processing and assembly, and in administrative and data processing activities.

As a generation that is active and highly flexible, Gen Z has various unique considerations in determining the jobs they want to apply for. Among them is seeking jobs that have high status value or prestige and can be a source of pride. The job must also offer positive career progression, meaning it allows room to continue increasing capacity and take on greater responsibility. In addition, the job Gen Z desires is one with a conducive environment, aligned with high spirit, and as free as possible from unnecessary conflict between employees or with superiors. They desire a workplace full of constructive motivation and mutual support among employees (Azzam, Muhammad, 2024).

Mass layoffs due to company efficiency have significantly impacted Gen Z, causing trauma related to career uncertainty and lack of transparent communication. Many Gen Z individuals feel they were treated unfairly during layoffs, receiving sudden termination notices without adequate explanation (Cynthia, 2024).

Research (Wardono & Hanifah, 2020) indeed shows that low participation in job training and educational background mismatch plays a major role in youth unemployment. This is reinforced by Sakernas data stating that having a higher education does not guarantee that young people will be easily absorbed into the labor market. Research (Prananika & Satria, 2023) shows that low productivity of young workers and unequal distribution of foreign direct investment (FDI) worsen the unemployment rate among youth. They conclude that job creation alone is not enough to reduce unemployment if it is not accompanied by relevant skills training and increased work productivity.

There are several reasons why Gen Z chooses to remain unemployed for quite a long time rather than struggling to find work, and these reasons are divided into two factors:

1. **Internal Factors:** Mainly related to high stress vulnerability, difficulty accepting large amounts of pressure, and insecurity. They feel unsure of their abilities and fear failure and risk in the jobs they do.
2. **External Factors:** Focuses on how the surrounding environment perceives the uniqueness of Gen Z individuals, which tends to be viewed negatively. Because most Gen Z individuals have their own distinctive characteristics in doing things, whether in terms of tempo or method, the unfamiliar environment sees this as a flaw and is reluctant to provide support and assistance (Azzam, Muhammad, 2024)

### **Gen Z Unemployment Conditions in Palembang City**

Palembang City, as the second largest metropolitan city on Sumatra Island, faces challenges in reducing unemployment. Although several Job Fairs have been held in various malls, with about 3,000 job vacancies and 25 job openings from Palembang government offices, these efforts are not sufficient to reduce unemployment significantly. Based on data from BPS Palembang City, out of a total of 800,219 members of the labor force, 55,852 people (6.98%) are still unemployed, with the majority being university graduates (Central Statistics Agency, 2024).

The high unemployment rate in Palembang City has broad impacts, not only on individuals but also on the regional economy. The implications include increased poverty, social inequality, and reduced community productivity. Therefore, it is important to conduct an in-depth study on the dynamics of unemployment among youth, particularly Gen Z, in Palembang City. By understanding the local context and using accurate data, more targeted solutions can be designed to address unemployment and improve community welfare.

This phenomenon emphasizes the mismatch between the education system and industry needs. If not handled seriously, the high youth unemployment rate will have negative impacts on regional economic development and Indonesia's future demographic potential. By comprehensively understanding the Gen Z unemployment phenomenon in Palembang, this research is expected to provide valuable insights for the

government, educational institutions, industry players, and the general public to formulate effective and sustainable solutions.

### **Research Results**

This research includes a literature comparison from previous studies and uses data from the Central Statistics Agency of Palembang City in 2024. The number of workers in Palembang is around 1,279,000 people. Of this total, the 15 to 25 age group—part of Gen Z—contributes 249,433 employed individuals. This figure represents about 19.5% of the total working population in Palembang.

#### **1. Education and Employment Status of Gen Z**

From a total of 9,614 respondents studied, we found the distribution of Gen Z data in terms of education and employment as follows: Those with current or final education at the high school level constitute about 18.8%. Meanwhile, those currently enrolled in or graduated from university account for 81.2%. Among those with high school education (completed or ongoing), 60.6% reported currently working, while 33.4% reported not working or still seeking employment. On the other hand, among those attending or graduated from college, 70.4% reported not working or seeking employment, while 29.6% reported being employed. Thus, overall data combining high school and university-level Gen Z shows that 71.9% of Gen Z are not yet employed, while only 28.1% or 2,071 respondents reported themselves as employed. This indicates that employment absorption for Gen Z in Palembang is still not optimal.

#### **2. Obstacles in Finding Work**

In the questionnaire, we asked a question that could only be answered by those who stated from the start that they were not yet employed. The question was about the obstacles they faced in job seeking. We provided several options and asked respondents to select the most relevant answers to their current condition, allowing them to choose more than one. The results show that 33.3% of respondents felt that the lack of available job vacancies was the main obstacle. About 30.5% cited lack of connections. Additionally, 16.8% felt skill mismatch, and another 19.4% mentioned logistical challenges with job requirements.

#### **3. Factors That Facilitate Employment**

On the other hand, respondents who stated that they were employed were asked to answer what factors most helped them secure employment. We provided several options and asked respondents to choose the most relevant answers. The results are as follows: About 43.3% of respondents stated that organizational experience was the main factor for being accepted at their current job. Meanwhile, 30% stated that the suitability of their educational background helped them secure the job. 16.6% said relationships helped them get work, while 10.1% stated that follow-up communication through social media was the key factor in their employment. Based on the responses, most respondents considered organizational experience as the most important factor in obtaining work.

#### **4. Participation in Job Training**

One important component often considered by companies in hiring is the applicant's participation in job training programs, usually proven by a certificate after completing training. Of all respondents, 53.1% stated that they had participated in job training. However, of those who had, 52.9% reported not yet having a job. Meanwhile, among the 46.9% of respondents who stated they had not participated in job training, only about 6.66% were employed. In other words, job training does not automatically make it easier for Gen Z to get a job. Nonetheless, job training remains an important component in enhancing one's capacity for employment, considering that very few Gen Z individuals are employed without any training. Companies often consider participation in job training as one of the factors in the recruitment process. Although job training does not automatically guarantee employment, it can increase one's capacity and opportunity to get hired. Many Gen Z individuals are hired after undergoing training and obtaining relevant certificates. Therefore, job training remains an essential component in enhancing the skills and employment opportunities for Gen Z (Dian Ayu Cynthia, 2024). The high unemployment rate among Palembang's Gen Z, especially university graduates, is a crucial issue that requires in-depth analysis in both national and local contexts.

## **Analysis of Factors Causing Gen Z Unemployment**

### **Limited Job Opportunities and Networking:**

Findings on the lack of job vacancies and connections are consistent with the macro context such as mass layoffs mentioned in the background and government efforts through CPNS/BUMN programs that have not had a significant impact on unemployment (Central Statistics Agency, 2024). The lack of networks also hinders Gen Z's access to unpublished job opportunities.

### **Skill Mismatch and Lack of Experience:**

The percentage of respondents who feel their skills are incompatible with job requirements and the lack of work experience aligns with findings (Zaman, 2024). Despite many Gen Z individuals having higher education, they struggle to be absorbed due to the gap between education system output and specific industry needs. This is worsened by the difficulty Gen Z faces in securing their first job due to lack of experience.

### **Effectiveness of Job Training Programs:**

Data shows that participation in job training does not automatically ensure absorption. This could be due to the irrelevance of training content to current labor market needs or lack of strong linkage between training institutions and industries. In-depth evaluation of curriculum and post-training job placement strategies is needed.

### **Internal Factors and Gen Z Expectations:**

Internal aspects such as stress vulnerability, insecurity, and Gen Z's unique job expectations (Hanifah, 2020)—like seeking high-status jobs, clear career paths, and conducive work environments—also play a role. The desire for ideal jobs can cause Gen Z to remain unemployed longer if no opportunities meet their criteria (Azzam, Muhammad, 2024).

### **Impact of Gen Z Unemployment in Palembang**

High Gen Z unemployment in Palembang has serious implications for the local economy. This phenomenon can lower regional economic productivity, increase poverty rates, and widen social inequality (Sri Maryati, 2021). This condition also underscores the mismatch between the education system and industry needs. If not addressed seriously, the high youth unemployment rate will negatively impact regional economic development and hinder the utilization of Indonesia's demographic bonus in the future. This aligns with Keynes' (1936) view that the labor market does not always achieve full equilibrium due to aggregate demand uncertainty and lack of government intervention.

## **Research Implications**

### **Theoretical Implications:**

This research provides empirical evidence that enriches literature on Gen Z labor market dynamics, especially in the context of metropolitan cities in developing countries. These findings support and expand understanding of the concept of skill mismatch and the role of non-economic factors (e.g., connections, personal expectations) in the unemployment phenomenon.

### **Practical Implications:**

1. **For the Palembang City Government:** A more focused collaborative strategy is needed to create jobs relevant to Gen Z skills, enhance competency-based and soft skill training programs, and strengthen job matching platforms between Gen Z job seekers and industry sectors.
2. **For Educational Institutions:** Curriculum alignment with labor market needs is essential, along with the integration of soft skills development, organizational experience, and structured internship programs as an integral part of the education process.
3. **For Industry Players:** Active partnerships with educational institutions and the government are needed to provide quality internship programs and adapt the work environment to accommodate Gen Z's unique characteristics and expectations.
4. **For Gen Z:** A proactive attitude is necessary in developing skills relevant to market trends, building professional networks, and enriching portfolios through practical experience (internships or freelancing) to enhance their competitiveness.

## Conclusion

This study identifies the high unemployment rate among Generation Z (Gen Z) in Palembang City, with 71.9% of Gen Z respondents stating they are unemployed. This figure far exceeds the Open Unemployment Rate (OUR) reported by BPS Palembang, indicating a large group of Gen Z individuals who fall into the category of "hidden unemployment" or are facing serious difficulty transitioning from education to employment. The main factors causing Gen Z unemployment in Palembang include:

1. **Limited job vacancies (33.3%) and lack of connections/networks (30.5%).** This is exacerbated by the impact of mass layoffs and the limited effect of government programs such as CPNS/BUMN on Gen Z employment absorption.
2. **Skill mismatch and lack of work experience (16.8% reported skills mismatch).** Although Gen Z holds higher education degrees, they struggle to be absorbed into the workforce due to a disconnect between the education curriculum and industry demands.
3. **The gap between job training and labor market absorption.** Although 53.1% of respondents have attended training, the majority of them (52.9%) are still unemployed, indicating that training alone is insufficient without labor market alignment.

On the other hand, **organizational experience (43.3%)** is the dominant factor helping Gen Z secure employment, followed by educational background (30%). This emphasizes the importance of developing soft skills and networking during education. To address these issues, Gen Z needs to be proactive in enhancing relevant hard and soft skills, building networks and portfolios through internships or freelancing, and developing teamwork capabilities. Meanwhile, the government and educational institutions in Palembang need to formulate more targeted policies, such as aligning curricula with industry needs, expanding access to accurate job information, and providing more relevant and integrated training programs with the working world. The Gen Z unemployment phenomenon in Palembang is a complex issue requiring multidisciplinary collaboration from government, educational institutions, industry, and society. Without serious action, the high youth unemployment rate will negatively affect Indonesia's demographic bonus and both local and national economic development.

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