

Dynamics of Unemployment and Its Implications for Economic Growth and Poverty in Central Sulawesi Province

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Abstract: This study aims to examine the dynamics of unemployment and its impact on economic growth and poverty levels in Central Sulawesi Province using the Systematic Literature Review (SLR) approach. Research data was obtained from scientific articles in the period 2019–2025 by applying certain selection criteria. The results of the study show that unemployment in Central Sulawesi is influenced by demographic factors, economic structure, and the quality of human resources. In addition, the relationship between unemployment and economic growth is not always linear, because economic growth has not been able to fully increase labor absorption optimally. Simultaneously, unemployment and economic growth have an effect on poverty, but partially unemployment does not show a significant influence, while economic growth has an important role in reducing poverty rates. Therefore, a more inclusive development policy is needed through strengthening labor-intensive sectors and improving the quality of human resources to reduce unemployment and poverty in a sustainable manner.

Keywords: economic growth, poverty, unemployment.

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INTRODUCTION

Unemployment is one of the main problems in economic development that has a wide impact on people's welfare. The unemployment rate not only reflects the conditions of the labor market, but is also an important indicator in assessing the success of a region in creating productive and sustainable employment opportunities. The high unemployment rate has the potential to cause various social and economic problems, such as increasing poverty, income inequality, and declining people's quality of life.

Indonesia, as a developing country with a large population, faces significant challenges in managing the employment sector. Data from the Central Statistics Agency shows that the population continues to grow every year, so the number of labor force also increases. On the one hand, this is an opportunity in the form of a demographic bonus that can encourage economic growth. But on the other hand, if it is not accompanied by the availability of sufficient jobs, this condition has the potential to increase the unemployment rate.

The unemployment problem in Indonesia is not only caused by limited job opportunities, but also influenced by various structural factors, such as skill mismatch, development gaps between regions, and changes in global economic dynamics. In addition, the increasing phenomenon of educated unemployment shows that the education system is not fully aligned with the needs of the job market. A report from the International Labour Organization also states that unemployment rates in developing countries are often influenced by the low quality of human resources and limited access to appropriate job training.

The Indonesian government has launched various programs to reduce the unemployment rate, such as the Pre-Employment Card Program, vocational training, and the expansion of job opportunities through investment and MSMEs. These programs are designed to upskill the workforce while accelerating labor absorption in various sectors of the economy. According to BPS data, the unemployment rate tends to decline in the last five years, where in 2021 the unemployment rate in Central Sulawesi was 3.75% and in August 2025 the unemployment rate in Central Sulawesi was 2.92% (BPS, 2025). This shows that there is a downward trend although relatively limited. In addition, the number of labor force reached around 1.70 million people, with a working population of around 1.65 million people, and the proportion of formal workers was still low, which was around 35.43% (BPS, 2025).

At the regional level, the problem of unemployment is often influenced by demographic, structural, economic, and quality factors. Empirical studies show that variables such as population size and labor force participation have a significant influence on the open unemployment rate. In this context, an increase in population without being compensated for by job creation can increase the pressure on the labor market (Setiawati et al., 2025).

This study aims to analyze the dynamics of unemployment and its implications for economic growth and poverty in Central Sulawesi Province. The results of this research are expected to contribute to the development of science, especially in the field of development economics, as well as be a consideration for local governments in formulating more effective policies in reducing unemployment and poverty through inclusive and sustainable economic development.

METHOD

This research uses a qualitative approach with the aim of providing an in-depth overview of the effectiveness of government policies in tackling unemployment in Indonesia. This study uses the systematic literature review (SLR) approach as the main method to analyze the effectiveness of government programs in reducing the unemployment rate in Central Sulawesi Province. The data sources used are secondary data obtained from official government documents, publications of the Central Statistics Agency (BPS), employment program reports, scientific journals, and studies from independent institutions.

The selected articles are scientific articles in the form of journals or proceedings that discuss the Central Sulawesi Province area, have variables relevant to unemployment, economic growth, or poverty, and are published in the period of 2019 to 2025. This approach was chosen because it is able to provide a comprehensive synthesis of various empirical findings that have been published previously, especially in the Indonesian context, resulting in a more structured understanding of program implementation, the level of effectiveness, and the factors that influence its success and failure at the regional level.

RESULTS AND DISCUSSION

The results of the Systematic Literature Review (SLR) on various relevant scientific articles show that the dynamics of unemployment in Central Sulawesi Province are influenced by the complex interaction between demographic factors, economic structure, and the quality of human resources. These findings indicate that unemployment in the region is not only caused by limited employment, but also by a mismatch between labor characteristics and market needs.

In terms of demographics, the increase in the number of working-age population and the high rate of labor force participation are one of the main factors driving the increase in unemployment. This condition shows that there is pressure in terms of labor supply that is not balanced with the availability of adequate jobs. Research shows that population size and labor force participation have a significant effect on the open unemployment rate in Central Sulawesi (Setiawati et al., 2025). Thus, an increase in the number of workers without being followed by the expansion of the economic sector will worsen labor market conditions.

On the other hand, the regional economic structure also affects the dynamics of unemployment. The economy of Central Sulawesi, which is dominated by the natural resource-based industrial sector and mining, tends to be capital-intensive. These sectors require large investments, but they do not require a large number of workers. As a result, the economic growth that occurs does not directly increase labor absorption. This condition shows that the regional economic structure is still not inclusive of local workers, especially for workers with low levels of education and skills.

Furthermore, the results of the study show that the relationship between unemployment and economic growth in Central Sulawesi is not always linear. Theoretically, economic growth is expected to be able to create jobs and reduce unemployment. But in practice, an increase in economic growth is not always followed by a significant decrease in the unemployment rate. This shows that economic growth that occurs is more sectoral and uneven in creating job opportunities.

Nevertheless, the role of economic growth in reducing poverty has proven significant. Based on the results of the latest research, the open unemployment rate and economic growth simultaneously have a significant effect on the poverty level in Central Sulawesi Province. However, partially, unemployment does not have a significant effect, while economic growth has a negative and significant influence on poverty (Kifayatun et al., 2025). These findings show that increasing economic growth is still the main factor in reducing poverty rates in Central Sulawesi Province.

The insignificance of the effect of unemployment on poverty in part can be understood through a number of empirical conditions in the field. This is due to the dominance of the informal sector which is able to absorb labor even though it is not recorded in the formal system. In addition, the existence of various alternative sources of income such as small businesses and subsistence economic activities also contributes to reducing the direct impact of unemployment on poverty. Unemployment is the gateway to poverty, in Central Sulawesi Province unemployment is largely caused by the lack of competition between indigenous human resources (HR) and immigrant human resources. Meanwhile, many companies, both foreign and domestic, that process agricultural products, for example, in Banggai Regency and Morowali Regency require a qualified and high-standard workforce (Kasim, 2021). In addition, the existence of social assistance programs from the government also helps to maintain people's purchasing power, so that the relationship between unemployment and poverty is not always direct or indirect.

Nevertheless, unemployment remains an important factor in poverty analysis when viewed simultaneously with other variables. This shows that although unemployment does not always have a direct effect, its existence still contributes to the overall economic condition of society.

In addition to economic and demographic factors, the quality of human resources also plays a very important role in the dynamics of unemployment. Workers with low levels of education and skills tend to find it difficult to compete in the job market, especially in industrial sectors that require certain competencies. Research shows that human capital has a significant influence on increasing job opportunities and reducing unemployment (Suparman, 2021). Therefore, the low quality of human resources is one of the main causes of high unemployment in Central Sulawesi.

This condition also indicates the phenomenon of skill mismatch, which is a mismatch between the skills possessed by the workforce and the needs of the industrial world. Many workers do not have the competencies that are in accordance with the demands of the modern industrial sector, so that labor absorption is not optimal. This situation further confirms that unemployment in Central Sulawesi has structural characteristics.

Overall, the results of this study show that the dynamics of unemployment in Central Sulawesi Province are multidimensional and cannot be explained by just one variable. Economic growth has proven to have a dominant role in reducing poverty, but it has not been able to optimally reduce unemployment. Meanwhile, unemployment remains an important factor affecting people's economic conditions, although not always partially significant.

These findings show that the direction of economic development policies in Central Sulawesi needs to be focused on more inclusive growth, namely growth that is not only oriented towards increasing economic output, but also able to expand job opportunities. In addition, improving the quality of human resources through education and job training is an important strategy in reducing the unemployment rate while increasing the competitiveness of the workforce.

CONCLUSIONS

Based on the results of the Systematic Literature Review (SLR), it can be concluded that unemployment in Central Sulawesi Province is influenced by the interaction of demographic factors, economic structure, and quality of human resources that show structural characteristics. This condition shows that the economic growth that has occurred has not been fully inclusive in absorbing labor, especially due to the dominance of the capital-intensive sector and the still low suitability of labor skills with the needs of the labor market. Therefore, efforts to handle unemployment need to be directed at strengthening more inclusive development policies through job creation, development of labor-intensive sectors, and improving the quality of human resources through education and job training. The next research is suggested to conduct an empirical study based on primary data at the district/city level in Central Sulawesi to obtain a more in-depth picture of the effectiveness of government programs in suppressing unemployment.

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