

## Strategies and Policies to Overcome Structural Unemployment in Bondowoso Regency

Joko Mulyono<sup>1</sup>, Pandu Satriya Hutama<sup>2\*</sup>, Jati Arifiyanti<sup>3</sup>, Dodik Harnadi<sup>4</sup>, Ahmad Munif Mubarok<sup>5</sup>

<sup>1,3,4</sup> Sociology Department, Faculty of Social and Political Sciences, University of Jember, Indonesia

<sup>2</sup> Diploma Travel Business Department, Faculty of Social and Political Sciences, University of Jember, Indonesia

<sup>5</sup> Social Welfare Department, Faculty of Social and Political Sciences, University of Jember, Indonesia

**Corresponding Author:** Author name [pandu.fisip@unej.ac.id](mailto:pandu.fisip@unej.ac.id)

### ARTICLE INFO

*Keywords:* Structural Unemployment, Policy Strategy, Labor Market, Informal Sector, Bondowoso

*Received* 21 March 2026

*Revised* : 26 April 2026

*Accepted:* 29 May 2026

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### ABSTRACT

This study explores structural unemployment in Bondowoso Regency, East Java, and formulates strategic policies for the local government. Despite a quantitative decrease in the Open Unemployment Rate (TPT), structural issues persist, including high informal sector participation (70.05%), agricultural dependency, and skills mismatch, particularly among vocational school graduates. Employing a qualitative case study approach and literature review, this research observes the socio-economic dynamics affecting the local labor market between 2020 and 2024. The findings reveal a segmented labor market characterized by precarity and limited social mobility. The study implies the urgent need for institutional transformation, proposing actionable recommendations notably through agricultural modernization, integrated farming initiatives, and the promotion of young farmers to ensure inclusive economic growth.

## **INTRODUCTION**

The Indonesian labor market has shown signs of recovery post-pandemic, characterized by a decrease in the Open Unemployment Rate (TPT) to 4.76 percent nationally as of early 2025. However, quantitative improvements do not imply that employment challenges have been fully resolved. Other indicators, such as the high rate of part-time workers and underemployment, reveal significant under-utilization of the workforce. This situation means that a portion of the Indonesian workforce does not secure adequate working hours or decent incomes, even if they are statistically absent from the unemployment count. The quality of available jobs remains a fundamental issue, suggesting that unemployment must be understood beyond mere statistical percentages.

In the sociology of work, unemployment is perceived not only as an absence of jobs but also as a structural symptom related to the distribution of employment opportunities, power relations between employers and workers, and the underlying socio-economic configurations. This condition is particularly evident in developing agrarian regions like Bondowoso Regency. While Bondowoso recorded a TPT of 3.63 percent in August 2024 – a visible decline from previous years – the region continues to face persistent structural vulnerabilities. Compared to neighboring regencies, Bondowoso's position remains less favorable. The local economy is marked by structural dualism: a limited formal sector juxtaposed against a vast informal sector, primarily in agriculture and low-skill services.

The persistence of these employment issues aligns with the concept of structural unemployment proposed by Demsetz (1961), which emphasizes the imbalance between workforce skills and the demands of the economic structure. Beeghley (1988) further posits that poverty and unemployment are often structural, emerging from a socio-economic design that renders specific groups more vulnerable. In Bondowoso, this is reflected in the high percentage of the workforce trapped in low-productivity, precarious agricultural jobs with limited upward mobility. Moreover, the phenomenon of "educated unemployed" is prominent; vocational school (SMK) graduates in Bondowoso exhibit the highest TPT at 17.99 percent, highlighting a severe skills mismatch.

This study aims to investigate the dimensions of structural unemployment in Bondowoso Regency and to formulate strategic policies and local government programs to overcome these challenges. By examining both structural barriers and cultural factors, this article contributes to the broader discourse on rural labor markets and institutional modernization in developing regions.

## **LITERATURE REVIEW**

The literature emphasizes that unemployment in Bondowoso Regency must be analyzed as a systemic, structural issue rather than a mere individual failure, utilizing several key sociological and economic frameworks. Drawing upon Demsetz's theory of structural unemployment, the region experiences a severe "skill mismatch," evidenced by the high unemployment rate among vocational high school (SMK) graduates. This occurs because the local agrarian-dominated economy struggles to absorb newly skilled labor, leading to an

overskilling phenomenon where educational outputs do not align with market needs. This discrepancy is further elucidated by Beeghley's theory of structural poverty, which highlights how systemic inequalities, limited social mobility, and hierarchical social structures trap individuals in lower economic strata despite their efforts to improve their human capital. Additionally, Guy Standing's concept of the "precariat" accurately mirrors the local labor market reality, where approximately 70.05% of the workforce is engaged in the informal sector—particularly traditional farm laborers—facing high vulnerability, seasonal instability, and a severe lack of contractual security or social protection.

To address these deep-rooted challenges, the reviewed literature proposes comprehensive, cross-sectoral policy strategies aimed at institutional transformation, economic modernization, and cultural adaptation. For the agricultural sector, which absorbs the majority of the workforce, policies must drive a shift from traditional subsistence methods to modernized, sustainable agribusinesses through technological integration, mechanization, and product diversification. Concurrently, the manufacturing and service sectors demand revitalization via strengthened synergies between vocational education and local industries, the establishment of teaching factories, and the acceleration of digital transformation within the creative and tourism economies. Ultimately, the literature concludes that merely lowering the quantitative Open Unemployment Rate (TPT) is insufficient; regional policies must proactively bridge the gap between educational competencies and market demands, formalize labor relations, and navigate local cultural constraints to build a resilient and inclusive economy in Bondowoso.

## **METHODOLOGY**

This study employs a qualitative approach using a case study method to comprehend unemployment within a specific local context. As described by Creswell (2013), a case study allows researchers to explore social phenomena deeply by considering the experiences, narratives, and interactions of the involved actors. The focus of the case study is on the unique characteristics of Bondowoso Regency, observing individuals, institutions, and business entities navigating the local labor market.

Data collection was conducted through literature reviews, secondary data analysis from the Central Bureau of Statistics (BPS), and limited discussions with regional stakeholders, notably the Regional Development Planning, Research, and Development Agency of Bondowoso Regency. The observation timeline primarily covers employment data and socio-economic dynamics from 2020 to 2024. The analytical process involved synthesizing empirical data with sociological theories—such as segmented labor market theory, structural poverty, and modernization—to evaluate the root causes of unemployment and derive strategic recommendations.

## **RESEARCH RESULT**

The socio-economic landscape of Bondowoso Regency is inherently agricultural, profoundly shaping its labor market. In 2024, the agricultural sector absorbed 42.48 percent of the workforce, followed by the service sector at 37.48 percent, and the industrial sector at 20.04 percent. Although there is a slight shift towards industrialization, the agrarian dominance remains robust. A critical concern within this employment structure is the high level of informality. Approximately 70.05 percent of the working population is engaged in the informal sector. These workers, primarily consisting of daily laborers and unpaid family workers, face immense precarity.

The segmented labor market in Bondowoso is acutely polarized. A small formal segment offers decent wages and job security, while the vast informal segment provides low wages, uncertain status, and virtually no social protection. This divide creates a "job queueing" scenario and traps many workers in precarious conditions, a situation consistent with Standing's (2011) concept of precarity. The dependence on seasonal or daily wage work, which is highly vulnerable to commodity prices and climate fluctuations, perpetuates a cycle of relative deprivation, resulting in a significant population of the "working poor" – individuals who work full-time yet remain in poverty.

Another major finding is the educational profile of the workforce and the ensuing skills mismatch. Around 59.14 percent of workers have only elementary education or lower. Ironically, the lowest unemployment rate is found among this group (0.94 percent), as they are easily absorbed into low-skill agricultural labor. Conversely, vocational high school (SMK) graduates face the highest unemployment rate (17.99 percent). This pattern illustrates a disconnect between the vocational education system, which trains students for technical and formal industrial roles, and the local agrarian-traditional service economy that lacks the capacity to absorb such qualifications.

Furthermore, cultural dimensions actively influence labor mobility. The conservative familial structures and cultural norms in Bondowoso often limit geographic and occupational mobility. Many families prioritize immediate, albeit meager, daily earnings over long-term educational or entrepreneurial investments. The shifting meaning of work also contributes; younger generations increasingly favor formal, structured environments, preferring to remain unemployed rather than engaging in traditional agricultural labor, exacerbating the youth unemployment rate.

To address these multifaceted issues, interventions cannot rely solely on enhancing individual skills but must involve comprehensive institutional and structural transformations. The modernization of the agricultural sector is paramount. Shifting from traditional subsistence farming to market-oriented agribusiness can create new employment opportunities in rural areas. Strategies include modernizing production and post-harvest technology, diversifying commodities, and strengthening farmer institutions such as village cooperatives to manage supply chains and capital access.

Moreover, regenerating the agricultural workforce by promoting "smart farming" among young farmers is crucial to making the sector economically

attractive to the youth. In the manufacturing and service sectors, diversification and the integration of digital literacy are essential steps. The government must act as a facilitator, linking farmers, financial institutions, training centers, and the market to foster an inclusive and modernized local economy.

## DISCUSSION

The discussion on employment in Bondowoso Regency reveals a complex landscape where quantitative improvements mask deep-rooted structural challenges. Although the Open Unemployment Rate (TPT) consistently decreased from 4.95% in 2020 to 3.63% in 2024, this statistical decline does not reflect a proportional improvement in the quality of available jobs. The local workforce remains heavily concentrated in the informal sector, which accounts for approximately 70.05% of all workers. Furthermore, the employment structure is largely sustained by traditional agriculture, which absorbs 42.48% of the labor force, while the industrial and service sectors still struggle to provide sufficient formal, high-value job opportunities.

A significant driver of structural unemployment in the region is a severe skill mismatch, analyzed through the lens of Demsetz's economic theory. While the majority of the local workforce (59.14%) only holds an elementary school education or below, the highest unemployment rate (17.99%) is ironically found among vocational high school (SMK) graduates. This paradox occurs because the regional education system produces technically skilled graduates for a modernized industrial market that does not yet exist locally. The local economy's slow transformation fails to absorb these educated youths, leading to a cycle of educated unemployment and the gradual loss of their unused technical skills, a phenomenon known as deskilling.

The agricultural sector, despite being the largest employer, suffers from stagnation, low productivity, and high vulnerability to seasonal changes. It is predominantly characterized by traditional farming methods, a heavy reliance on raw primary commodities without downstream processing, and a lack of regeneration as younger generations show little interest in manual farming. To combat these structural issues, proposed strategies emphasize a transformation toward modern, value-added agribusinesses. This includes implementing simple mechanization, developing agro-processing hubs for local commodities like coffee, and strengthening farmer cooperatives to improve access to capital and wider markets.

Similarly, the manufacturing and service sectors face their own structural barriers that hinder optimal labor absorption. Manufacturing in Bondowoso is largely limited to small-scale, home-based industries processing agricultural goods, which lack modern equipment, standardized quality control, and integration into broader supply chains. Meanwhile, the service sector, the second-largest employer at 37.48%, is dominated by low-income, informal roles such as daily laborers and small traders with very low digital literacy. Upgrading these sectors requires synchronizing vocational training with actual industry needs, accelerating digitalization for micro-enterprises, and fostering local creative economies tied to tourism assets like the Ijen Geopark.

The vulnerability of Bondowoso's workers is further illuminated by Guy Standing's concept of precarity, which highlights the daily insecurities faced by informal workers. A vast number of individuals, particularly farm laborers, operate entirely without formal employment contracts, long-term job security, or social protection networks. These workers generally receive daily wages that are highly susceptible to weather disruptions and fluctuating commodity prices, trapping them in a state of shared poverty. This precarious nature of work dictates that even though these individuals are technically employed, their livelihoods remain fundamentally unstable and highly vulnerable to sudden economic shocks.

Social inequality and restricted economic mobility also play crucial roles in perpetuating structural poverty, as explained by Beeghley's theoretical framework. In Bondowoso, access to stable, formal employment is frequently dictated by social networks, family connections, and existing economic privileges rather than merit or skill alone. Individuals lacking these social connections are systematically forced into the precarious informal sector, creating a highly segmented and unequal labor market. This systemic design severely limits upward social mobility, meaning that hard work in the informal sector rarely translates to a better socioeconomic status, leaving marginalized groups trapped in a cycle of subsistence living.

Finally, cultural dynamics and shifting internal values significantly influence local unemployment trends and labor mobility. Strong family ties and protective parenting cultures often discourage geographical mobility, leading youths to remain in Bondowoso even if suitable jobs are completely unavailable. Additionally, there is a distinct generational shift in the meaning of work; younger people increasingly seek jobs that align with their personal passions and offer social prestige, while older generations continue to prioritize basic stability and moral obligation. This growing gap between the high aspirations of the youth and the limited, traditional job market of the region creates a scenario where many young individuals consciously choose to remain unemployed while waiting for ideal opportunities.

## **CONCLUSIONS AND RECOMMENDATIONS**

The decline in Bondowoso's Open Unemployment Rate masks deep-seated structural vulnerabilities characterized by overwhelming informality, agricultural dependency, and severe skills mismatch. The local labor market is highly segmented, trapping a large portion of the population in precarious, low-productivity jobs that offer no social protection. Addressing structural unemployment in Bondowoso requires transcending individual-focused solutions to implement robust institutional transformations. Strategic policies must prioritize agricultural modernization, the promotion of integrated farming, and the empowerment of young farmers, alongside diversifying the manufacturing and service sectors. Such a cross-sectoral approach will not only reduce statistical unemployment but also elevate the quality of work and community welfare.

## **ADVANCED RESEARCH**

This research investigates the persistent phenomenon of structural unemployment in Bondowoso Regency, revealing that despite a quantitative decline in the Open Unemployment Rate to 3.63% in 2024, profound qualitative labor market deficiencies remain prevalent. Anchored in the sociological and economic frameworks of Demsetz, Beeghley, and Standing, the study identifies a pronounced skills mismatch—evidenced by the highest unemployment rates occurring among vocational (SMK) graduates—which is exacerbated by a predominantly informal agrarian economy, low overall educational attainment, and sociocultural constraints that impede geographical labor mobility. To facilitate comprehensive structural transformation, the report recommends targeted policy interventions across three core sectors: modernizing and diversifying agricultural practices through smart farming to attract younger demographics, revitalizing local manufacturing via value-added agro-processing and robust industry-vocational alignments, and accelerating the digitalization of the service sector alongside creative economy and tourism initiatives such as the Ijen Geopark. Ultimately, the study concludes that resolving Bondowoso's precarious labor conditions necessitates shifting from individual-centric skill interventions to systemic institutional reforms that harmonize human capital development with the demands of a modernizing local economy.

## **ACKNOWLEDGMENT**

The authors express their profound gratitude to the Regional Development Planning, Research, and Development Agency (Bappeda) of Bondowoso Regency for their collaborative discussions and support. Appreciation is also extended to the Faculty of Social and Political Sciences (FISIP), University of Jember, for facilitating the research that underpins this article.

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