

The Role of Entrepreneurship as a Solution to Reducing Unemployment in East Java

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Abstract: *This study aims to analyze the role of entrepreneurship in reducing unemployment in East Java and to identify various efforts that can be undertaken to enhance entrepreneurial interest and capabilities among the community. The method used in this study is a literature review by examining scientific publications, statistical data, and previous research related to entrepreneurship and unemployment. The proposed solutions include improving entrepreneurship education and training, strengthening access to capital for Micro, Small, and Medium Enterprises (MSMEs), utilizing digital technology for business development, and providing government support through business incubation and mentoring programs. The findings indicate that the development of entrepreneurship contributes positively to employment creation and unemployment reduction in East Java. Furthermore, new entrepreneurs who are supported by adequate capital, skills, and technology have greater opportunities to grow and generate employment for surrounding communities.*

Abstrak : *Penelitian ini bertujuan untuk menganalisis peran kewirausahaan dalam mengurangi tingkat pengangguran di Jawa Timur serta mengidentifikasi berbagai upaya yang dapat dilakukan untuk meningkatkan minat dan kemampuan berwirausaha masyarakat. Metode yang digunakan adalah studi literatur dengan mengkaji berbagai sumber ilmiah, data statistik, dan hasil penelitian terdahulu yang relevan dengan kewirausahaan dan pengangguran. Solusi yang ditawarkan meliputi peningkatan pendidikan dan pelatihan kewirausahaan, penguatan akses permodalan bagi pelaku usaha mikro, kecil, dan menengah (UMKM), pemanfaatan teknologi digital dalam pengembangan usaha, serta dukungan kebijakan pemerintah melalui program inkubasi bisnis dan pendampingan usaha. Hasil kajian menunjukkan bahwa perkembangan kewirausahaan mampu memberikan kontribusi positif terhadap penyerapan tenaga kerja dan pengurangan tingkat pengangguran di Jawa Timur. Selain itu, pelaku usaha baru yang didukung oleh akses modal, keterampilan, dan teknologi memiliki peluang lebih besar untuk berkembang dan menciptakan lapangan kerja bagi masyarakat sekitar.*

Keywords : *Entrepreneurship, Unemployment, Solutions, MSMEs, Employment.*

INTRODUCTION

East Java Province has the highest number of poor people among all provinces in Indonesia. The number of poor people in East Java increased by approximately 55,220 people in September 2022 compared to March 2022 (Zafiratul 'Izzah, 2024). Various factors can influence poverty, one of which is unemployment. Unemployment refers to individuals in the labor force who are actively seeking work but have not yet found an opportunity, or who have given up looking for work due to perceived lack of job prospects. Unemployment can negatively impact individual income, which in turn can negatively impact overall societal well-being (Putri & Hutabarat, 2022).

Unemployment is one of the most challenging and impactful socioeconomic issues in Indonesia. Although the government has launched various initiatives to reduce the unemployment rate, the results have been disappointing. According to data from the Central Statistics Agency (BPS), Indonesia's open unemployment rate (TPT) as of August 2023 remained at 5.45%. This means millions of people of productive age are unemployed, which has a direct impact on poverty levels and social inequality. Several factors contributing to this high unemployment rate include development disparities between urban and rural areas, a mismatch between workforce competencies and job market needs, and a lack of new job opportunities (Kesumadewi, 2024).

Entrepreneurship has emerged as an alternative solution to this problem. Entrepreneurship not only creates jobs but also encourages innovation, income equality, and economic growth based on local potential. It is hoped that by encouraging people, especially the younger generation, to become entrepreneurs, a self-sufficient and sustainable economic ecosystem will be created (Cita Devi Ainaya, 2025).

Human resources are the primary capital in developing a creative economy; they consist of ideas, inspiration, and thinking. Human resources are expected to have the ability to transform low-value goods into high-value ones, just as entrepreneurial professions require a great deal of creative energy (Agusdiwana Suarni, 2021).

With its demographic dominated by the younger generation, Indonesia has enormous potential for developing entrepreneurship. However, to maximize this potential, many people need to help, including the government, the private sector, educational institutions, and the general public. In this article, we will discuss how entrepreneurship can help solve the unemployment problem in Indonesia, as well as the factors that support and hinder it. We will also discuss approaches that can be used to increase the role of entrepreneurship in national development (Sutarlin, 2025).

A country's progress can be measured by the number of entrepreneurs it has. According to statistics, Indonesia's productive population will reach 60% by 2030, with 30% of this being the younger generation with the potential to become entrepreneurs. (Lutfi et al., 2018) Consequently, Indonesia has the potential to produce new entrepreneurs. The modern lifestyle of the current generation makes it easy to obtain MSME business products and greatly encourages the emergence of start-ups.

METHOD

This research employs a descriptive qualitative methodology, which is also part of the literature review methodology. Secondary data sources include reports from the Central Statistics Agency (BPS), documents from the Ministry of Cooperatives and SMEs, scientific journals, news articles, and relevant scholarly books. The literature studied was selected based on its relevance to entrepreneurship and

unemployment issues in Indonesia and was published over the past five years (2019–2023).

To conduct this analysis, quantitative and qualitative data were identified and compared regarding unemployment rates, MSME development, and the effectiveness of government-implemented entrepreneurship programs and policies. The data were then categorized by theme and organized into a systematic discussion framework that encompasses the context of unemployment, the contribution of MSMEs, the role of the government, challenges and solutions, and policy recommendations for the future..

RESULTS AND DISCUSSION

In English, the word "entrepreneurship" is the equivalent of the French word "entrepreneur," meaning adventurer, risk-taker, contractor, businessman (someone who undertakes a particular job), and creator who sells their products. Several experts offer various definitions of entrepreneurship. One such definition is Hisrich and Peters, who define entrepreneurship as the process of creating something by adding value supported by a commitment of time and effort, assuming financial, physical, and social risks, and receiving rewards such as financial satisfaction, freedom, and personal fulfillment. According to Van Praag and Versloot, entrepreneurship is often associated with innovation, economic growth, business creation, and employment. Entrepreneurship is a creative endeavor aimed at making value that does not yet exist exist and become accessible to society (Alya Syafira, Rava Maharani, 2025). According to Schumpeter, entrepreneurship is defined as "creative destruction." This definition emphasizes the idea that entrepreneurship is a creative concept. Creativity drives innovation and is an important tool for exploiting opportunities (Akhmad, 2021).

Seeing and assessing business opportunities, gathering the necessary resources, and generating profits are skills known as entrepreneurship (Siti Rodhotul Jannah, Indah Murti, 2025). Entrepreneurship is an economic activity, and entrepreneurship essentially generates income, both individually and collectively, in an effort to meet the economic needs of society and improve public welfare.

If a country has the ability to produce a generation of entrepreneurs, numerous jobs will be created, and these jobs will absorb the labor force. This will undoubtedly reduce unemployment. If unemployment can be reduced or suppressed, poverty can also be reduced. In other words, poverty is closely linked to a lack of entrepreneurship; the presence of entrepreneurship is closely linked to the level of poverty in a society; if entrepreneurship is high, poverty will be lower. A country's economy is influenced by entrepreneurship. This is because entrepreneurship creates many new jobs, facilitates social mobility, and opens up many positive opportunities. Entrepreneurship also influences productivity levels. Production itself will drive economic growth (Asroni, 2021).

Entrepreneurship faces numerous challenges, including limited capital and limited access to credit or speculation, which often hinder business growth; complicated licensing processes and confusing administration; and conflicting administrative changes that can disrupt business operations. Furthermore, a lack of business skills and access to appropriate schools are also challenges faced by entrepreneurs. Adequate business schools are expected to develop programs that support development. Furthermore, building a more stable climate for business growth would be aided by additional government support to motivate and support young entrepreneurs (Aisyahrani, 2024).

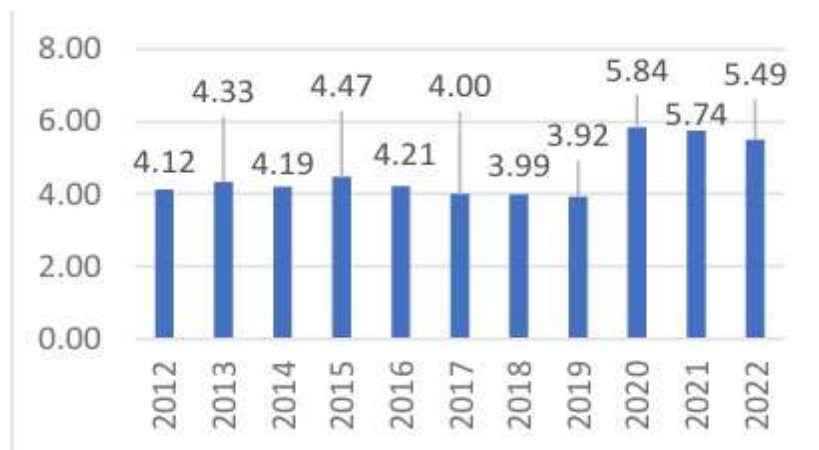


Figure 1. Graph of the Open Unemployment Rate in East Java Province, 2012-2022
Source: Central Statistics Agency (2022)

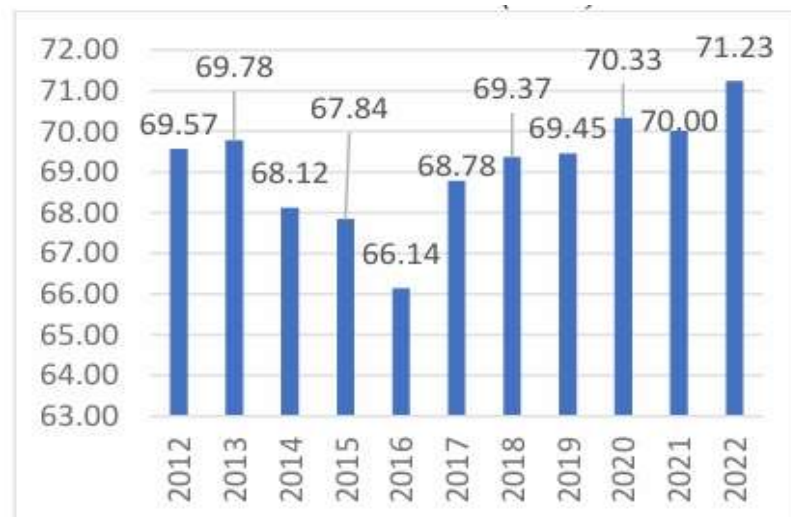


Figure 2. Graph of the Labor Force Participation Rate of East Java Province 2012-2022 Source: Central Statistics Agency (2022)

Based on Figures 1 and 2, the Open Unemployment Rate (TPT) and Labor Force Participation Rate (TPAK) in East Java have fluctuated over the past ten years. Research by Prasetyoningrum & Sukmawati (2018) suggests that unemployment can lead to economic decline, impacting dependency on livelihoods and leading to a decline in per capita income. The theory of wage rigidity explains that real wages above the equilibrium level of supply and demand lead to a high labor supply, leading companies to limit the number of jobs. This rigidity of real wages leads to a decrease in job search rates and an increase in the unemployment rate. (Kerina Della Puspita, 2024)

In 2019 and 2020, the population of East Java Province was 39,700,000 and 40,670,000, respectively (Central Statistics Agency of East Java Province, 2022). This indicates that population growth influences the increase in the workforce. Education is crucial for improving welfare because it maximizes skills and productivity. Muslim's (2014) research states that education is a form of investment in human resources, referred to as human capital or human capital theory. The Human Development Index (HDI) has key indicators including health, education, and economics. Research by Yuniarti & Imaningsih (2022) states that the quality of human life is influenced by high levels of poverty and the quality of individual development. However, the measurement uses the Human Development Index (HDI), which influences the Open Unemployment Rate (TPT) and job security (East Java Central Statistics Agency, 2022).

This aligns with the opinion that the cause of rising unemployment in Indonesia is the high rate of graduates from both schools and universities, while almost all students lack the necessary knowledge to create jobs (Meliani & Panduwinata, 2022). Unemployment occurs when someone in the workforce wants to find work but is unable to do so. The workforce itself is the group of people aged 15 to 64 who are employed. This includes those who are already employed, those seeking work, and those who have not yet found work. Unemployment occurs when there are more jobs available than there are needs. In other words, there is either an excess or a shortage of supply in the labor market. This has always been a concern for governments and academics. Increasing unemployment leads to income inequality because the larger population is not matched by the availability of jobs. (Apririandi, 2024)

After reading several journals, I discovered several factors that can influence unemployment: (1) a discrepancy between the number of workers and jobs, (2) an increase in the number of workers without the necessary skills, (3) a lack of information about job opportunities, (4) a shortage of jobs in each region, (5) a lack of government efforts to provide training, and (6) a culture of laziness in the workforce. (Risal, 2022)

To reduce unemployment, there are several theoretical approaches. The first is the socio-economic approach, which involves providing accurate information about job opportunities, free job training, monitoring entrepreneurship programs, and information literacy based on social inclusion.

(Harefa et al., 2025) Addressing unemployment among productive-age individuals certainly requires specific strategies, including adapting the curriculum to meet the needs of the workforce, providing entrepreneurship education to enable them to create their own jobs, and facilitating access to capital loans for businesses. This is a responsive strategy to address the unemployment problem, given that in most regions, job opportunities are fewer than the workforce, which continues to grow annually. (Muhammad Ibnu Dinar, Nurul Sifa, 2022)

Utilizing digital technology is also a crucial solution for entrepreneurship development. Businesses need to be encouraged to utilize social media, marketplaces, and other digital platforms as marketing tools for their products and services. With digital marketing, businesses can reach a wider audience without incurring significant costs. Furthermore, training on digital marketing, digital business management, and the use of technology in business activities needs to be continuously improved so that MSMEs in East Java can compete in the digital economy era (Haliza et al., 2025).

CONCLUSION

Entrepreneurship is an effective solution to reducing unemployment in East Java because it can create new jobs, increase community income, and stimulate regional economic growth. Unemployment occurs when the number of workers seeking work exceeds the number of available jobs, necessitating efforts to increase community economic independence. However, entrepreneurship development still faces various challenges, such as limited access to capital, difficulty obtaining business credit, complex licensing processes, and low entrepreneurial skills and abilities. Therefore, synergy is needed between the government, educational institutions, and the community to strengthen the entrepreneurial ecosystem by providing entrepreneurship training, increasing access to business capital, simplifying licensing, and providing information and literacy that support business development. With this support, entrepreneurship can be an effective instrument in reducing unemployment, improving community welfare, and supporting sustainable economic development in East Java..

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