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# Youth Unemployment Problems & Program Magang Nasional

Fatimah Azahra Agsita

Research Assistant, Department of Economics, CSIS Indonesia

[ra4.economics@csis.or.id](mailto:ra4.economics@csis.or.id)

Rafael Da Costa

Research Assistant, Department of Economics, CSIS Indonesia

[ra3.economics@csis.or.id](mailto:ra3.economics@csis.or.id)

Ranadya Ainaya Putri

Research Intern, Department of Economics, CSIS Indonesia

[ranadyaputri@gmail.com](mailto:ranadyaputri@gmail.com)

Indonesia is grappling with high youth unemployment and a growing number of jobless educated workers. The youth unemployment rate stands around 17%, among the highest in Asia, while unemployment for older adults is just 1–3%.<sup>1</sup> At the same time, university participation has expanded – about 45% of college-age Indonesians are enrolled in tertiary

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<sup>1</sup> Sakernas as of August 2025

education – yet many graduates struggle to find suitable jobs. Over 1.01 million university degree holders were unemployed as of early 2025, reflecting a worrying “educated unemployment” phenomenon. Critics note that government efforts to address these issues have been limited and short-term, and simply improving human capital will not reduce joblessness if labor demand remains weak. In response to these challenges, the government has introduced *Program Magang Nasional*, a national internship initiative intended to boost youth employment.

The Indonesian government's efforts to revive its flagging labour market are underway. On September 9, 2025, Ministerial Regulation Number 8 of 2025 concerning Guidelines for Government Assistance in the Higher Education Graduate Internship Program was officially signed by Minister of Manpower and immediately went into motion. By December 2025, the program has opened for three times though the first program started on October 2025 and has accepted about 102,697 graduates according to the Ministry Official Websites<sup>2</sup>. The eligibility criteria to register this program is a recent graduate holding bachelor or diploma degree at maximum period one year after graduation. According to the first article of the regulation, the intention of this program is to boost competences, working experiences, and work opportunities for recent graduates. In a broader sense, the program ultimately seeks to reduce unemployment rate in Indonesia as young workers contribute the most to the current unemployed workers. Nonetheless, the framework of this program remains somewhat unclear, with several loopholes that could limit its effectiveness in achieving the intended goals and potentially lead to unintended consequences.

At a first glance, implicitly the program aims to shorten the school-to-work transition period for the recent graduate cohort.<sup>3</sup> The school-to-work transition is a significant labour market challenge in many low/lower middle-income countries, including Indonesia, as ILO reported that low/lower middle-income countries have lower education-employment correlation compared to high-income countries<sup>4</sup>. The duration of this transition is important, as a quicker transition helps young workers avoid being unemployed for a longer term and reduces the risk of future poverty. By improving the competence and working experiences of recent graduate through this program, it is expected that it could shorten the school-to-work transition.

Moreover, it is worth to note that this program has consider several dimensions to maintain its credibility. The first to the sixth article has define clearly important stakeholders, such as who can join the program (the recent graduate), who organize the program (firm), who will monitor the program, etc. All these stakeholders Interact each other in one platform, *SIAPkerja*,

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<sup>2</sup> Kementerian Ketenagakerjaan Republik Indonesia. (2025, December 18). *Sebanyak 24.457 lulusan perguruan tinggi lolos program Magang Nasional Batch III*. Kementerian Ketenagakerjaan RI. Retrieved December 22, 2025, from <https://kemnaker.go.id/news/detail/sebanyak-24457-lulusan-perguruan-tinggi-lolos-program-magang-nasional-batch-iii>

<sup>3</sup> There is no international standard on the definition of school-to-work transition. In this article, school-to-work transition refer to the first employment an individual enters after a completion of a certain of formal education program.

<sup>4</sup> International Labour Organization. *From School to Work: An Analysis of Youth Labour Market Transitions*. ILOSTAT Spotlight on Work Statistics, no. 9, October 2019. Geneva: ILO. Accessed October 7, 2025. [https://www.ilo.org/sites/default/files/wcmsp5/groups/public/%40dgreports/%40stat/documents/publication/wcms\\_732422.pdf](https://www.ilo.org/sites/default/files/wcmsp5/groups/public/%40dgreports/%40stat/documents/publication/wcms_732422.pdf)

provided by the Ministry of Manpower. The organizer, the firm, also mandated to register their interns to the national social security insurance. The mechanics in distributing the assistance also defined clearly under the article 12 of the regulation.

Although this program can serve as a temporary buffer in reducing fresh graduates' unemployment rate, it remains far from sufficient given the number of universities graduates every year. The university graduates' unemployment has risen to 842,000 in 2024 from 653,000 in 2015. Marking up to 29% growth for the past 10 years. Though the number has declined significantly in 2022, most likely due to covid recovery, it has been continuing to increase since then. As of December 2025, the program has been employing about 102,697 applicants compared to the overall number of newly graduated students in 2024, this program will only cover about 12% of the total university fresh graduates' unemployment.

Improving the recent graduates' competences is one of the goals of the program; it is also important to consider what kind of competence would be suitable in achieving their full potential. Currently, Indonesia is facing a problem of education-employment mismatch.<sup>5</sup> According to LPEM FEB UI report, about 7.7% of the Indonesia's labor are over-educated for their occupation requirements in 2023, and the top three largest share of overeducated workers, by occupation classification, appear in the administrative occupation (KBJI 4), service and sales occupation (KBJI 5), and professional technicians & assistants (3).<sup>6</sup> These occupations appear the most in the vacancy webpage; for example, 12.5% of vacancies are an administrative occupation by August 15th. While the LPEM FEB UI report also shows that, on average, workers who are overeducated in their occupation earn more than those who are well-matched and under-educated to their occupation requirements, it is also important to note that reducing employment-education mismatch, especially those who are over-educated, can improve productivity and subsequently reduce unemployment.<sup>7</sup>

Despite this diverse academic background, the opportunities provided appear rather unvaried, for instance we can easily find vacancies from the banking sector listed on the web page—particularly in sales-related roles. Even so, roles or sectors that align with graduates from fields such as health sciences, engineering, or natural sciences are barely represented. This limited variation in job placements shows that the program may not yet accommodate Indonesia's diverse educational landscape, potentially undermining its inclusivity and overall effectiveness in addressing graduate unemployment across disciplines. Another concern is that several of the listed positions consist of low-skilled work that does not necessarily require a higher educational background, such as laundry services, security staff, and other similar roles. This raises questions about the screening process for participating firms, which appears to lack clear and rigorous standards.

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<sup>5</sup> We refer education-employment mismatch to the ILO definition: a person in employment does not correspond or align to the level of education required in their occupation.

<sup>6</sup> Muhammad Hanri and Nia Kurnia Sholihah, "Potret Ketidaksesuaian Pendidikan Dan Pekerjaan Di Indonesia," LPEM FEB UI (Salemba, Jakarta Pusat: LPEM FEB UI, October 31, 2024), <https://lpem.org/potret-ketidaksesuaian-pendidikan-dan-pekerjaan-di-indonesia-labor-market-brief-edisi-oktober-2024/>.

<sup>7</sup> Ayşegül Şahin et al., "Mismatch Unemployment," *American Economic Review* 104, no. 11 (November 1, 2014): 3529–64, <https://doi.org/10.1257/aer.104.11.3529>.

Moreover, one of the main features of this national internship program is the provision of a monthly allowance, which is set at the level of the regional minimum wage. The labor cost of hiring interns through this program is essentially zero, as the allowance will be fully covered by the government. Another issue addressed by this initiative is the reluctance of companies to hire fresh graduates, often driven by their attempt to minimize the costs associated with training newly hired workers. During the six-month program, interns will be equipped with new skills that align with the companies' needs; hence, this process itself can be considered a form of training, which should ultimately benefit participating firms. If these firms are looking for full-time workers, they will be able to recruit skilled individuals who have already been trained according to their specific needs through this program.

Albeit this initiative appears to be beneficial for both interns and firms, its potential negative impacts should not be disregarded. According to CSIS study, compliance with minimum wage regulations in Indonesia remains very low—only around 30% across regions.<sup>8</sup> We can conclude that most firms are either unwilling or unable to pay their workers at the minimum wage level. Thus, if this condition continues, it is likely that firms will refrain from hiring new graduates, as they seek to further minimize their expenses, particularly labor costs. In addition, instead of hiring fresh graduates as full-time employees, companies might opt to rely on government-subsidized interns as a low-cost alternative. Firms that are able to cover the costs of hiring interns could also benefit from this program. Those that are not participating in this program and can afford to pay their interns slightly above the program's allowance may take advantage of the situation by relying on "cheap labor." Consequently, they might prefer to hire more interns with lower costs, rather than employing fresh graduates in full-time positions.

The emergence of these unintended incentives could strengthen firms' bargaining power in the labor market. As a result, fresh graduates may become more willing to accept full-time positions even when they are compensated for below what they deserve, as long as they can secure stable employment. Without parallel reforms to strengthen job quality and compliance in the formal labor market, this program risks reinforcing precarious employment rather than addressing it.

In conclusion, while the Indonesian government's national internship program represents a commendable effort to address graduate unemployment and ease the school-to-work transition, its implementation raises several concerns that could undermine its intended impact. The program's clear institutional framework—defining roles, responsibilities, and mechanisms—demonstrates a structured attempt to connect recent graduates with firms and provide valuable work experience. However, the limited diversity of available positions and the prevalence of low-skilled jobs suggest a mismatch between the program's objectives and its practical outcomes.

To ensure long-term effectiveness, the government must strengthen the regulatory framework by setting stricter eligibility and quality standards for participating firms, expanding job

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<sup>8</sup>"Kenaikan UMP 6% Dinilai Tak Banyak Berpengaruh untuk Kesejahteraan Pekerja." *Kabar24 Bisnis.com*, January 23, 2025. Accessed October 7, 2025. <https://kabar24.bisnis.com/read/20250123/15/1834225/kenaikan-ump-6-dinilai-tak-banyak-berpengaruh-untuk-kesejahteraan-pekerja>.

opportunities across diverse fields, and closely monitoring compliance. Complementary reforms to improve job quality, wage enforcement, and the overall absorption of young workers in the formal sector are essential. Without these safeguards, the internship program—despite its promising intentions—may do little to resolve structural labor market issues and could instead perpetuate the very vulnerabilities it seeks to address.

**CSIS Indonesia, Pakarti Centre Building, Indonesia 10160**

**Tel: (62-21) 386 5532 | Fax: (6221) 384 7517 | [csis.or.id](http://csis.or.id)**

**Please contact the editorial team for any enquiries at**

**[publication@csis.or.id](mailto:publication@csis.or.id)**