



The middle-income trap problem faced by millennials and Gen Z in Jakarta: Challenges and mitigating strategies

Kristy Natasha Yohanes¹, Hapsari Sekar Hamumpuni¹, Melliza Pretty Putri Utami¹

¹ School of Environmental Science, Universitas Indonesia, Central Jakarta, DKI Jakarta 10430, Indonesia;

Received Date: December 31, 2024

Revised Date: February 20, 2025

Accepted Date: February 28, 2025

ABSTRACT

Background: This study examines the middle-income trap in Jakarta, Indonesia, which hinders economic and social advancement for middle-income individuals. The aim is to identify key factors impeding socio-economic mobility, particularly for Generation Z and Millennials. The study highlights issues such as the misalignment between educational outputs and labor market needs, lack of affordable housing, and inadequate urban infrastructure. **Methods:** A comprehensive literature review was conducted, analyzing reliable data from validated sources to provide critical commentary and analysis. **Findings:** The study suggests that integrated, multi-sectoral policy interventions are necessary. These include educational reforms, housing affordability initiatives, enhanced healthcare access, and urban infrastructure improvements. **Conclusion:** Addressing these issues is crucial for fostering socio-economic progress and helping Jakarta's residents overcome the middle-income trap. **Novelty/Originality of this article:** This article offers a unique perspective by proposing specific policy interventions that have not been extensively explored in the context of Jakarta's middle-income trap.

KEYWORDS: economy; educational reform; middle-income trap; social mobility; urban development.

1. Introduction

In the midst of Jakarta's rapid economic growth, a paradox exists where the average income of its residents is increasing, yet a substantial number of individuals remain ensnared in what is known as the middle-income trap (Asmirawati, 2017; Gill et al., 2007). This problem is faced especially by the young adult workforce. Said demographic affected by this problem the most is the productive generation consists of individuals actively engaged in the economy, capable of significantly contributing to a country's economic growth through participation in the labor market, consumption, and investment activities. The example discussed in this paper is the young workforce from Millennials and Generation Z in Indonesia actively participating in various economic sectors, driving consumer spending and entrepreneurial ventures.

Generation Z (Gen Z) includes individuals born from the mid-1990s to the early 2010s, currently ranging from late teens to mid-30s. They grew up in an era marked by pervasive digital technology and are known for their familiarity with smartphones, social media, and the internet from a young age. While millennials, or Generation Y, were born roughly between 1981 and 1996 and are currently in their late 20s to early 40s. They came of age during a time of rapid technological advancements, witnessing the internet's widespread

Cite This Article:

Yohannes, K. N., Hamumpuni, H. P., & Utami, M. P. P. (2025). The middle-income trap problem faced by millennials and Gen Z in Jakarta: Challenges and mitigating strategies. *Critical Issue of Sustainable Future*, 2(1), 45-65. <https://doi.org/10.61511/crsusf.v2i1.1803>

Copyright: © 2025 by the authors. This article is distributed under the terms and conditions of the Creative Commons Attribution (CC BY) license (<https://creativecommons.org/licenses/by/4.0/>).



adoption, the proliferation of mobile devices, and significant changes in communication and media consumption patterns.

The Middle-Income Trap phenomenon among Gen Z and Millennials has emerged as a critical issue in one of Indonesia's largest economic centers, where despite achieving a middle-income status, many residents continue to confront significant socio-economic challenges that impede their progress towards greater financial security (Dominggus, 2022; Felipe et al., 2012). Indeed, for a notable portion of Jakarta's populace, aspirations such as homeownership or achieving substantial salary increases remain elusive dreams.

The middle-income trap in Jakarta manifests through several acute constraints (Bresser-Pereira et al., 2020). Disproportionate increases in house prices relative to income, limited access to quality education and training, and persistent uncertainty in the job market are major factors that perpetuate economic stagnation. This is further exacerbated by an increasing cost of living, placing additional pressure on those struggling to rise above the middle-income threshold. For instance, middle-income individuals often find themselves in a challenging position where they earn too much to qualify for government housing subsidies aimed at lower-income groups, yet not enough to afford the high property prices. This dichotomy not only limits their ability to improve their living conditions but also restricts their potential for economic mobility.

Furthermore, in the context of Jakarta as a major business hub, these challenges are compounded by high levels of competition and escalating living costs. The city's rapid urbanization has not only led to decreased green spaces but also the transformation of residential areas into commercial zones. This shift complicates the living situation for many, contributing to environmental degradation and infrastructural strain (World Bank, 2021). As the city expands vertically and horizontally, the available residential spaces become increasingly unaffordable for middle-income families, who find themselves caught in a precarious balance.

For instance, the rising cost of housing in Jakarta has outpaced income growth for many of its middle-income residents. Property prices in central and accessible parts of the city have soared, making homeownership a distant dream for many who earn too much to qualify for government housing subsidies but not enough to comfortably afford the high market prices. This issue is exacerbated by eligibility criteria for housing assistance, which often exclude the middle class based on their income being slightly above the threshold, leaving them vulnerable to the volatile real estate market.

Education and financial aid present similar dilemmas; scholarships and educational subsidies are often targeted at lower-income families, which means that middle-income families, while struggling with the same rising costs, are deemed too affluent to qualify for such support. This creates a significant barrier to accessing quality education, as the costs of private schooling and higher education continue to climb, putting immense pressure on middle-income households who must manage these expenses without institutional support.

Additionally, the urban development policies in Jakarta have frequently favored commercial development over affordable residential planning, leading to a scarcity of reasonably priced housing near employment hubs. This forces middle-income workers to either spend a disproportionate amount of their income on housing or face long commutes from more affordable areas, adding to the city's traffic congestion and decreasing the overall quality of life. These complexities illustrate the nuanced challenges faced by Jakarta's middle-income population, highlighting a critical need for policy adjustments that acknowledge and address the unique pressures on this demographic, ensuring that economic growth benefits a broader spectrum of the city's residents.

To provide clarity and guidance on the topics discussed in this research, several key aspects have been formulated to address the middle-income trap in Jakarta, particularly for Generation Z and Millennials (Ha & Lee, 2018; Howe & Strauss, 2000). The research explores the concept of the middle-income trap in Jakarta and its impact on economic opportunities for these generations. It identifies the primary factors and core issues contributing to this trap and examines how these factors economically affect Generation Z and Millennials. Additionally, the study evaluates the policies and strategies implemented

to address the middle-income trap in Jakarta, assessing their success or failure and identifying areas for improvement.

Furthermore, the aim of this study is to delve into the complexities of the middle-income trap problem affecting Millennials and Gen Z in Jakarta. By addressing the research questions regarding the trap's definition, its causal factors, and the efficacy of existing policies, this research sets out to illuminate the socio-economic constraints hindering upward mobility. This exploration not only sheds light on critical economic challenges but also underscores broader implications for urban development, environmental sustainability, and social equity. Through this investigation, we aim to offer insights into the barriers to socio-economic progress and identify strategies for sustainable economic advancement in Jakarta.

2. Methods

This study is structured as an opinion article. As such, it emphasizes a detailed commentary, thorough analysis, and structured argumentation concerning the Middle-Income Trap (MIT) experienced by Generation Z and Millennials in Jakarta. The focus is on providing a critical evaluation backed by reliable and accountable data gathered from validated sources. To ensure the credibility and relevance of the analysis, data for this study were meticulously selected from a diverse array of literature sources, including peer-reviewed journals, authoritative books, comprehensive research reports, and pertinent online articles. These sources have been specifically chosen for their rigor and contribution to the existing knowledge on socio-economic challenges within urban settings, particularly those affecting younger demographics in major economic centers like Jakarta. The data collection process was strategically designed to gather significant insights that reinforce the opinion article's narrative. This involved an extensive review of literature to extract relevant information that aligns with the specified issue of the Middle Income Trap affecting younger generations. Each source was evaluated for its foundational reliability and the authenticity of its content, ensuring that the data collected serve as a robust basis for the ensuing analysis. The following tables summarize the primary data sources used in this study, detailing demographic, educational, occupational, income, expenditure patterns, and financial literacy levels among Generation Z and Millennials in Jakarta:

Table 1. Data source

No	Data	Source information
1	Total Population of Jakarta Based on Age Group	National Labor Force Survey (SAKERNAS), August 2023
2	Total Population of Jakarta Based on Education Level and Age Group	National Labor Force Survey (SAKERNAS), August 2023
3	Total Population of Jakarta by Type of Occupation and Age Group	National Labor Force Survey (SAKERNAS), August 2023
4	Average Income of Generation Z and Millennials in Indonesia	National Labor Force Survey (SAKERNAS), August 2023
5	Average Monthly Expenditures Per Capita by Food and Non-Food Categories in Jakarta (2020 - 2022)	National Labor Force Survey (SAKERNAS), August 2023
6	Financial Literacy Based on Age Group in 2016 and 2019	National Strategic of Indonesia Financial Literacy (SNLIK) 2021-2025

Employing a content analysis approach, the study analyzes the collected data to identify, categorize, and compare themes related to the socio-economic impacts of the Middle-Income Trap on Generation Z and Millennials. This analytical method allows for an in-depth discussion of the implications of current economic conditions and policies, offering a nuanced understanding of the challenges and potential solutions. Literature review is used to identify and analyze the main issues related to the middle-income trap among Generation Z and Millennials in Indonesia. Literature review is a systematic approach to collecting,

evaluating, and synthesizing existing research on a particular topic (Booth et al., 20). In this context, relevant literature includes economic reports, academic studies, journal articles, and official data sources from government agencies as well as international organizations (Jankowska et al., 2012; OECD, 2015). The literature review process begins with a comprehensive literature search using academic databases and online resources. Inclusion and exclusion criteria were applied to ensure only relevant, high-quality studies were included in the analysis. The collected data are then analyzed to identify key themes, gaps in research, and policy recommendations that have been proposed by previous researchers.

The methodology of this opinion article is crafted to not only elucidate the complexities of the Middle-Income Trap but also to engage in a meaningful dialogue about its broader implications on policy and societal structures. By adhering to rigorous standards for data collection and analysis, this article aims to contribute valuable perspectives to the discourse on economic challenges faced by Jakarta's youth, urging consideration of innovative and inclusive policy interventions.

3. Results and Discussion

3.1 Total population of generation z and millennials in Jakarta

The demographic data from the National Labor Force Survey (SAKERNAS) for August 2023 provides a detailed breakdown of the population of Generation Z and Millennials across different age groups and districts within Jakarta. The total population of individuals aged 20 to 44 in Jakarta is approximately 4.24 million. This age group represents a significant portion of the city's demographic and potentially indicates the socio-economic dynamics influenced by young adults. The distribution across the districts shows that Jakarta Selatan (South Jakarta) holds the largest population of this demographic with 876,102 individuals, followed by Jakarta Timur (East Jakarta) with 1,218,772 individuals. Jakarta Barat (West Jakarta) and Jakarta Utara (North Jakarta) also have substantial populations of 991,911 and 727,656 respectively. Jakarta Pusat (Central Jakarta) and the Kepulauan Seribu (Thousand Islands) have the smallest populations within this age group, with 410,162 and 11,647 individuals respectively.

Table 2. Total population of Jakarta based on age group

Districts	Age groups					Total
	20-24	20-24	20-24	20-24	20-24	
Seribu Island	2,637	2,637	2,637	2,637	2,637	2,637
South Jakarta	2,496	2,496	2,496	2,496	2,496	2,496
East Jakarta	2,329	2,329	2,329	2,329	2,329	2,329
Central Jakarta	2,203	2,203	2,203	2,203	2,203	2,203
West Jakarta	1,982	1,982	1,982	1,982	1,982	1,982
North Jakarta	11,647	11,647	11,647	11,647	11,647	11,647
Total in Jakarta	175,407	175,407	175,407	175,407	175,407	175,407

(SAKERNAS, 2023)

Based on demographic and urbanization patterns in Indonesia, particularly in Jakarta as the capital city and a major economic hub, a significant proportion of Millennials and Generation Z reside there (Arifien et al., 2023). Jakarta attracts a large number of young professionals and students seeking educational and employment opportunities. While exact percentages can vary over time and depend on specific survey data, it's common for a substantial portion of these age groups to be concentrated in Jakarta due to its economic vibrancy and urban amenities. Estimates suggest that a significant double-digit percentage of Millennials and Generation Z from across Indonesia may reside in Jakarta, reflecting its status as a center for education, commerce, and employment (Sundari & Utami, 2022). Harnessing the productive generation is crucial for enhancing national economic

competitiveness through investments in education, skills development, healthcare, and gender equality (McKinsey Global Institute, 2018; World Bank, 2023).

Furthermore, educational background among Generation Z and Millennials in Jakarta, as detailed in the above report illustrates a diverse spectrum of educational achievements. From elementary education to university degrees, these levels of attainment reflect varying levels of preparedness for the job market. While a significant proportion have completed senior high school and vocational training, challenges such as lower completion rates at elementary levels suggest potential issues in educational accessibility or retention. Addressing these challenges is crucial to ensuring that all segments of Jakarta's youth are adequately prepared for the job market.

3.2 Educational background of generation z and millennials in Jakarta

The data derived from the National Labor Force Survey (SAKERNAS) for August 2023 illustrates the educational background distribution among different age groups in Jakarta, providing insight into the educational attainment of Generation Z and Millennials. Table 3 summarizes these findings, which reflect varying levels of education from no formal education to university degrees. The educational levels within Jakarta's Generation Z and Millennials offers a revealing look into the educational attainment landscape of the city. A total of 26,354 individuals have not completed elementary education, signaling potential issues with accessibility or retention at the foundational levels of education. Meanwhile, 165,368 individuals have successfully completed elementary schooling. This achievement provides a basic level of education, though it may not be sufficient for those seeking career opportunities that require more advanced qualifications.

Table 3. Total population of Jakarta based on education level and age group

Age group	20-24	25-29	30-34	35-39	40-44	Total
No schooling / incomplete elementary	3,820	5,079	6,061	6,564	4,830	26,354
Elementary School (SD)	9,807	26,584	39,618	34,609	54,750	165,368
Junior High School (SMP)	33,076	58,397	77,045	101,069	98,476	368,063
Senior High School (SMA)	177,756	139,523	151,676	197,164	196,487	862,606
Vocational School (SMK)	236,419	201,236	158,805	136,246	148,036	880,742
Diploma I/II/III	32,411	35,431	39,801	30,819	39,891	178,353
University	226,233	207,070	153,398	131,312	117,842	835,855
Total	719,522	673,320	626,404	637,783	660,312	3,317,341

(SAKERNAS, 2023)

A more substantial segment of the population, numbering 368,063, has completed junior high school. This level of education is often a minimum requirement for entry-level jobs and vocational training, highlighting its importance in the job preparation process. The largest group, composed of 862,606 individuals, has finished senior high school, which typically opens up a wider range of opportunities and is vital for those entering the workforce or pursuing further academic studies. Vocational training, completed by 880,742 individuals, plays a critical role in meeting the demands of Jakarta's job market, which often requires specific technical skills. Additionally, 178,353 individuals hold diplomas from tertiary education, indicating a level of specialized higher education that prepares them for specific professional fields. Lastly, the university graduates, totaling 835,855, represent a significant portion of the population. This high level of educational attainment is crucial for

the economic development and competitiveness of Jakarta, as it contributes to a workforce capable of handling complex and advanced tasks in various professional sectors.

3.3 Types of work for generation z and millennials in Jakarta

The distribution of occupations among Generation Z and Millennials in Jakarta, as depicted in Table 4, highlights diverse employment sectors across different age groups. This data provides valuable insights into the labor force dynamics and the economic opportunities available to young adults in Jakarta. The sector of Agriculture, Forestry, and Fishing employs a modest number of young people, totaling 6,802, indicating a lesser focus on traditional sectors within Jakarta. The Mining and Quarrying sector also involves a relatively small workforce, with 13,826 young adults, which suggests limited engagement in these industries. In contrast, the Manufacturing sector is robust, employing 349,671 individuals, highlighting its critical role as a backbone of urban economic activities.

Table 4. Total population of Jakarta by type of occupation and age group

Type of Work	Age Groups					Total
	20-24	25-29	30-34	35-39	40-44	
Agriculture, Forestry and Fishing	157	1,231	1,280	2,231	1,813	6,802
Mining and Quarrying	1,399	4,522	2,397	3,171	2,337	13,826
Manufacturing	55,607	59,492	89,171	60,014	85,387	349,671
Utilities (Electric, Gas, Water, AC Supply)	930	2,275	1,392	251	2,928	7,776
Waste Management and Remediation Activities	2,392	1,222	2,255	2,938	3,407	12,956
Construction	8,725	25,252	30,317	28,405	35,615	128,314
Wholesale and Retail Trade; Repair of Motor Vehicles	131,787	139,198	141,767	148,795	136,165	697,712
Transportation and Storage	60,204	82,371	76,411	91,104	81,735	391,825
Accommodation and Food Service Activities	67,307	68,057	70,020	69,393	70,076	344,853
Information and Communication	14,603	21,554	25,028	23,812	17,469	102,466
Finance and Insurance	8,570	45,287	32,676	30,368	26,739	143,640
Real Estate	11,522	8,768	4,426	10,402	11,538	46,656
Professional, Scientific, and Technical Activities	21,462	33,260	40,728	27,343	26,398	149,191
Public Administration and Defense; Social Security	17,123	31,729	22,439	46,011	32,222	149,524
Education	21,921	42,635	35,807	33,153	32,607	166,123
Health and Social Work Activities	13,518	27,540	24,834	15,864	11,458	93,214

Other Service Activities	22,607	31,775	37,567	54,663	73,407	220,019
Total	459,834	626,258	636,260	647,918	651,298	3,021,568

(SAKERNAS, 2023)

The Utilities sector, which includes Electricity, Gas, Cold Water, and Air Conditioning Supply, has the smallest employment numbers at 7,776, pointing to the specialized nature of jobs in this area. The Construction sector, employing 128,314 people, signifies ongoing urban development and infrastructure projects, aligning with Jakarta's growth trajectory. The Wholesale and Retail Trade; Repair of Motor Vehicles sector is the largest employer with 697,712 individuals, underscoring the consumer-driven nature of the city's economy. The Transportation and Storage sector follows with a significant workforce of 391,825, essential for the logistics and functioning of a megacity. The Accommodation and Food Service Activities sector employs 344,853 young adults, reflecting the vibrant urban lifestyle and the prominence of Jakarta's hospitality and service industries.

Information and Communication is another key sector with 102,466 workers, supporting the city's growing reputation as a tech hub. Financial and Insurance Activities employ 143,640 individuals, highlighting the importance of financial services in Jakarta's economy. Real Estate employs 46,656 workers, indicative of a thriving property market driven by urban expansion. Additionally, the Professional, Scientific, and Technical Activities sector employs 149,191 individuals, showing a strong demand for skilled professionals. Public Administration and Defense; Compulsory Social Security has a substantial workforce of 149,524, highlighting significant government employment (Adam et al., 2023). The Education sector, crucial for the development of human capital, involves 166,123 workers. Human Health and Social Work Activities, essential for public health and welfare, engage 93,214 individuals. Finally, the Other Service Activities sector, a broad category, includes 220,019 workers, indicating a variety of job roles that cater to diverse needs within the city (Zhang et al., 2013).

Types of work undertaken by Generation Z and Millennials in Jakarta, based on data from SAKERNAS August 2023, highlight a diverse employment landscape across various sectors and industries. Key sectors such as wholesale and retail trade, manufacturing, and transportation employ substantial numbers, reflecting Jakarta's economic dynamism and urban development. Conversely, sectors like agriculture and mining engage fewer young adults, indicating evolving job preferences and sectoral shifts within the city's economy. Understanding these employment patterns is crucial for addressing labor market dynamics and fostering sustainable economic growth. However, challenges such as mismatches between job preferences and available opportunities in traditional sectors like agriculture highlight the need for targeted policies to support youth employment transitions and sectoral diversification. The preference shifts among youth towards certain industries and away from others can impact economic sectors differently. Policies promoting innovation and skills development in emerging industries can mitigate potential economic repercussions while supporting youth employment aspirations and economic resilience in Jakarta.

3.4 Average income gen z and millennials in Indonesia

The monthly income of Indonesians is heavily contingent on their geographic location, given that each province and municipality determine its own minimum wage. This variation in minimum wages is reflected in the income disparities across regions. For instance, Jakarta boasts the highest minimum wage at IDR 4.9 million per month, while Central Java has the lowest at IDR 1.9 million per month. According to data from Statistics Indonesia, the average monthly income for Indonesians employed in the formal sector varies depending on the industry, ranging from IDR 1,700,025 to IDR 3,440,010. On average, individuals employed in the formal sector earn IDR 2,894,890 per month. The underlined idea here, is that the average income levels among Generation Z and Millennials in Indonesia vary significantly

by geographical location and industry sector, as indicated by data from the SAKERNAS August 2023. Jakarta, with its higher average incomes compared to other regions, serves as a central economic hub. Meanwhile, income disparities across sectors underscore the diverse economic opportunities available to young adults. Understanding these income dynamics is crucial for assessing financial stability and economic participation among Generation Z and Millennials in Jakarta and beyond.

Tabel 5. Average income gen z and millennials in Indonesia

Age group	Monthly income from formal sector
15 - 24 year old	IDR. 1,700,025
25 - 29 year old	IDR. 2,773,639
30 - 34 year old	IDR. 3,200,328
35- 39 year old	IDR. 3,360,450
40 - 44 year old	IDR. 3,440,010

(SAKERNAS, 2023)

3.5 Average monthly expenditures per capita by food and non-food categories in Jakarta (2020-2022)

Based on the provided data on average monthly expenditures per capita in Jakarta from 2020 to 2022, segmented into food and non-food categories, a clear trend of increasing expenditure is evident, reflecting the rising costs of living or changes in consumption behavior within the city. Initially, the average monthly food expenditure in Jakarta stood at IDR 944,687 in 2020, with slight variations in the subsequent years, reaching IDR 953,321 by 2022. This trend may be indicative of fluctuating food prices influenced by factors such as supply chain disruptions or inflationary pressures.

Simultaneously, non-food expenditures saw a more pronounced and steady increase from IDR 1,313,304 in 2020 to IDR 1,572,026 in 2022. This consistent rise across the years highlights significant cost increases in areas such as housing, utilities, transportation, and healthcare, which may be attributed to economic recovery efforts post-pandemic or increased investments in infrastructure and services within Jakarta (Helman, 2021; Karima et al., 2022; Kowiyah et al., 2021). Overall, the total average monthly expenditure per capita in Jakarta rose from IDR 2,257,991 in 2020 to IDR 2,525,347 in 2022. This escalation in living costs requires attention from policymakers to ensure that economic growth translates into sustainable living standards for all residents. Among the districts, Jakarta Utara and Jakarta Barat show higher expenditures, possibly reflecting higher income levels or economic activities. In contrast, regions like Kepulauan Seribu exhibit lower expenditure levels, potentially due to fewer services or a lower cost of living.

Table 6. Average monthly expenditures per capita by food and non-food categories in Jakarta (2020-2022)

Districts	Food			Non-food			Total		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
Seribu island	763,795	766,450	817,538	426,784	453,047	498,438	1,190,579	1,219,497	1,315,976
South Jakarta	1,031,040	946,025	1,016,276	1,685,998	1,560,405	1,632,131	2,717,039	2,506,430	2,648,405
East Jakarta	807,806	865,664	919,544	1,058,467	1,182,644	1,256,040	1,866,273	2,048,309	2,175,584
Central Jakarta	1,023,932	894,644	894,222	1,364,690	1,267,410	1,177,079	2,388,623	2,162,055	2,071,301
West Jakarta	983,538	929,885	992,961	1,252,720	1,270,311	1,783,337	2,236,259	2,200,196	2,776,298
North Jakarta	964,853	997,717	902,760	1,332,939	1,884,871	1,907,595	2,297,793	2,882,588	2,810,355
DKI Jakarta	944,687	923,932	953,321	1,313,304	1,412,496	1,572,026	2,257,991	2,336,429	2,525,347

(SAKERNAS, 2023)

Indonesia Gen-Z report 2024 stated that, in September 2022 reported that the average Indonesian spent IDR 1.39 million per month, marking an 8.71% increase from the previous year. Nearly half of this expenditure, amounting to IDR 700,966, was allocated towards ready-to-consume food and beverages, excluding raw ingredients, vegetables, and staples like rice. Individually, the monthly per capita spending on cigarettes reached IDR 82,180. This value constitutes 12.5% of the total per capita monthly expenditures. As a result, the consumption expenditure on cigarettes surpassed that of other commodity groups. For instance, the expenditure on staples like rice stood at IDR 71,440 per capita per month, while spending on fish/shrimp/squid/clams totaled IDR 56,330 per capita per month.

This 2024 report on Generation Z in Indonesia reveals a significant rise in average monthly expenditures, with a substantial portion allocated to ready-to-consume food and beverages. Notably, spending on cigarettes surpasses essential commodities like rice and seafood, highlighting distinctive consumption patterns among Indonesian youth. These findings underscore the economic implications and societal trends shaping the preferences and priorities of Generation Z in the country.

3.6 Gen z and millennials financial literacy levels

The National Survey of Financial Literacy and Inclusion showed the percentage of financial literacy based on age classification in 2019 shows a similar pattern to 2016, where the age group of 26–35 years has the highest percentage of financial literacy among other age groups, followed by the age groups of 18–25 years, 36–50 years, and over 50 years. The age group of 15–17 years has the lowest percentage of financial literacy in both SNLIK 2016 and SNLIK 2019.

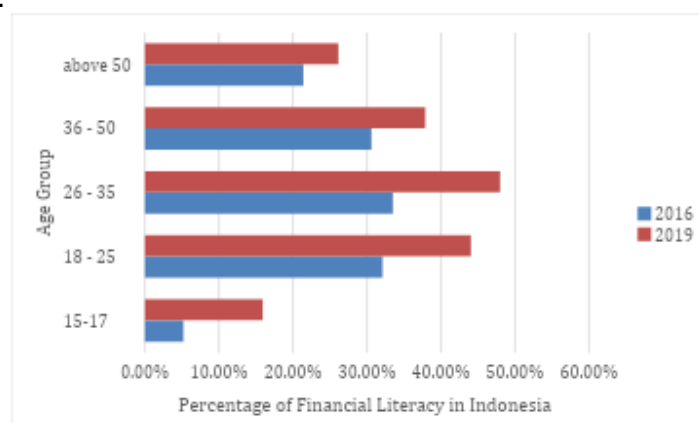


Fig. 1. Percentage of financial literacy in Indonesia (SNLIK, 2025)

The financial literacy index of the Indonesian population in 2019 indicates a figure of 38.03%, meaning out of every 100 individuals, approximately 38 are considered well literate. Despite showing improvement, this data also highlights that there are still many Indonesians who are not considered well literate. Referring to the financial literacy index data for 2019 above, it can be concluded that out of every 100 individuals, approximately 62 lack the proper knowledge, beliefs, skills, attitudes, and behaviors regarding financial institutions as well as formal financial products and services. Financial inclusion is the availability of access to various financial institutions, products, and services according to the needs and abilities of the community in order to improve the welfare of society. Simply put, financial inclusion is a condition where every member of society has access to various formal financial services. In addition to measuring the financial literacy of the Indonesian population, the Financial Services Authority (OJK) in also measures the condition of financial inclusion through SNLIK from 2013 to 2019.

A study by Nurhayati & Harianti (2023) found that financial literacy, income, and lifestyle variables had varying effects on Gen Z's investment decisions in DKI Jakarta. Financial literacy was found to have a significant influence on Gen Z's investment decisions.

This indicates that a better understanding and management of finances, including knowledge of financial products, positive attitudes towards financial management, and actions such as saving and investing, play a crucial role in investment decisions. Surprisingly, the study revealed that income did not have a significant impact on Gen Z's investment decisions in DKI Jakarta. This suggests that factors other than income level may be more influential in determining investment choices among the younger generation in the city. The research highlighted that lifestyle had a significant influence on Gen Z's investment decisions. Factors such as spending patterns, shopping habits, expenditure priorities, and saving habits were found to play a crucial role.

The National Survey of Financial Literacy and Inclusion (SNLIK) examines financial literacy trends across different age groups in Indonesia, highlighting consistent patterns observed in both 2016 and 2019. Notably, individuals aged 26–35 years consistently demonstrate the highest levels of financial literacy, followed by those aged 18–25 years, 36–50 years, and over 50 years. In contrast, the youngest cohort of 15–17 years consistently exhibits the lowest levels of financial literacy. These findings underscore the critical need for targeted educational initiatives aimed at enhancing financial knowledge and skills among Indonesian youth, thereby improving overall financial literacy nationwide.

Financial literacy among Indonesians, measured by a 2019 index of 38.03%, indicates progress but also reveals substantial room for improvement. This index suggests that approximately 62 out of every 100 individuals lack sufficient knowledge, beliefs, skills, attitudes, and behaviors regarding financial institutions and formal financial products. Efforts to enhance financial literacy are essential not only for individual financial empowerment but also for fostering broader economic stability and growth across Indonesia.

The National Survey of Financial Literacy and Inclusion (SNLIK) provides insights into financial literacy trends across age groups in Indonesia, revealing consistent patterns from 2016 to 2019. Individuals aged 26–35 years consistently demonstrate the highest levels of financial literacy, followed by those aged 18–25 years, 36–50 years, and over 50 years, while the youngest cohort of 15–17 years consistently exhibits the lowest levels. These findings underscore the urgent need for targeted educational initiatives aimed at enhancing financial knowledge and skills among Indonesian youth, thereby bolstering overall financial literacy nationwide. With a 2019 financial literacy index of 38.03%, indicating progress but significant room for improvement, approximately 62 out of every 100 individuals lack sufficient knowledge, beliefs, skills, attitudes, and behaviors regarding financial institutions and products. Strengthening financial literacy is crucial not only for individual financial empowerment but also for promoting broader economic stability and growth throughout Indonesia.

3.7 Case study from other countries

Examining case studies of the middle-income trap (MIT) in other countries is essential because it offers a broader understanding of the phenomenon and its implications. By analyzing how various nations have grappled with similar economic challenges, we can glean valuable insights into the underlying factors and dynamics at play. For instance, studying the experiences of countries like Brazil, South Africa, and Malaysia provides a diverse range of perspectives on the MIT, considering factors such as structural weaknesses, technological advancements, and institutional frameworks. These case studies not only enrich our understanding of MIT but also offer lessons and strategies that can be adapted and applied in different contexts. Through comparative analysis and cross-country learning, policymakers and economists can develop more nuanced approaches to address the middle-income trap effectively. By integrating insights from both local and international case studies, we can foster more robust and sustainable economic development pathways for nations striving to overcome this significant challenge.

Brazil, in the early 2000s, experienced significant economic growth and poverty reduction, leading to its classification as a middle-income country. However, the economy

has struggled to maintain steady growth rates since then. Structural issues such as high levels of inequality, cumbersome bureaucracy, and insufficient investment in education and infrastructure have hindered Brazil's ability to transition to high-income status. Despite its vast natural resources and industrial base, Brazil continues to face challenges in achieving sustained and inclusive growth. Malaysia is another example of a country caught in the middle-income trap. Despite achieving rapid economic growth and industrialization in the 1980s and 1990s, its growth has slowed in recent years. Malaysia's economy remains heavily dependent on low-skilled manufacturing and commodity exports, leaving it vulnerable to external shocks and fluctuations in global demand. Additionally, issues such as corruption, ethnic tensions, and a lack of innovation have hindered Malaysia's efforts to diversify its economy and move up the value chain.

South Africa, despite being one of the most developed economies in Africa, has struggled to escape the middle-income trap. Persistent issues such as high unemployment, inequality, and structural rigidities have constrained economic growth and social progress. South Africa's economy remains heavily reliant on mining and resource extraction, which has limited its ability to create jobs and foster sustainable development. Moreover, governance challenges, including corruption and policy uncertainty, have undermined investor confidence and hindered efforts to stimulate growth and innovation.

These case examples highlight the complex challenges that many developing countries face in breaking out of the middle-income trap. Addressing structural barriers to growth, promoting innovation and productivity, and fostering inclusive development are critical steps towards achieving sustained and equitable economic advancement. Next discussion will talk about solutions that have been implemented by those countries and can be a point of learning for Indonesian youth and the government in facing middle-income trap challenges.

Brazil has embarked on a series of economic reforms aimed at improving the business environment, reducing bureaucracy, and enhancing competitiveness (World Bank, 2020). These reforms include changes in labor laws, tax reforms, and efforts to simplify regulations. Additionally, Brazil has increased investment in infrastructure projects such as transportation, energy, and telecommunications to address deficiencies that hinder economic growth (IMF, 2019). These investments are crucial for addressing long-standing deficiencies that hinder economic growth. Moreover, Brazil has expanded social programs like Bolsa Família, which provides cash transfers to low-income families, as part of its strategy to reduce inequality and poverty (IBGE, 2021).

Malaysia's proactive approach to economic diversification has been a cornerstone of its development strategy, as emphasized by the World Bank (2018). The country aims to move beyond its reliance on traditional sectors such as manufacturing and commodities by promoting high-value-added industries and fostering innovation. Key initiatives like the Economic Transformation Program (ETP) and the establishment of the National Innovation Agency (AIM) have been instrumental in driving this diversification agenda forward. Furthermore, Malaysia has made significant strides in combating corruption and improving governance, with measures such as the establishment of anti-corruption agencies and initiatives to increase transparency in government procurement processes (IMF, 2020). These efforts are crucial for building investor confidence, enhancing the business environment, and promoting sustainable economic growth. Additionally, Malaysia has prioritized investments in education and skills development to nurture a highly skilled workforce capable of driving innovation-led growth (Department of Statistics Malaysia, 2021).

In South Africa, diversifying the economy away from heavy reliance on mining and resource extraction has been a key priority, as acknowledged by the World Bank (2019). The government has implemented various initiatives, including the Industrial Policy Action Plan (IPAP), aimed at supporting industrialization and job creation in sectors such as manufacturing, services, and agriculture. Moreover, South Africa has taken significant steps to address income inequality and promote economic inclusion through policies such as Black Economic Empowerment (BEE) and affirmative action programs (Statistics South

Africa, 2020). Furthermore, infrastructure development has been prioritized to address critical bottlenecks and support economic growth, with a particular focus on sectors such as energy, transportation, and water (World Bank, 2021).

3.8 What is meant by the middle-income trap in the context of Jakarta, and how does it affect economic opportunities for generation z and millennials

The middle-income trap in Jakarta refers to the phenomenon where the city's economy stagnates in the middle-income range without progressing to higher income levels. This trap limits economic opportunities for Millennials and Gen Z, constraining their ability to achieve higher incomes and upward mobility. By defining the middle-income trap and assessing its impact on Millennials and Gen Z, the study provides a foundational understanding of the economic challenges faced by young adults in Jakarta. This insight lays the groundwork for exploring the factors perpetuating economic stagnation and the barriers to socio-economic mobility.

To continue the discussion, this research will explain finding and research results. The discussion starts with Table 2 that illustrates the significant concentration of Generation Z and Millennials across Jakarta, especially in districts such as Jakarta Selatan and Jakarta Timur, which are known for their developed infrastructure and multitude of opportunities. This distribution is indicative of socio-economic factors such as varied employment opportunities, housing availability, and lifestyle preferences which attract young residents. The high population density in these districts not only impacts the local economy but also underscores the importance of implementing policies that address specific needs such as affordable housing and accessible high-quality education (Glaeser, 2011). The insights from this table guide policymakers and business leaders in devising strategic interventions aimed at enhancing the socio-economic conditions conducive for the youth, thereby potentially mitigating the constraints of the middle-income trap.

Average income levels among Generation Z and Millennials in Indonesia vary significantly by geographical location and industry sector, as indicated by data from the SAKERNAS August 2023. Jakarta, with its higher average incomes compared to other regions, serves as a central economic hub. Geographical location and industry sector play crucial roles in determining income levels among young people. Urban centers like Jakarta offer higher average incomes due to concentrated economic activities in sectors such as finance, technology, and services, whereas rural areas may experience lower incomes primarily from agricultural and traditional sectors. This disparity can impact young people's income by influencing job availability, skill demand, and cost of living adjustments. Where young people live and the industries they work in affect their job options, skill requirements, and living expenses. Urban areas like Jakarta offer more diverse jobs in sectors like finance and technology, which require advanced skills and pay higher wages due to higher living costs. Rural areas rely more on traditional sectors like agriculture, where job opportunities and skill demands may be lower, leading to lower wages but also lower living expenses.

Income disparities across sectors underscore the diverse economic opportunities available to young adults. Understanding these income dynamics is crucial for assessing financial stability and economic participation among Generation Z and Millennials in Jakarta and beyond. To improve economic opportunities, policies should focus on enhancing skill development programs aligned with high-demand sectors, promoting entrepreneurship and innovation hubs, and improving access to affordable housing and transportation infrastructure. Additionally, creating economic incentives for industries to expand and diversify can stimulate job creation and income growth across different sectors. This all means, analyzing income disparities by location and sector is crucial for improving economic opportunities for young Indonesians by prioritizing infrastructure, incentives, and skill development programs.

The educational demographics presented in Table 3 highlight a diverse educational background among Jakarta's youth, with a significant number achieving university and

vocational training levels. However, the presence of a segment without complete elementary education presents a challenge for achieving inclusive economic growth and sustainable social development (Becker, 1964). Policies enhancing educational access and improving completion rates at all levels are essential, aligning with the human capital theory, which emphasizes the pivotal role of education in economic development.

Jakarta, as Indonesia's capital and a major economic center, attracts a substantial number of Millennials and Generation Z due to its economic opportunities and urban amenities. Reports indicate that a significant percentage of these age groups from across Indonesia reside in Jakarta, underscoring its role as a hub for education, commerce, and employment. The productive generation, comprising Millennials and Generation Z, actively participates in various economic sectors in Jakarta, driving consumer spending and entrepreneurial ventures (BPS, 2023). Harnessing their potential through investments in education, skills development, healthcare, and gender equality is crucial for enhancing national economic competitiveness, akin to successful strategies observed in countries like South Korea (World Bank, 2023). This underscores the importance of educational policies that cater to diverse educational backgrounds and levels of attainment among Jakarta's youth to maximize their economic contributions and ensure sustainable development.

Educational background among Generation Z and Millennials in Jakarta, as detailed in the SAKERNAS August 2023 data, illustrates a diverse spectrum of educational achievements. From elementary education to university degrees, these levels of attainment reflect varying levels of preparedness for the job market. While a significant proportion have completed senior high school and vocational training, challenges such as lower completion rates at elementary levels suggest potential issues in educational accessibility or retention. Addressing these challenges is crucial to ensuring that all segments of Jakarta's youth are adequately prepared for the job market. Implications and strategies for improvement include enhancing early childhood education programs, improving infrastructure in underserved areas, and strengthening vocational training partnerships with industries. Promoting lifelong learning initiatives can help Millennials and Generation Z adapt to evolving job market requirements (BPS, 2023).

Table 4 underscores the dynamic nature of Jakarta's job market, where sectors such as manufacturing, trade, and services prominently engage young adults. This distribution highlights the diverse employment opportunities available but also signals the importance of targeted educational programs and job training initiatives. By aligning educational outcomes with the evolving demands of these sectors, policymakers can strategically enhance workforce development. This approach not only supports the economic prospects of young adults but also contributes to Jakarta's overall growth trajectory by ensuring a skilled and adaptable workforce capable of meeting industry needs effectively (Doeringer & Piore, 1971). Such initiatives are crucial for fostering sustainable economic development and addressing the challenges posed by a rapidly changing job market landscape.

Efforts to tailor educational programs and job training to the specific demands of Jakarta's dominant sectors are essential for several reasons. First, they ensure that young adults are equipped with the necessary skills and competencies to meet current job market requirements effectively. This alignment helps bridge the gap between educational attainment and industry expectations, thereby enhancing employment outcomes and career prospects for Jakarta's youth.

Moreover, strategic workforce development initiatives contribute to economic resilience by fostering a diversified and adaptable workforce. By preparing young adults for roles in key sectors like manufacturing, trade, and services, Jakarta can sustain its economic growth amidst global and local economic fluctuations. This adaptability is crucial in a competitive global economy where industries rapidly evolve, requiring a workforce capable of innovation and efficiency. Additionally, investing in targeted educational and training programs supports social equity by providing equal access to economic opportunities. It helps mitigate disparities by equipping individuals from diverse backgrounds with skills that are in demand, thereby promoting inclusive growth and reducing unemployment rates among Jakarta's youth.

Figure1 depicts the financial literacy rates among different age groups, highlighting a disparity between financial literacy (38.03%) and financial inclusion (76.19%). This gap signifies the urgent need for enhanced financial education that targets the younger generations, improving their understanding of financial management, and encouraging prudent financial behaviors like saving and investing (Lusardi & Mitchell, 2014). Effective financial education programs are crucial for empowering the youth to make informed financial decisions, thereby enhancing their potential to escape the middle-income trap.

Moreover, as financial inclusion, defined as the accessibility of formal financial services tailored to community needs, plays a pivotal role in enhancing societal welfare in Indonesia, the Financial Services Authority (OJK) monitors financial inclusion trends through SNLIK surveys conducted from 2013 to 2019, evaluating the extent to which all segments of society can access essential financial services. This measurement complements ongoing efforts to improve financial literacy, aiming to ensure equitable access to financial resources necessary for economic participation and advancement.

Nurhayati & Harianti's study (2023) investigates the factors influencing investment decisions among Generation Z in DKI Jakarta, including financial literacy, income levels, and lifestyle factors. The research reveals that while financial literacy significantly impacts investment choices among young adults, income levels surprisingly do not exert a significant influence. Instead, lifestyle factors such as spending habits, expenditure priorities, and saving behaviors play a critical role in shaping investment decisions. This study underscores the multifaceted nature of financial decision-making among young Indonesians, highlighting the importance of comprehensive strategies to promote both financial literacy and prudent financial behaviors.

3.9 Primary factors and core issues contributing to the middle-income trap

The demographic data (Table 2) indicate a significant young population concentrated in districts with high economic activity such as Jakarta Selatan and Jakarta Timur. These areas, while affluent, also exhibit stark disparities in income levels and access to resources. The high cost of living, coupled with inadequate wage growth, pinpoints a primary issue: economic stagnation amidst apparent growth. This phenomenon is exacerbated by an educational system (Table 3) that fails to retain students through to higher education, resulting in a workforce that is often underqualified for the demands of a rapidly evolving job market (Becker, 1964).

The labor market data (Table 4) further highlight the over-saturation in traditional sectors like manufacturing and retail, which do not require advanced education but also do not offer substantial economic advancement opportunities. This misalignment between educational output and labor market needs contributes significantly to the middle-income trap, where the workforce remains stuck in low-productivity roles without the means to transition into more lucrative positions.

The demographic data highlights a significant young population concentrated in economically active districts such as Jakarta Selatan and Jakarta Timur. Despite high economic activity, these areas exhibit stark disparities in income levels and access to resources, a phenomenon exacerbated by an educational system that struggles to retain students through to higher education. This results in an under qualified workforce for the evolving job market and labor market oversaturation in traditional sectors, contributing significantly to economic stagnation amidst apparent growth.

The demographic data reveals a notable concentration of young adults in economically vibrant districts like Jakarta Selatan and Jakarta Timur. These areas serve as focal points for business and commerce, attracting both job seekers and aspiring entrepreneurs from across the city and beyond. However, despite the high economic activity, there exist pronounced income disparities and unequal access to essential resources among the residents. One critical issue exacerbating these disparities is the educational system's struggle to effectively retain students through to higher education levels. Many students do not progress beyond basic education or vocational training, resulting in an underqualified

workforce ill-equipped to meet the demands of the modern job market. This mismatch between educational outcomes and market needs perpetuates economic challenges, as industries require skilled labor for innovation and growth.

Moreover, traditional sectors in Jakarta, such as manufacturing and retail, face saturation in the labor market. This oversupply of labor in conventional industries further contributes to economic stagnation, despite the city's overall economic growth. As a consequence, opportunities for upward mobility and income advancement are limited for many young adults, particularly those without access to quality education or specialized skills training. In essence, while Jakarta's economically active districts showcase robust economic activity, the underlying disparities in income and access to educational opportunities pose significant challenges. Addressing these issues requires comprehensive reforms in education to ensure all youth have equitable access to quality learning and skills development programs. Additionally, fostering diversification in economic sectors and promoting entrepreneurship can create new avenues for employment and economic growth, ultimately fostering a more inclusive and resilient economy for Jakarta's young population.

The educational system fails to adequately prepare graduates for the demands of modern industries, resulting in a skills gap that stifles innovation and economic growth. This mismatch between educational outputs and labor market needs is particularly pronounced in emerging sectors like technology and services, where there is a shortage of skilled workers amid oversaturation in traditional fields such as manufacturing and retail.

More on that, Jakarta faces significant infrastructure deficits, including inadequate transportation networks and a shortage of affordable housing. These shortcomings limit productivity, exacerbate urban sprawl, and create inequalities that restrict access to economic opportunities, especially for marginalized communities. Moreover, persistent income inequality within Jakarta and between urban and rural areas further dampens consumer spending, social mobility, and overall economic dynamism.

Compounding these challenges are policy inconsistencies and inefficiencies that undermine efforts to address structural barriers to economic advancement. Insufficient investments in education, infrastructure, and economic diversification strategies impede Jakarta's transition to a high-income economy. To overcome these obstacles, Jakarta must adopt a comprehensive approach that includes reforms in education to align curriculum with industry needs, targeted investments in infrastructure to enhance connectivity and accessibility, and policies that promote inclusive economic growth across all sectors.

Jakarta's struggle with the middle-income trap is also driven by several critical factors (Abidin et al., 2015; Hidayanto et al., 2017). Structural economic challenges such as income inequality, inadequate infrastructure, and a reliance on low-wage labor in certain sectors impede sustained economic growth and innovation, essential for advancing to higher income levels. These factors collectively contribute to stagnant economic mobility and limited opportunities for young adults.

Educational disparities exacerbate the situation by creating a mismatch between skills taught in Jakarta's educational system and the evolving demands of the job market. This disconnect hampers youth employment prospects and income potential, perpetuating cycles of underemployment and limiting career advancement. Furthermore, the severe shortage of affordable housing compounds these challenges, placing financial strains on young adults and delaying their ability to achieve economic independence and savings.

While Jakarta has implemented policies to address these issues—such as educational reforms to align curriculum with industry needs, initiatives to increase affordable housing supply, and investments in urban infrastructure—the effectiveness of these efforts varies. Educational reforms are slowly adapting but face implementation challenges and uneven impact. Housing initiatives have made strides but struggle to meet growing demand, particularly in centrally located areas. Infrastructure investments, crucial for long-term economic sustainability, encounter funding and coordination obstacles.

Moving forward, Jakarta must adopt a comprehensive strategy that integrates these efforts under a unified vision of inclusive and sustainable growth. Prioritizing targeted

reforms in education, expanding affordable housing options, and enhancing urban infrastructure are essential steps. By addressing these fundamental challenges systematically and aligning strategies with sustainable development goals, Jakarta can create an environment conducive to economic advancement for its youth, ultimately breaking free from the middle-income trap and fostering a prosperous future for all residents.

3.10 Proposed policy and solutions along with their implementation

In the next discussion, this research paper will answer the next research question: What policies and strategies have been implemented and can be improved to address the middle-income trap in Jakarta, and to what extent have these policies been successful or unsuccessful? The answer also consider case studies of Brazil, Malaysia, and South Africa to elucidate the complexities and challenges associated with transitioning from middle-income to high-income status. These countries' experiences offer valuable lessons on structural weaknesses, economic diversification efforts, governance issues, and policy interventions aimed at overcoming the MIT. Answers to the the third research questions are elaborated as follows:

Addressing the educational gap is essential for fostering economic growth and social mobility. Policies should prioritize improving educational infrastructure, increasing retention rates, and aligning curricula with market demands to ensure that graduates are equipped with relevant skills. Integrating vocational training programs tailored to emerging industries, such as digital and green technologies, can enhance employment opportunities and provide access to higher-paying jobs (Doeringer & Piore, 1971). Additionally, investing in teacher training and professional development is crucial for maintaining the quality of education, ensuring that students receive up-to-date knowledge and practical competencies. Strengthening partnerships between educational institutions and industries can further bridge the gap between academic learning and real-world job requirements, offering students valuable hands-on experience. By implementing these reforms, countries can create a workforce that meets industry needs, drive sustainable economic development, and reduce the risk of stagnation within the middle-income trap.

Diversifying the economy by fostering growth in sectors such as technology, finance, and services can generate more employment opportunities for well-educated youth while reducing dependency on traditional industries. Encouraging entrepreneurship and supporting small and medium enterprises through subsidies and grants can stimulate job creation and drive economic expansion. Expanding access to financial services plays a crucial role in this process, as it not only facilitates entrepreneurship among Millennials and Gen Z but also strengthens participation in formal financial systems, promoting savings and investment. Furthermore, financial inclusion empowers marginalized communities by providing them with the resources needed to engage in economic activities, ensuring more equitable growth. Through targeted initiatives that support small and medium enterprises, governments can create a more resilient and diversified economy capable of adapting to global market shifts and sustaining long-term development.

Developing a technology-based job market is crucial for Indonesia's efforts to escape the middle-income trap and achieve sustainable economic growth. By channeling investments into the tech sector, governments can create adaptable jobs that cater to the evolving demands of the digital economy. This requires enhancing tech skills training, supporting new tech businesses, and providing stable career opportunities for Gen Z and Millennials. Encouraging innovation through incentives, facilitating financing for startups, and fostering a business-friendly ecosystem through collaboration can further accelerate economic transformation. Expanding access to capital and mentorship for young entrepreneurs is essential in nurturing creativity and unlocking Indonesia's potential in the global tech landscape. Additionally, strengthening digital infrastructure and ensuring widespread access to technology can broaden job markets, boost productivity, and drive

inclusive economic growth, positioning Indonesia as a competitive player in the global economy.

Effective housing and urban planning are essential for ensuring economic progress and improving the quality of life for middle-income residents. Implementing affordable housing projects and revising urban planning regulations to align residential development with commercial expansion can help reduce the cost of living and create more balanced, livable cities. Beyond infrastructure development, involving residents in decision-making processes is crucial for fostering inclusive and sustainable urban growth. Community engagement through initiatives like town hall meetings allows policymakers to address local needs more effectively, ensuring that housing and urban development projects enhance social cohesion and resilience. By integrating thoughtful planning with active public participation, cities can become more vibrant and adaptable, supporting long-term economic stability and improving overall well-being.

Expanding financial education programs is a crucial step toward fostering economic independence and mobility, particularly for young adults from diverse socioeconomic backgrounds. Comprehensive initiatives should focus on essential skills such as budget management, investment, and savings, enabling Generation Z and Millennials to make informed financial decisions, mitigate personal bankruptcy risks, and capitalize on opportunities for wealth growth. Beyond personal finance, governments must integrate financial literacy into broader educational reforms by prioritizing budget allocations that enhance curriculum quality and align education with evolving job market demands. This requires a curriculum overhaul that incorporates skills relevant to emerging technologies and industry shifts, alongside intensified training in digital literacy, entrepreneurship, and leadership. By equipping the workforce with these competencies, financial education can serve as a catalyst for long-term economic stability, social mobility, and resilience in an increasingly complex global economy.

Empowering vulnerable groups, particularly women and youth, is a crucial strategy for overcoming Indonesia's middle-income trap by fostering inclusive economic growth. Providing equal economic opportunities can help reduce existing disparities and unlock the potential of those who often face systemic barriers to financial independence. Women, as key contributors to both households and the broader economy, can become powerful agents of change when equipped with skills training and access to venture capital, enabling them to start businesses and drive local development. Similarly, young people from disadvantaged backgrounds or marginalized areas require targeted support to enter the job market and build sustainable livelihoods. By implementing policies that promote financial inclusion, entrepreneurship, and skills development, governments can create a more equitable economy where all individuals have the resources to contribute meaningfully, ultimately strengthening social mobility and economic resilience.

3.11 Feasibility and impact assesment

The feasibility of these solutions hinges on political will, public and private investment, and societal acceptance. Educational reforms and economic diversification require substantial investment but are likely to have a high impact on long-term economic stability and growth. Housing reforms, while costly, are essential for societal well-being and can lead to more sustainable urban development. Financial literacy programs are relatively low-cost but high-impact initiatives that can be implemented widely with the cooperation of educational institutions, NGOs, and the private sector.

Addressing the middle-income trap in Jakarta through targeted investments in infrastructure, education, and industry diversification is not only feasible but also essential for sustainable economic development. These interventions have the potential to create a favorable environment conducive to growth, offering increased opportunities for Millennials and Gen Z to thrive. By enhancing infrastructure, such as transport and digital connectivity, and investing in educational programs aligned with industry needs, Jakarta can bolster its economic resilience and competitiveness. This approach aims to elevate GDP

growth rates, foster innovation, and generate more jobs across various sectors, thereby expanding economic prospects for young adults and improving overall productivity in the city.

Successfully overcoming the middle-income trap would profoundly impact socio-economic mobility among Jakarta's youth. It is anticipated that reducing income inequality and enhancing access to quality education and healthcare will empower young adults to achieve higher living standards and pursue advanced career paths. This transformation can lead to a more inclusive society where individuals have greater opportunities for upward mobility, contributing to Jakarta's long-term sustainable development. Moreover, integrating environmental sustainability and social equity considerations into economic strategies will ensure that growth is balanced and benefits all residents equitably, fostering a healthier and more cohesive urban environment for future generations.

4. Conclusions

In conclusion, Jakarta's struggle with the middle-income trap underscores systemic challenges that hinder the economic prospects of its younger generations. Structural issues like income inequality and inadequate infrastructure hamper sustained growth, preventing the city from advancing to higher income levels. Moreover, the disconnect between educational outputs and market demands exacerbates youth unemployment and underemployment, stifling income growth and socio-economic mobility. The severe shortage of affordable housing further compounds these challenges, straining finances and delaying financial milestones crucial for economic independence among Generation Z and Millennials.

Despite efforts through educational reforms, housing initiatives, and infrastructure development, Jakarta faces a complex path forward. While educational reforms aim to equip youth with relevant skills, broader systemic changes are necessary to ensure these reforms translate into improved job prospects and higher incomes. Housing initiatives, though making strides, require intensified efforts to meet the growing demand for affordable living spaces. Similarly, infrastructure investments must be sustained and efficiently managed to enhance urban livability and attract sustainable economic activities.

Moving forward, Jakarta needs a cohesive strategy that integrates these efforts under a unified vision of inclusive and sustainable growth. Prioritizing education reforms that align with emerging industry needs, expanding affordable housing options, and enhancing urban infrastructure are critical steps. Aligning these initiatives with the Sustainable Development Goals can foster a conducive environment for economic advancement, enabling Jakarta's younger generations to overcome the middle-income trap and contribute meaningfully to the city's development trajectory. By addressing these fundamental challenges comprehensively, Jakarta can unlock new opportunities for its youth and achieve sustainable economic prosperity.

Acknowledgement

The authors would like to express our sincere gratitude to the School of Environment Universitas Indonesia for the opportunity and contributions to this paper. We are also thankful to our lecturer Pak Herdis for his support, insight, and encouragement throughout this paper. We acknowledge the reviewers for their constructive comments and suggestions, which have significantly improved the quality of this manuscript. Lastly, we extend our appreciation to our families for their unwavering support and understanding during this research endeavor.

Author Contribution

The authors contributed fully to the writing of this scientific article, from the planning stage to the final editing.

Funding

This research received no external funding.

Ethical Review Board Statement

Not available.

Informed Consent Statement

Not available.

Data Availability Statement

Not available.

Conflicts of Interest

The authors declare no conflict of interest.

Open Access

©2025. The author(s). This article is licensed under a Creative Commons Attribution 4.0 International License, which permits use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license, and indicate if changes were made. The images or other third-party material in this article are included in the article's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the article's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder. To view a copy of this license, visit: <http://creativecommons.org/licenses/by/4.0/>

References

- Abidin, H., Andreas, H., Gumilar, I., & Brinkman, J. (2015). Study on the risk and impacts of land subsidence in Jakarta. *Proceedings of the International Association of Hydrological Sciences*, 372, 115-120. <https://doi.org/10.5194/piahs-372-115-2015>
- Adam, A., Enala, S., Kontu, F., & Prasetya, M. (2023). Sosialisasi dan pelatihan peningkatan partisipasi politik dan kebijakan publik. *Abdimasku Jurnal Pengabdian Masyarakat*, 6(1), 165. <https://doi.org/10.33633/ja.v6i1.1017>
- Arifien, Y., Sinurat, J., & Susdiyanti, T. (2022). Analysis of relationship between economic sectors of DKI Jakarta towards land use changes and erosion in Ciliwung Hulu watershed, Bogor Regency. *IOP Conference Series: Earth and Environmental Science*, 986(1), 012035. <https://doi.org/10.1088/1755-1315/986/1/012035>
- Asmirawati, A. (2017). Analisis middle income trap di Indonesia. *Ecosains: Jurnal Ilmiah Ekonomi Dan Pembangunan*, 6(1), 1. <https://doi.org/10.24036/ecosains.11062857.00>
- Becker, G. S. (1964). *Human capital: A theoretical and empirical analysis, with special reference to education*. Columbia University Press.
- Bresser-Pereira, L., Araújo, E., & Peres, S. (2020). An alternative to the middle-income trap. *Structural Change and Economic Dynamics*, 52, 294-312. <https://doi.org/10.1016/j.strueco.2019.11.007>
- Booth, A., James, M. S., Clowes, M., & Sutton, A. (2021). *Systematic approaches to a successful literature review*. SAGE.
- Department of Statistics Malaysia. (2021). *Education and Skills Development Report*.
- Doeringer, P. B., & Piore, M. J. (1971). *Internal labor markets and manpower analysis*. M.E. Sharpe.
- Dominggus, D. (2022). Fenomena prank dan pengaruhnya terhadap spiritualitas generasi milenial. *Kamboti: Jurnal Sosial dan Humaniora*, 2(2), 116-123. <https://doi.org/10.51135/kambotivol2iss2pp116-123>

- Felipe, J., Abdon, A., & Kumar, U. (2012). Tracking the middle-income trap: What is it, who is in it, and why?. *Working Paper, Levy Economics Institute Bard of College. Asian Development Bank*. <https://dx.doi.org/10.2139/ssrn.2049330>
- Gill, I. S., Kharas, H. J., & Bhattasali, D. (2007). *An East Asian renaissance: Ideas for economic growth*. World Bank Publications.
- Glaeser, E. L. (2011). *Triumph of the city: How our greatest invention makes us richer, smarter, greener, healthier, and happier*. Penguin Press.
- Ha, J., & Lee, S. (2018). Population aging and the possibility of a middle-income trap in Asia. *Emerging Markets Finance and Trade*, 54(6), 1225–1238. <https://doi.org/10.1080/1540496x.2018.1429263>
- Helman, H. (2021). Dampak pandemi COVID-19 terhadap perilaku manajemen keuangan generasi milenial. *Syntax Literate: Jurnal Ilmiah Indonesia*, 6(10), 5048. <https://doi.org/10.36418/syntax-literate.v6i10.4369>
- Hidayatno, A., Dinianyadharani, A., & Sutrisno, A. (2017). Scenario analysis of the Jakarta coastal defence strategy: Sustainable indicators and impact assessment. *International Journal of Innovation and Sustainable Development*, 11(1), 37. <https://doi.org/10.1504/ijisd.2017.080626>
- Howe, N., & Strauss, W. (2000). *Millennials rising: The next great generation*. Vintage.
- IBGE. (2021). *Bolsa Família Expansion Report*.
- IMF. (2019). *Brazil: Investment in Infrastructure Report*.
- IMF. (2020). *Malaysia: Addressing Corruption and Governance Report*.
- Jankowska, A., Nagengast, A., & Perea, J. (2012). *The middle-income trap: Comparing Asian and Latin American experiences*. OECD Development Centre. <https://doi.org/10.1787/5k8x7gwqslp-en>
- Karima, U., Herbawani, C., Pulungan, R., Gabriel, Y., & Wiradati, M. (2022). Edukasi peran generasi Z dalam pengendalian COVID-19. *JMM (Jurnal Masyarakat Mandiri)*, 6(1), 54. <https://doi.org/10.31764/jmm.v6i1.6036>
- Kowiyah, S., Riyanto, Y., & Harmanto, H. (2021). Contextualization and connectivity of digital literacy in primary school social studies during the COVID-19 pandemic. *Jurnal Pajar (Pendidikan dan Pengajaran)*, 5(3). <https://doi.org/10.33578/pjr.v5i3.8312>
- Lusardi, A., & Mitchell, O. S. (2014). The economic importance of financial literacy: Theory and evidence. *Journal of Economic Literature*, 52(1), 5–44. <https://doi.org/10.1257/jel.52.1.5>
- McKinsey Global Institute. (2018). *The power of parity: Advancing women's equality in Asia Pacific*. McKinsey & Company.
- Nurhayati, A., & Harianti, A. (2023). Pengaruh literasi keuangan, pendapatan, dan gaya hidup terhadap keputusan berinvestasi generasi Z Kota DKI Jakarta. *Remittance: Jurnal Akuntansi Keuangan dan Perbankan*, 4(2), 10–22. <https://doi.org/10.56486/remittance.vol4no2.388>
- OECD. (2015). *The innovation imperative: Contributing to productivity, growth, and well-being*. OECD Publishing.
- Sundari, N., & Utami, A. (2022). Hubungan keadilan organisasi dengan komitmen organisasi pada karyawan generasi milenial. *Jurnal Riset Psikologi*, 2(1), 21–26. <https://doi.org/10.29313/jlrp.v2i1.676>
- World Bank. (2018). *Malaysia's Economic Diversification Initiatives*.
- World Bank. (2019). *South Africa's Economic Diversification Efforts*.
- World Bank. (2020). *Report on Brazil's Economic Reforms*.
- World Bank. (2021). *Infrastructure Development in South Africa Report*.
- Zhang, L., Yi, H., Luo, R., Liu, C., & Rozelle, S. (2013). The human capital roots of the middle-income trap: The case of China. *Agricultural Economics*, 44(s1), 151–162. <https://doi.org/10.1111/agec.12059>

Biographies of Authors

Kristy Natasha Yohanes, School of Environmental Science, Universitas Indonesia, Central Jakarta, DKI Jakarta, Jakarta, 10430, Indonesia.

- Email: kristynatasha011@gmail.com
- ORCID: N/A
- Web of Science ResearcherID: N/A
- Scopus Author ID: N/A
- Homepage: N/A

Hapsari Sekar Hamumpuni, School of Environmental Science, Universitas Indonesia, Central Jakarta, DKI Jakarta, Jakarta, 10430, Indonesia.

- Email: hapsarisekarh@gmail.com
- ORCID: N/A
- Web of Science ResearcherID: N/A
- Scopus Author ID: N/A
- Homepage: N/A

Melliza Pretty Putri Utami, School of Environmental Science, Universitas Indonesia, Central Jakarta, DKI Jakarta, Jakarta, 10430, Indonesia.

- Email: melliza.utami@gmail.com
- ORCID: N/A
- Web of Science ResearcherID: N/A
- Scopus Author ID: N/A
- Homepage: N/A