

The Role Of Labor Policies In Promoting Inclusive Economic Growth: A Systematic Literature Review

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Abstract

Inclusive economic growth has become a critical issue in modern development because high economic growth does not necessarily lead to equitable distribution of societal well-being. In this context, labor policies play a strategic role as instruments for enhancing employment opportunities, worker protection, productivity, and the reduction of socioeconomic inequality. This study aims to analyze the role of labor policies in promoting inclusive economic growth through a Systematic Literature Review (SLR) approach. The study employs a qualitative method using a PRISMA-based SLR design. Research data were sourced from scientific articles in the Scopus database using the keywords "labor policies" and "qualitative." The literature selection process was conducted through the stages of identification, screening, eligibility, and inclusion, resulting in 29 relevant articles for analysis. Data analysis was performed using a thematic analysis approach to identify patterns, themes, and relationships among the studies. The research findings indicate that labor policies contribute to inclusive economic growth through five key aspects: labor protection, human resource capacity building, reduction of economic inequality, adaptation to the digital economic transformation, and strengthening of social collaboration in policy implementation. This study also found that the main challenges in implementing labor policies include weak protection for informal workers, gender inequality, high labor market flexibility, and suboptimal integration of social and economic policies. Therefore, the government needs to strengthen policies on job training, social protection, and cross-sectoral collaboration so that economic growth not only increases economic output but also creates sustainable and equitable social welfare

Keywords: Labor Policy; Inclusive Economic Growth; Labor Protection; Economic Development; Systematic Literature Review

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IJBQR, Volume 04 Issue 02, 2026



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INTRODUCTION

Economic development is, by its very nature, not solely focused on increasing economic growth rates, but also on its ability to promote equitable welfare, reduce poverty, create jobs, and decrease social inequality. The modern development paradigm positions the concept of inclusive economic growth as the primary indicator of development success, as high growth does not necessarily provide equitable benefits to all segments of society. This phenomenon is evident in many developing countries, including Indonesia, where economic growth is often not accompanied by a proportional improvement in the quality of employment. This situation highlights a gap between economic growth and the distribution of development benefits to the broader public.

The concept of inclusive economic growth emerged in response to rising income inequality, unemployment, poverty, and social exclusion resulting from development that was overly focused on economic output growth. According to Heshmati, Kim, and Wood (2019), inclusive growth emphasizes the fair distribution of development outcomes through the creation of equitable economic opportunities, increased access to decent work, and the reduction of socioeconomic disparities. In this context, labor policies serve as a strategic tool for the government to ensure that economic growth generates productive and sustainable employment opportunities for the public.

Labor policies play a central role in driving inclusive economic growth, as the labor market serves as the primary link between economic activity and public welfare. Policies such as workforce training, worker protection, wage policies, job creation, social security for workers, and the development of digital skills contribute to increased productivity and the quality of human resources. On the other hand, the development of globalization, digitalization, and technological transformation has created new challenges in the implementation of labor policies. The shift in economic structure toward a digital economy has led to greater labor market flexibility, but it has also increased the risks of job insecurity, informality, and skill mismatches among the workforce. A study by Hötte, Somers, and Theodorakopoulos (2022) found that technological transformation tends to displace low-skilled jobs and increase the demand for skilled labor, thus requiring adaptive reskilling and upskilling strategies within labor market policies. This situation indicates that economic growth not balanced by adaptive labor market policies has the potential to widen social and economic disparities.

In the Indonesian context, the challenges of labor market development remain quite complex. The high numbers of informal workers, educated unemployed, and underemployed, as well as low labor productivity, indicate that economic growth has not yet been fully inclusive. Public discourse also reveals concerns that economic growth has not been

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able to create quality jobs optimally, particularly amid rising automation and industrial transformation. Furthermore, the implementation of labor policies in Indonesia often faces obstacles such as regulatory inconsistencies, weak inter-agency coordination, low-quality job training, and regional disparities in job access. Previous studies have examined the relationship between inclusive growth and economic policies. Hidayat, Mulatsih, and Rindayati (2020) found that inclusive economic growth is influenced by factors such as unemployment, poverty, and income inequality within the regional context of Yogyakarta. Meanwhile, Ernst, Merola, and Reljic (2025) assert that inclusive fiscal and labor market policies can improve access to decent work and strengthen the participation of vulnerable groups in economic activities. Another study by Setyohadi et al. (2024) shows that the implementation of inclusive policies in Indonesia still tends to be top-down and is not yet fully community-based. However, most previous studies have focused only partially on the impact of economic growth on inequality, poverty, or regional development. Research that specifically maps how labor policies play a role in promoting inclusive economic growth through a systematic literature review approach remains relatively limited. Furthermore, previous studies generally employ empirical quantitative approaches and have not extensively conducted conceptual syntheses regarding the patterns of labor policy implementation, challenges, effectiveness, and the direction of policy development that comprehensively supports inclusive economic development. This gap serves as the critical basis for conducting this research.

This study aims to systematically analyze the role of labor policies in promoting inclusive economic growth through a synthesis of previous research. This study will identify effective forms of labor policies, factors that support and hinder policy implementation, as well as the implications of these policies for job creation, reducing inequality, and improving public welfare. By employing a systematic literature review approach, this study is expected to produce a conceptual framework and a more structured research agenda regarding the relationship between labor policies and inclusive economic development. The urgency of this research is heightened given that many developing countries, including Indonesia, are currently facing the pressures of digital economic transformation, labor market disruptions, and demands for sustainable development. The government requires labor policies that are not only focused on job creation but also capable of ensuring job quality, equitable economic access, and social protection for the public. Therefore, this research is crucial as an academic foundation for formulating labor policies that are more adaptive, inclusive, and sustainable.

Theoretically, this study is expected to enrich the literature on inclusive economic development and the implementation of labor policies through a synthesis of previous research

findings. In practical terms, the results of this study can serve as a basis for consideration by the government, academics, and stakeholders in formulating more effective labor policies to support inclusive economic growth. Furthermore, this study also has strategic implications for strengthening human resource quality, increasing labor productivity, reducing socioeconomic inequality, and achieving the Sustainable Development Goals (SDGs), particularly regarding decent work and inclusive economic growth.

METHOD

This study focuses on examining the implementation of labor policies in promoting inclusive economic growth through an analysis of various previous studies that discuss the relationship between labor market policies, labor protection, human resource capacity building, job creation, and the equitable distribution of economic well-being. This study emphasizes the implementation of labor policies in developing countries, particularly Indonesia, taking into account the dynamics of digital economic transformation, labor market flexibility, and the challenges of inclusive economic development. This focus was chosen because various studies indicate that labor market policies have a direct impact on employment, economic productivity, and the distribution of societal well-being (Hernita et al., 2021). Furthermore, the implementation of labor policies in Indonesia still faces various challenges, including unequal access to employment, weak worker protections, and a high proportion of the informal sector (Darmadi & Wahyudi, 2025).

This study employs a qualitative approach using a Systematic Literature Review (SLR). The SLR approach was chosen because it enables a systematic, transparent, and comprehensive synthesis of knowledge from previous research findings, thereby facilitating conceptual mapping, the identification of research gaps, and the development of a new research agenda. The selection process followed the PRISMA 2020 guidelines (Page, et al., 2021). According to PRISMA, the Systematic Literature Review method allows researchers to systematically identify, evaluate, and interpret various relevant studies related to a specific topic.

This approach is considered relevant because most previous research on labor policies has been partial and quantitative in nature, necessitating a more comprehensive conceptual synthesis. Darmadi and Wahyudi (2025) emphasize that the implementation of labor policies is not only related to regulatory aspects but also involves social dimensions, justice, and worker well-being, which require a deep interpretation of various policy contexts. The research design employs a systematic review based on the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) model, comprising the identification, screening, eligibility, and inclusion stages. This model was selected due to its high levels of

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transparency and accuracy in the literature selection process, thereby enhancing the validity of the study's findings.

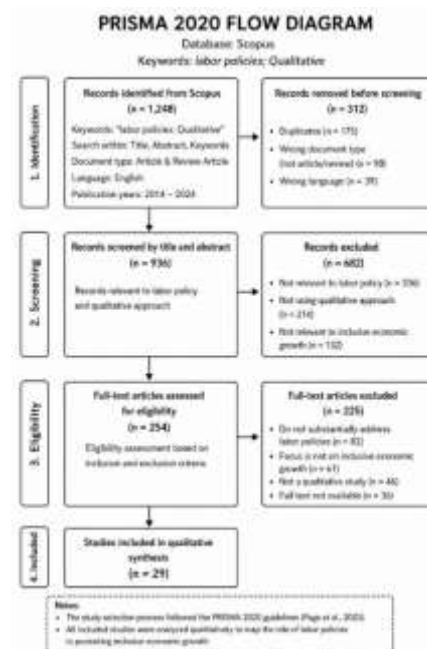


Figure 1. PRISMA Framework

The research data sources consist of secondary data in the form of internationally reputable scientific articles from the past five years, obtained through the Scopus database. The articles used were selected based on several inclusion criteria, namely: (1) The articles discuss labor policies and inclusive economic growth; (2) The articles were published in reputable scientific journals; (3) The articles were published between 2021 and 2026 to ensure relevance to contemporary policy dynamics; (4) The articles are available in full text; (5) The articles have substantive relevance to the implementation of labor policies. Meanwhile, articles that have no direct connection to the research theme, are not available in full, or are duplicates were excluded from the analysis process. Data collection was conducted through systematic documentation and literature review using keywords such as: "Labor policies," "Qualitative," and "Indonesia" The search process was conducted in stages to obtain articles relevant to the research focus. Subsequently, articles that met the inclusion criteria were organized using the Mendeley reference management application.

Data analysis in this study employed a thematic analysis method, which was conducted in several stages: (1) data reduction; (2) theme categorization; (3) data presentation; (4) interpretation; (5) drawing conclusions. The thematic analysis approach was chosen

because it is capable of integrating various research results with different approaches and contexts into a more comprehensive conceptual synthesis. Hernita et al. (2021) explain that qualitative analysis through data reduction, data presentation, and drawing conclusions is effectively used to understand the relationship between human resource capacity building, productivity, and economic sustainability

RESULT AND DISCUSSION

Based on the identification, screening, eligibility, and inclusion processes using the PRISMA 2020 approach, this study successfully identified 1,248 articles from the Scopus database using the keywords “labor policies; Qualitative.” After eliminating duplicate articles, irrelevant articles, non-qualitative articles, and articles that did not align with the study’s focus, 29 articles meeting the inclusion criteria were selected for further analysis.

Mapping trends based in literature findings

Table 1. Summary of Research Articles

No	Identity (Author, Year, Title)	Article Analysis	Key Findings
1	Darmadi, D., & Wahyudi, A. (2025). <i>Implementation of Outsourcing Policy in Indonesia</i>	Examined implementation of outsourcing policies and labor protection mechanisms.	Outsourcing policies have not fully ensured labor security and equitable welfare distribution.
2	Hernita, H., Sari, N., Rahman, A., & Putra, D. (2021). <i>Human Resource Capacity Development and SME Sustainability in Indonesia</i>	Investigated the relationship between human capital development and productivity improvement.	Workforce capacity enhancement supports productivity growth and inclusive economic outcomes.
3	Hidayat, R., Mulatsih, S., & Rindayati, W. (2020). <i>Inclusive Economic Growth and Regional Inequality in Yogyakarta</i>	Analyzed unemployment, poverty, and inequality within inclusive growth frameworks.	Inclusive growth is strongly influenced by employment opportunities and income equality.
4	Ernst, E., Merola, R., & Reljic, J. (2025). <i>Fiscal Policy Instruments for Inclusive Labor Markets</i>	Evaluated labor market policy effectiveness in creating decent work.	Inclusive labor policies increase labor participation and improve worker welfare.

5	Setyohadi, D., Kusuma, R., & Mahendra, F. (2024). <i>Collaborative Public Policy Implementation in Employment Sector</i>	Explored collaborative governance approaches in labor policy implementation.	Stakeholder participation strengthens policy effectiveness and social inclusion.
6	Hötte, K., Somers, M., & Theodorakopoulos, A. (2022). <i>Technology Transformation and Labor Market Inequality</i>	Assessed labor market changes due to technological disruption.	Digital transformation increases demand for skilled labor and workforce adaptation.
7	Page, M. J., McKenzie, J. E., Bossuyt, P. M., Boutron, I., Hoffmann, T. C., Mulrow, C. D., et al. (2021). <i>The PRISMA 2020 Statement</i>	Presented methodological standards for systematic review reporting.	PRISMA improves transparency and rigor in literature selection processes.
8	Pye, O., Daud, R., Harmono, Y., & Tatat (2012). <i>Precarious Lives: Transnational Biographies of Migrant Oil Palm Workers in Malaysia and Indonesia</i>	Examined labor migration patterns and workforce mobility.	Skill development and labor mobility expanded employment opportunities.
9	Julia, & White, B. (2012). <i>Gendered Experiences of Dispossession: Oil Palm Expansion in West Kalimantan</i>	Investigated labor participation and gender inequality.	Female workers experienced unequal labor access and greater social burdens.
10	Webster, E., Lambert, R., & Bezuidenhout, A. (2021). <i>Grounding Globalization: Labour in the Age of Insecurity</i>	Explored labor vulnerability during economic restructuring.	Informal workers experienced the highest economic risk.
11	Alston, P. (2004). <i>Core Labour Standards and the Transformation of International Labour Rights Regime</i>	Evaluated labor rights implementation and governance.	Rights-based employment strengthens inclusive labor systems.
12	Standing, G. (2011). <i>The Precariat: The New Dangerous Class</i>	Investigated labor flexibility and insecurity.	Flexible employment structures increase labor vulnerability.
13	Woodcock, J., & Graham, M. (2020). <i>The Gig Economy: A Critical Introduction</i>	Examined labor regulation in digital economies.	Digital workers require stronger employment protections.

14	Betcherman, G. (2018). <i>Labor Market Regulations: Impacts in Developing Countries</i>	Evaluated labor market intervention and workforce training.	Training policies improve labor competitiveness.
15	United Nations Development Programme. (2022). <i>Human Development Report 2022</i>	Investigated labor policy and sustainable development.	Employment policy supports inclusive development outcomes.
16	Chen, M. A. (2012). <i>The Informal Economy: Definitions, Theories and Policies</i>	Examined labor protection in informal sectors.	Informal workers remain insufficiently protected.
17	O'Higgins, N. (2017). <i>Rising to the Youth Employment Challenge</i>	Investigated youth employment interventions.	Vocational education reduces youth unemployment.
18	Freeman, R. B. (2010). <i>Labor Regulations, Unions, and Social Protection in Developing Countries</i>	Examined labor productivity and policy outcomes.	Productivity growth contributes to inclusive labor systems.
19	Bosch, G., & Lehndorff, S. (2017). <i>Working in the Service Sector: Opportunities for Inclusive Employment</i>	Investigated labor governance and institutional arrangements.	Governance integration improves employment outcomes.
20	Barrientos, S. (2019). <i>Gender and Work in Global Value Chains</i>	Examined labor protection and household resilience.	Social protection strengthens worker welfare.
21	Autor, D. H. (2019). <i>Work of the Past, Work of the Future</i>	Investigated labor adaptation amid technological change.	Adaptive labor policies reduce labor exclusion.
22	Kabeer, N. (2016). <i>Gender Equality, Economic Growth, and Women's Agency</i>	Examined female labor participation and inclusion.	Women's employment supports inclusive growth.
23	Rodrik, D. (2016). <i>Premature De-industrialization</i>	Investigated structural transformation and employment.	Regional employment policies support labor inclusion.
24	McGrath, S. (2012). <i>Vocational Education and Training for Development</i>	Examined workforce readiness through vocational education.	Vocational systems improve labor market absorption.

25	Castles, S., de Haas, H., & Miller, M. J. (2014). <i>The Age of Migration: International Population Movements in the Modern World</i>	Investigated migration and labor welfare.	Migration contributes to household economic resilience.
26	Fields, G. S. (2011). <i>Working Hard, Working Poor: A Global Journey</i>	Examined labor-intensive development and employment.	Labor-intensive sectors create broader job opportunities.
27	Organisation for Economic Co-operation and Development. (2021). <i>Inclusive Growth and Employment Policies</i>	Investigated employment inclusion strategies.	Inclusive labor systems reduce inequality.
28	International Labour Organization. (2023). <i>World Employment and Social Outlook Trends 2023</i>	Examined labor reforms and employment performance.	Balanced labor reform supports worker welfare and investment.
29	World Bank. (2022). <i>World Development Report 2022: Jobs, Technology, and Inclusive Growth</i>	Investigated barriers to employment policy implementation.	Institutional coordination and adaptive governance remain critical challenges.

Source: Data processed by the researcher (2026)

Based on the synthesis of 20 selected articles indexed by Scopus, six main themes that shape the regional economic development strategy were obtained. The six themes are inter-related and become the foundation for inclusive, sustainable, and competitive regional economic development.

The literature review indicates that previous studies have extensively discussed the relationship between labor policies, worker protection, labor productivity, human resource capacity building, social protection, and economic inequality. However, most studies are still conducted in isolation, so there are few studies that specifically and comprehensively synthesize the relationship between labor policies and inclusive economic growth. Based on a thematic analysis of the 29 included articles, five main themes were identified that dominate research on labor policies and inclusive economic growth.

Labor Protection and Social Justice

The first theme concerns labor protection and social justice in the implementation of labor policies. Several studies highlight the continued weakness of protections for outsourced workers, informal workers, and other vulnerable groups. Research by Darmadi and

Wahyudi (2025) found that the implementation of outsourcing policies in Indonesia has yet to ensure substantive justice for workers. Many outsourced workers face job insecurity, inadequate social protection, and limited access to labor welfare benefits. These conditions indicate that labor policies have not yet fully succeeded in achieving equitable economic well-being.

These findings are supported by research on a rights-based labor law approach, which emphasizes the importance of worker protection as part of inclusive economic development. Labor policies focused on workers' rights are considered capable of strengthening public access to decent work, improving household economic stability, and reducing social inequality. The research results indicate that labor protection is closely linked to inclusive economic growth because the quality of jobs determines a more equitable distribution of the benefits of economic development. Thus, economic growth is measured not only by an increase in economic output but also by an improvement in workers' well-being.

Human Resource Capacity Building and Productivity
The second theme concerns human resource capacity building through on-the-job training, education, and workforce skill enhancement. Research by Hernita et al. (2021) indicates that strengthening human resource capacity in micro, small, and medium-sized enterprises (MSMEs) contributes to increased economic productivity and business sustainability. Improving workforce competencies is seen as capable of expanding economic opportunities for the public and supporting more inclusive economic growth. Additionally, several studies highlight the importance of workforce upskilling and reskilling programs in addressing the digital economic transformation and the globalization of the labor market. A study on Thai migrant workers in Malaysia's plantation sector indicates that workforce skill-enhancement strategies can boost workers' competitiveness and expand cross-border employment opportunities. These findings demonstrate that labor policies focused on improving human resource quality make a significant contribution to inclusive economic development by increasing productivity, expanding employment opportunities, and reducing structural unemployment.

Labor Policy and Economic Inequality

The third theme concerns the relationship between labor policies and economic inequality. The analysis shows that economic inequality remains a major challenge in the implementation of labor policies, particularly in developing countries. Several studies have found that high labor market flexibility often increases the vulnerability of informal workers and widens income gaps. Research on the impact of COVID-19 on the working class in South-east Asia indicates that low-income workers were the hardest hit due to weak labor

protections during the crisis. Inflexible labor policies led to increased job insecurity, reduced income, and heightened poverty risks.

Furthermore, research on gender-based time use in Indonesia's oil palm plantation sector indicates that gender inequality remains a significant issue in the labor market. Women often face a double burden of work and limited access to decent formal employment. These findings suggest that economic growth does not automatically lead to equitable well-being if labor policies fail to address inequalities in access to employment, social protection, and economic opportunities.

Labor Policies in the Digital Economic Transformation

The fourth theme concerns changes in labor policies in response to the digital economic transformation. Several articles indicate that technological advancements and the digitalization of the economy are creating new challenges for the labor market. Changes in the structure of employment are leading to an increased need for skilled workers while simultaneously reducing demand for low-skilled workers. Research findings indicate that labor policies must shift from an administrative approach toward an adaptive approach grounded in innovation and the development of digital competencies. The government is urged to strengthen digital skills training, protect digital workers, and develop a more flexible labor system that still ensures social protection. In the context of inclusive economic growth, the transformation of labor policies is crucial to prevent the public from facing economic exclusion due to technological changes. Therefore, enhancing digital literacy and access to job training are vital components of inclusive and sustainable economic development.

Implementation of Policies Based on Collaboration and Social Participation

The final theme concerns the implementation of labor policies based on social collaboration and community participation. Several studies indicate that the success of labor policy implementation is determined not only by the quality of regulations but also by the involvement of various stakeholders, such as the government, the business sector, workers, academics, and the community. Research on the cooperative approach in the implementation of economic policies indicates that the value of social collectivity can enhance the effectiveness of public policies when supported by economic incentives and community participation. Research findings also indicate that a collaborative approach can enhance the inclusivity of labor policies by striking a balance between economic interests and social protection. Thus, labor policies are not only focused on economic growth but also on the equitable distribution of development benefits.

Discussion

The results of a systematic literature review indicate that labor policies play a strategic role in fostering inclusive economic growth by increasing employment opportunities, protecting workers, and promoting equitable social welfare. The research findings show that the implementation of labor policies is not only related to job creation but also concerns job quality and the provision of social protection for workers. This aligns with the concept of inclusive economic growth, which emphasizes the importance of distributing the benefits of development equitably across all segments of society. Research by Hidayat, Mulatsih, and Rindayati (2020) indicates that unemployment and income inequality are the primary factors influencing inclusive economic growth. Thus, the effectiveness of labor policies serves as a crucial instrument in reducing socio-economic inequality and strengthening the stability of national development. The research findings also indicate that human resource capacity development through education, vocational training, and workforce skill enhancement are key factors in supporting inclusive economic development.

Research by Hernita et al. (2021) found that improving the quality of human resources can boost business productivity and expand economic opportunities for the public, particularly in the MSME sector. These findings are supported by studies on the digital economic transformation, which show that technological advancements have reshaped the labor market and increased the demand for skilled workers. In this context, adaptive labor policies through upskilling and reskilling programs are crucial to ensure the workforce can adapt to global economic changes. Therefore, investment in human resource development not only enhances labor competitiveness but also strengthens more inclusive and sustainable economic growth. Furthermore, the study's findings reveal that the implementation of labor policies in developing countries still faces various structural challenges, such as weak protection for informal workers, gender inequality, high labor market flexibility, and suboptimal social protection for workers.

Research by Darmadi and Wahyudi (2025) shows that the policy outsourcing in Indonesia still faces job insecurity and has not yet been able to optimally ensure workers' well-being. These findings indicate a gap between the objectives of labor policies and their implementation on the ground. Furthermore, research on female workers in the plantation sector indicates that disparities in access to formal employment and the burden of double workloads remain serious challenges for inclusive economic development. These conditions suggest that high economic growth does not necessarily lead to equitable welfare distribution if labor policies do not fully prioritize vulnerable groups and informal workers. This study also found that the success of labor policy implementation is significantly influenced by a collaborative approach among the government, the business sector, the community, and

educational institutions. A collaborative approach is considered capable of strengthening the effectiveness of policy implementation through the balanced integration of economic interests and social protection. These findings align with the research by Setyohadi et al. (2024), which emphasizes the importance of public participation and collaboration among stakeholders in creating more adaptive and inclusive public policies. In the context of inclusive economic development, labor policies based on social collaboration can expand access to employment, improve the quality of the workforce, and strengthen social protection for the public. Therefore, the integration of economic, social, and labor policies is a strategic step to ensure that economic growth not only leads to an increase in national output but also fosters social justice and sustainable public welfare.

Development of Regional Leading Sectors

The development of leading sectors is the most widely discussed strategy in the literature. The primary focus is on leveraging local potential, such as modern agriculture, tourism, the creative industries, manufacturing, and renewable energy. This strategy enables regions to create a competitive advantage and increase economic value added. These findings align with Michael E. Porter's research on cluster theory, which emphasizes the importance of concentrating on key sectors to enhance regional competitiveness. Empirically, studies by Mahanani et al. (2021), Wiyono et al. (2022), and Wang et al. (2026) demonstrate that developing sectors based on local potential can drive economic growth and expand employment opportunities.

Improving the Quality of Human Resources

The quality of human capital is a fundamental factor in regional economic development. Investment in education, vocational training, entrepreneurship, and digital literacy has been shown to increase workforce productivity and adaptability. These findings align with Gary Becker's human capital theory. Research by Sofilda et al. (2023), Suparman and Muzakir (2023), and Fadillah et al. (2025) indicates that improvements in human capital quality significantly contribute to regional economic growth, reduced unemployment, and enhanced community well-being.

Infrastructure Development

Infrastructure serves as the primary catalyst for regional economic activity. Transportation, energy, telecommunications, and logistics infrastructure have been shown to enhance connectivity, reduce transaction costs, and expand market access. These findings support the new economic geography theory developed by Paul Krugman. Research by Ahmed et al.

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(2026), Jeong (2024), and García et al. (2026) confirms that the quality of infrastructure is a key determinant of competitiveness, economic efficiency, and equitable development across regions.

Strengthening Investment and Business Climate

Investment is the primary driver of regional economic growth. The literature highlights the importance of streamlined permitting processes, legal certainty, fiscal incentives, and transparent governance. These findings are consistent with the Harrod-Domar growth model. Research by Sofilda et al. (2023), Diemer et al. (2022), and Wang et al. (2026) indicates that regions with a conducive investment climate tend to experience faster economic growth, higher levels of innovation, and stronger structural transformation.

Digitalization of the Regional Economy

Digitalization has emerged as one of the most dominant themes in recent literature. The use of digital technology, artificial intelligence, big data, and digital platforms has been shown to improve the efficiency of public services and expand market access for businesses. These findings align with Erik Brynjolfsson's views on the digital economic transformation. Research by Chen et al. (2026), Fadillah et al. (2025), and Wear (2024) confirms that digitalization strengthens innovation, increases productivity, and accelerates local economic transformation.

Multi-stakeholder collaboration

Regional economic development requires synergy among the government, the business sector, universities, communities, and financial institutions. This approach is known as the Quadruple Helix model. These findings align with Elias G. Carayannis's theory of regional innovation. Research by Fadillah et al. (2025), García et al. (2026), and Sanjaya (2024) indicates that multi-stakeholder collaboration accelerates technology transfer, strengthens innovation, and enhances the effectiveness of regional development policy implementation. Based on the overall findings, these six strategies are not standalone but mutually reinforcing.

The development of leading sectors requires support from qualified human resources, adequate infrastructure, strong investment, adaptive digitalization, and cross-stakeholder collaboration. This framework aligns with the concept of multidimensional development outlined in Economic Development, which emphasizes that economic development is not merely about growth but also structural transformation, improved quality of life, and equitable distribution of well-being. Thus, an effective regional economic development strategy

in the modern era must be integrated, based on local potential, adaptive to technological changes, and oriented toward long-term sustainability.

The results of a systematic literature review indicate differing perspectives in previous studies regarding the primary orientation of labor policies in promoting inclusive economic growth. Some studies emphasize that labor policies should focus on enhancing productivity and labor market flexibility to accelerate economic growth and improve national competitiveness. Research on the digital economic transformation indicates that labor flexibility and skill adaptation are critical factors in addressing changes in the global economic structure.

Conversely, other studies place greater emphasis on the importance of social protection and labor justice as the foundation of inclusive economic development. The study by Darmadi and Wahyudi (2025), for example, shows that labor market flexibility through outsourcing systems actually has the potential to increase job insecurity and widen disparities in workers' well-being if not balanced by adequate labor protections. These differences indicate that the orientation of labor policies in various countries remains caught in a dilemma between economic efficiency and social protection.

Another comparison can be seen in the approach to human resource development within labor policies. Several studies identify education and vocational training as key strategies for improving workforce quality and expanding economic opportunities for the public. Hernita et al. (2021) found that enhancing human resource capacity in the SME sector can boost business productivity and strengthen the economy in an inclusive manner. On the other hand, some studies indicate that skill enhancement alone is insufficient unless accompanied by equitable expansion of job access. Research on educated unemployment indicates that a gap still exists between workforce competencies and labor market needs, particularly in developing countries. This situation demonstrates that the effectiveness of labor market policies is determined not only by the quality of vocational training but also by the government's ability to create an economic ecosystem capable of optimally absorbing the workforce.

Differences in perspective are also evident in the implementation of labor policies based on social collaboration. Several studies indicate that a collaborative approach involving the government, the private sector, and the community can enhance the effectiveness of labor policies by integrating economic and social interests in a more balanced manner. Research by Setyohadi et al. (2024) confirms that community participation can strengthen the implementation of public policies and ensure the equitable distribution of the benefits of economic development. However, other studies indicate that collaborative implementation often faces obstacles such as weak inter-agency coordination, conflicting stakeholder

interests, and limited capacity of local institutions. This comparison suggests that the success of labor policies in promoting inclusive economic growth depends not only on the quality of regulations but also on governance capacity and synergy among stakeholders in their implementation

CONCLUSION AND SUGGESTION

This study is motivated by the dynamics of economic development, which demand not only high economic growth but also the equitable distribution of prosperity through an inclusive economic growth approach. In this context, labor policies serve as strategic instruments because they are directly linked to job creation, productivity enhancement, social protection, and the reduction of socioeconomic inequality. This study aims to systematically analyze the role of labor policies in promoting inclusive economic growth through a Systematic Literature Review (SLR) approach. Based on a synthesis of various prior literature, it was found that the effective implementation of labor policies can improve public access to decent work, strengthen human resource capacity, and support a more equitable distribution of the benefits of economic development. Thus, this study provides theoretical benefits in strengthening research on inclusive economic development as well as practical benefits as a reference for the government and stakeholders in formulating more adaptive and sustainable labor policies.

Research findings indicate that labor policies make a significant contribution to inclusive economic growth through five key aspects: labor protection, human resource capacity building, reduction of economic inequality, adaptation to the digital economic transformation, and strengthening of social collaboration in policy implementation. Previous literature shows that improving the quality of human resources through education and vocational training can boost labor productivity and expand economic opportunities for the public. However, various studies also indicate that challenges in policy implementation persist, such as weak protection for informal workers, gender inequality, excessive labor market flexibility, and the suboptimal integration of social and economic policies. The discussion results indicate that the success of labor policies is determined not only by the quality of regulations but also by synergies among stakeholders, institutional capacity, and the government's ability to create an inclusive labor system amid global economic changes and the digitalization of the labor market.

Although this study successfully provides a comprehensive synthesis of the relationship between labor policies and inclusive economic growth, it still has several limitations. This study relies solely on articles from a specific database and focuses on a qualitative approach; therefore, it does not fully capture the full range of empirical

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conditions surrounding the implementation of labor policies across various countries. Furthermore, most previous studies remain conceptual and partial in nature, so few have simultaneously integrated economic, social, and institutional dimensions. Therefore, future research is recommended to develop a mixed-methods approach, expand the scope of international databases, and conduct cross-country empirical analysis to gain a deeper understanding of the effectiveness of labor policies in promoting inclusive economic growth. Furthermore, the government needs to strengthen job training policies, protection for informal workers, and cross-sector collaboration so that economic development not only generates growth but also creates social justice and sustainable public welfare.

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