

## URBANIZATION DYNAMICS AND SOCIO-ECONOMIC CHANGES IN SURABAYA CITY

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### Abstract

Urbanization in Indonesia's major cities, particularly Surabaya, has accelerated socio-economic transformation while generating complex public policy challenges. Driven by regional development inequality, employment concentration, and improved access to urban services, population inflows into Surabaya have intensified pressures on labor markets, housing provision, public service delivery, and urban infrastructure. This article analyzes how urbanization reshapes Surabaya's socio-economic structure and examines its implications for rational public policy formulation. This study applies a thematic literature review by synthesizing national and international scholarly works, official statistics, and policy documents using thematic coding. The analysis identifies three dominant patterns: persistent labor market segmentation, the expansion of informal settlements associated with spatial planning constraints, and increasing governance burdens on local authorities in ensuring equitable public services. This article contributes by integrating socio-economic impacts and regulatory dimensions within a rational public policy perspective to derive policy-relevant priorities for Surabaya. The findings emphasize the importance of integrated spatial planning, labor policy alignment, and multi-stakeholder collaboration to mitigate the negative externalities of urbanization and support inclusive urban development.

**Keywords:** public policy, socio-economic, urbanization, urban planning.

### INTRODUCTION

Urbanization is a defining characteristic of contemporary urban development, closely associated with economic growth, labor market expansion, and increased access to public services. In Indonesia, urbanization has become a major driver of socio-economic transformation, particularly in large metropolitan areas such as Surabaya (Aini, 2022). As an economic hub in Eastern Indonesia, Surabaya attracts continuous population inflows driven by regional development disparities, employment opportunities, and the concentration of social and economic facilities. While urbanization is often considered a prerequisite for middle-class formation and economic advancement, it simultaneously generates complex social and economic pressures, including labor market competition, wage stagnation in the informal sector, spatial congestion, and social inequality (Aniekhan & Ohnen, 2024).

The rapid pace of urbanization in Surabaya presents a critical governance challenge. Population growth in the metropolitan area has shown a consistent upward trend, increasing from 3,009,286 people in 2023 to 3,018,022 people in 2024, with an average annual growth rate of approximately 0.29 percent (BPS Kota Surabaya, 2025). Various policy instruments have been implemented by the local government to regulate in-migration, such as mandatory migrant reporting at the village level. However, these measures have demonstrated limited effectiveness, as reflected in the continued increase in the urban population (Innes & Booher, 2022). This condition indicates that existing policy responses have not adequately addressed the structural drivers and socio-economic consequences of urbanization (Sabitha, 2022).

From a policy perspective, urbanization requires a rational public policy approach grounded in systematic, objective, and evidence-based decision-making (Hsu, 2021). Rational public policy emphasizes comprehensive problem identification, evaluation of alternative policy options, and the selection of interventions that maximize social benefits while minimizing costs. In the context of urbanization, this approach necessitates not only managing population mobility but also addressing its broader social, economic, political, and cultural impacts (Innes, 2022). The

Surabaya City Government faces a strategic dilemma between concentrating urban investment to accommodate population growth and promoting more balanced regional development to reduce excessive migration, a trade-off that demands careful policy calibration.

Despite the extensive discussion of urbanization in Indonesian policy and academic discourse, existing studies tend to focus on descriptive accounts of demographic change or isolated sectoral impacts, such as housing or employment (Shinta, 2024). Limited attention has been given to synthesizing the socio-economic consequences of urbanization within a coherent rational public policy framework, particularly at the city level. As a result, there remains a gap in understanding how urbanization-related socio-economic dynamics in Surabaya can be systematically analyzed to inform more integrated and evidence-based policy responses (sari, 2023).

Accordingly, this study addresses the following research question: *How does urbanization affect the socio-economic structure of Surabaya City, and how can these impacts be interpreted to support the formulation of rational public policies for urban management?* To answer this question, the study aims to analyze the socio-economic impacts of urbanization in Surabaya City as reflected in scholarly and policy literature, identify key patterns and challenges affecting labor markets, spatial planning, and public service provision, and examine the implications of these findings for rational public policy formulation in managing urbanization at the city level. By addressing these objectives, this study seeks to contribute to the urbanization and public policy literature by providing a structured synthesis of socio-economic impacts and offering policy-relevant insights to support more inclusive and sustainable urban development in Surabaya.

Table 1. Comparison of Population by Sex in 2023 and 2024

Year	Gender	Number (Thousand)
2023	Male	1.490.358,0
	Female	1.518.928,0
	Total	3.009.278,0
2024	Male	1.494.734,0
	Female	1.523.288,0
	Total	3.018.022,0

Source: BPS 2023 and 2024, processed by the author, 2025.

In the table above, it shows that the population of Surabaya City in 2024 has increased compared to the population of Surabaya City in 2023. Meanwhile, according to Firsia Asha Sabitha (2022), urbanization in Surabaya City has created pressure on the city's spatial planning which has turned empty land into residential areas. So, from this phenomenon, a regulation in the form of Law Number 26 of 2007 concerning spatial planning is the legal basis for the Surabaya City government in regulating the zoning of industrial, trade and residential areas that are growing rapidly due to the economic attractiveness of the city so that efforts to control in-migration to large cities need to be improved.

The urbanization dynamics observed in Surabaya reveal a persistent mismatch between population growth and the city's socio-economic and institutional capacity to respond effectively (Rochmad et al., 2023). Although Surabaya continues to function as a major economic growth center, the rapid influx of population has intensified structural pressures on employment absorption, spatial planning, housing availability, and public service delivery (Ramdhani et al., 2025). The persistence of informal employment, the expansion of unplanned settlements, and unequal access to urban infrastructure indicate that urban growth has not been accompanied by proportional improvements in socio-economic equity (Asterix et al., 2021). These conditions suggest that urbanization in Surabaya is not merely a demographic phenomenon, but a multidimensional policy problem that intersects economic, social, and spatial governance domains.

From a governance perspective, the problem is further complicated by the limitations of existing policy instruments (Alwini et al., 2018). Regulatory measures aimed at controlling in-migration, such as administrative reporting requirements, have shown limited effectiveness in influencing migration behavior. At the same time, spatial planning regulations, including those

derived from Law Number 26 of 2007 on Spatial Planning, face implementation challenges in managing land conversion and preventing the proliferation of informal settlements. This indicates a gap between policy design and policy outcomes, where formal regulations exist but are insufficiently integrated with socio-economic realities and urban development pressures.

Based on this problem identification, the core issue lies in the absence of a comprehensive and rational public policy framework that systematically links urbanization dynamics with socio-economic impacts and policy responses at the city level. Current approaches tend to address urbanization in a fragmented manner treating employment, housing, spatial planning, and public services as separate issues rather than as interconnected consequences of population concentration. As a result, policy responses risk being reactive and sectoral, rather than strategic and evidence-based. This condition underscores the need for an analytical examination of urbanization impacts that can inform more coherent, rational, and integrated public policy formulation in managing Surabaya's urban development.

## LITERATURE REVIEW AND HYPOTHESIS FORMULATION

### Urbanization as a Structural Transformation Process

Urbanization is widely recognized in the international literature as a structural transformation process rather than merely a demographic shift. Classical urban theory views urbanization as an outcome of industrialization and economic restructuring, where population concentration in cities enables productivity gains, innovation, and economies of scale (Lewis, 1954; Todaro & Smith, 2015). Contemporary urban studies further emphasize that urbanization reshapes social relations, labor markets, spatial configurations, and governance systems (UN-Habitat, 2020; Glaeser, 2011).

In developing countries, including Indonesia, urbanization is strongly driven by rural-urban disparities in income, infrastructure, and access to public services. Migration to cities is often perceived as a pathway to improved welfare; however, empirical studies indicate that rapid urban population growth frequently outpaces institutional and infrastructural capacity (Fox, 2014). As a result, urbanization generates both opportunities for economic growth and risks of socio-economic fragmentation. This dual character positions urbanization as a critical policy issue that requires systematic governance rather than ad hoc intervention.

Indonesian scholars have contributed to this discourse by emphasizing urbanization as a prolonged and multidimensional process shaped by social, economic, political, and cultural factors (Nas, 2010; Abbas, 2002). While these perspectives enrich contextual understanding, much of the existing literature remains descriptive, with limited engagement in broader theoretical debates on urban governance and policy rationality.

However, many urbanization studies still emphasize macro-structural explanations while providing limited discussion on how local policy choices and institutional capacity mediate urbanization outcomes. This limitation is critical for metropolitan governance contexts such as Surabaya, where policy effectiveness depends not only on demographic dynamics but also on regulatory coherence and implementation capability.

### Social Impacts of Urbanization: Inequality, Social Change, and Urban Vulnerability

International research consistently identifies social inequality as one of the most significant consequences of rapid urbanization. Studies by Davis (2006) and UN-Habitat (2016) highlight the expansion of informal settlements and slums as a manifestation of unequal access to housing, infrastructure, and public services. Urban migrants often experience social marginalization, weakened social cohesion, and increased exposure to urban risks, including poor sanitation and health outcomes.

From a socio-cultural perspective, urbanization alters patterns of social interaction and community life. Wirth's theory of urbanism as a way of life explains how population density and

heterogeneity tend to increase individualism while weakening traditional social bonds (Wirth, 1938). More recent studies suggest that these changes can generate intergenerational tensions and social fragmentation, particularly in rapidly growing cities where institutional adaptation is slow (Putnam, 2007).

In the Indonesian context, studies on urbanization in cities such as Surabaya emphasize similar patterns, including the emergence of slum areas, pressure on public services, and changes in family and community structures (Hidayati, 2021; Charismahenny, 2023). However, these studies often treat social impacts as isolated outcomes rather than as interconnected effects of broader urban governance failures, limiting their explanatory and policy relevance. A key limitation of this body of work is that inequality and vulnerability are often treated as social “outcomes” rather than as governance failures rooted in policy fragmentation and uneven service provision. This reduces the explanatory power of the literature for informing integrated policy responses.

### **Economic Implications of Urbanization: Growth, Labor Markets, and Informality**

Economically, urbanization is widely associated with growth acceleration through agglomeration effects, labor specialization, and innovation (Krugman, 1991; Glaeser, 2011). Cities function as engines of economic development by concentrating capital, labor, and knowledge. Empirical evidence from developing economies confirms that urbanization can contribute significantly to national and regional economic growth when supported by effective institutions and infrastructure (World Bank, 2009).

Nevertheless, the benefits of urbanization are unevenly distributed. In many cities, including Surabaya, rapid population inflows intensify labor market competition and expand informal employment sectors. Todaro's migration theory explains this paradox, where expected income differentials drive migration despite limited formal employment absorption, resulting in underemployment and income insecurity among urban migrants (Todaro, 1969). This condition undermines the inclusive growth potential of urbanization and exacerbates socio-economic inequality.

Existing Indonesian studies document rising unemployment risks, skills mismatch, and informal sector expansion in urban areas (Aini, 2022; Sabitha, 2022). However, most analyses remain sectoral and descriptive, focusing either on employment or housing without systematically linking these outcomes to policy frameworks governing urban development and labor markets. Existing studies also tend to separate labor market informality from spatial and service-delivery challenges, despite the fact that informal employment, housing insecurity, and unequal access to infrastructure often reinforce one another. This separation limits the policy relevance of sectoral analyses in rapidly urbanizing cities.

### **Research Gap and Analytical Positioning**

The reviewed literature demonstrates that urbanization generates complex and interrelated social and economic consequences, particularly in rapidly growing metropolitan cities. International studies provide robust theoretical explanations of urban transformation, inequality, and agglomeration, while Indonesian research offers valuable empirical insights into local urban dynamics. However, two critical gaps remain evident.

First, there is limited synthesis that integrates socio-economic impacts of urbanization within a coherent public policy framework, especially at the city level. Existing studies tend to address social, economic, and spatial issues in isolation, overlooking their interconnected nature. Second, the application of rational public policy perspectives to urbanization management in Indonesian cities remains underexplored. As a result, policy responses are often fragmented and reactive, rather than evidence-based and strategically integrated.

To address these gaps, this study positions itself as a literature-based analysis that synthesizes socio-economic impacts of urbanization in Surabaya through the lens of rational public policy. Rather than formulating testable hypotheses, this study develops analytical

propositions that guide the examination of how urbanization dynamics interact with policy design and implementation in an urban governance context.

Based on the reviewed studies, this article conceptualizes urbanization in Surabaya as a structural process that produces intertwined socio-economic pressures through three interrelated mechanisms: labor market absorption capacity, spatial planning and housing provision, and public service delivery. These mechanisms interact with governance capacity and policy coherence, shaping whether urbanization results in inclusive growth or deepens inequality. This framework addresses the gap in existing studies that often discuss socio-economic outcomes separately, without linking them to a rational public policy logic at the city level. Therefore, the literature review is not only descriptive, but also provides an analytical lens for interpreting urbanization impacts and deriving integrated policy implications for Surabaya.

## RESEARCH METHOD

The type of research used in this article is the descriptive literature review method. According to Punaji defines literature review as a description of certain literature that is usually found in scientific books and journal articles. In general, literature review is defined as a summary and theory obtained through relevant reading (Ridwan, AM, Ulum, & Muhammad, 2022). While the descriptive method is research conducted to describe independent variables, either only on one or more variables (variables that stand alone) without making comparisons and looking for these variables with other variables.

Descriptive research, often also called taxonomic research, is said to be so because this research is intended to explore or clarify a symptom, phenomenon or social reality that exists, descriptive research seeks to describe a number of variables related to the problem and unit under study, descriptive research does not question the relationship between existing variables, because descriptive research is not intended to draw generations that cause a symptom, phenomenon or social reality to occur so (Syahrizal & Jailani, 2023). The location studied is the city of Surabaya as the center of economic activity in East Java, which is the main destination for urbanization from rural areas. This qualitative research with a descriptive approach aims to describe in detail the phenomenon of urbanization and its impact on socio- economic aspects in the city of Surabaya.

## RESULTS AND DISCUSSION

### Social Field

Urbanization in Surabaya has generated socio-cultural changes that extend beyond demographic growth and are increasingly visible in everyday social life. The expansion of urban lifestyles, rising demand for modern housing and public facilities, and shifts in consumption patterns reflect how population concentration accelerates social transformation in metropolitan areas (Rachman et al., 2023). However, international evidence shows that when urban growth outpaces the capacity of labor markets, housing systems, and public services, urbanization tends to produce social vulnerability, including weakened social cohesion and unequal access to basic infrastructure (UN-Habitat, 2020). In Surabaya, these pressures are reflected in persistent challenges related to informal employment, settlement density, and the emergence of socio-spatial inequalities that shape residents' opportunities and quality of life. To provide a clearer thematic structure for the discussion, the key social impacts of urbanization in Surabaya and their associated policy implications are summarized in table.

Table 2. Thematic Summary of Urbanization Impacts and Policy Implications in Surabaya

Theme	Key Issues Observe	Policy Implications (Rational Policy)
Labor market pressure	labor oversupply, informality, mismatch	workforce training, job matching, formalization incentives
Housing and settlement stress	informal settlement growth, density, service backlog	affordable housing, spatial control, service upgrading
Socio-cultural restructuring	shifting norms, intergenerational tension	community-based programs, social cohesion interventions
Governance capacity limits	fragmented policy, weak data integration	integrated data system, iterative evaluation
Legal-regulatory integration	spatial planning and manpower governance	cross-sector coordination, enforcement strengthening

Source: Processed by the author, 2025.

From a governance perspective, the social consequences of urbanization are closely linked to the effectiveness of policy responses. Urbanization becomes socially disruptive when policy instruments remain fragmented and reactive, addressing migration, housing, and welfare issues as separate sectors rather than interconnected outcomes of population concentration. This aligns with broader urban policy scholarship emphasizing that unmanaged urbanization often amplifies inequality and produces vulnerable communities through limited affordable housing provision and uneven service delivery (World Bank, 2019; UN-Habitat, 2020). Therefore, the social field findings suggest that Surabaya's urbanization should be interpreted as a multidimensional policy problem requiring rational public policy interventions that integrate spatial planning, inclusive service provision, and community-based mechanisms to mitigate social risks and strengthen urban resilience.

Rational public policy requires an evidence-based and systematic process in which decision makers define the policy problem accurately, assess alternative interventions, and select the most efficient option to maximize social welfare (Dunn, 2018; Cairney, 2020). In the context of urbanization, this approach implies that policy responses should not be limited to addressing visible symptoms, such as increasing housing demand and service congestion, but must also target structural drivers that shape migration incentives and urban concentration. Urban policy scholarship emphasizes that rapid urban growth tends to reproduce social vulnerability when economic opportunities, spatial planning, and public service provision are not expanded proportionally with population inflows (UN-Habitat, 2020; World Bank, 2020).

In Surabaya, the city's role as a major economic center reinforces the concentration of employment opportunities and public facilities, making it a primary destination for rural-urban migrants. The nominal Gross Regional Domestic Product (GRDP) of Surabaya reached IDR 407,726,799.19 million in 2021, indicating strong aggregate economic output and the city's strategic position within East Java's regional economy. However, high economic performance at the macro level does not automatically translate into inclusive socio-economic outcomes. International evidence suggests that urban economic expansion may coexist with persistent inequality when labor market absorption remains segmented and governance capacity is insufficient to distribute the benefits of growth equitably (UN-Habitat, 2020; World Bank, 2020). This implies that Surabaya's urbanization pressure cannot be interpreted solely as a demographic increase, but as a governance challenge related to the uneven distribution of development opportunities between urban and non-urban areas.

From a social field perspective, these dynamics highlight the importance of policy integration and administrative capacity. A rational public policy approach requires the Surabaya City Government to move beyond administrative migration controls and instead strengthen the use of socio-economic indicators, such as GRDP structure, labor absorption patterns, and service

coverage, to guide targeted interventions. Nevertheless, this process faces practical constraints, particularly in the availability of reliable information, institutional coordination, and administrative resources. Policy studies consistently show that limited data quality and weak bureaucratic capacity can reduce the effectiveness of evidence-based decision-making, resulting in fragmented and reactive policy responses (Cairney, 2020; Head, 2022). Therefore, the findings suggest that rational urbanization management in Surabaya depends not only on policy design, but also on strengthening information systems and governance capacity to ensure that economic growth is translated into equitable service delivery and reduced social vulnerability.

Although the rational policy model presumes access to comprehensive information and analytical capacity, actual policy environments frequently encounter significant data limitations and institutional constraints. In the context of Surabaya's urbanization, the local government may lack detailed data on migrant profiles, motivations for relocation, projected urban growth trajectories, or the long-term effects of diverse policy interventions. Similar challenges have been documented in urban governance research, where incomplete or fragmented data systems reduce the capacity for evidence-based decision making (Hsu, 2021). Specifically, municipal authorities often struggle to integrate socio-demographic, economic, and spatial datasets necessary for precise problem definition and policy simulation (Bai et al., 2022). These informational gaps weaken the conditions required for a purely rational decision-making process as traditionally conceptualized.

In addition to data limitations, political and institutional dynamics influence policy choices in ways that diverge from the rational model's assumptions. Public administration research highlights that bounded rationality, which recognizes cognitive and organizational constraints, provides a more realistic lens for understanding decision processes in complex policy environments (Simon, 2019; Lindblom, 2020). Under bounded rationality, policy actors often satisfice by selecting solutions that are feasible within time, resource, and administrative constraints rather than pursuing an optimal outcome (Lindblom, 2020). In urbanization governance, trade-offs among competing priorities, such as economic growth objectives versus equitable service distribution, can shape policy outcomes independently of strictly rational analysis (Ansell & Bartenberger, 2021).

Surabaya's efforts to formulate an effective urbanization strategy therefore require a pragmatic blend of empirical rigor and collaborative governance. Engaging a broad spectrum of stakeholders, including academic institutions, private sector actors, community organizations, and civil society, can expand informational resources and diversify perspectives on policy alternatives. Stakeholder participation has been associated with improved problem diagnosis, co-creation of solutions, and reduced implementation barriers commonly found in top-down policy designs (Innes & Booher, 2022). For instance, partnerships with universities can support the development of longitudinal migration surveys and spatial models that better capture urban flows, while engagement with community groups can provide qualitative insights into lived experiences of service gaps and housing pressures.

Comparative urban studies further indicate that collaborative governance mechanisms can strengthen policy responsiveness and adaptability in the face of rapid population change, particularly in metropolitan areas characterized by heterogeneous social needs (Wu et al., 2023). Participatory planning approaches in several Southeast Asian cities have also been linked with more equitable access to infrastructure and services, especially in informal settlement contexts where conventional bureaucratic mechanisms often underperform (Tran & Nguyen, 2022). These findings provide a relevant analytical basis for interpreting Surabaya's urbanization management as a policy process that depends on iterative data improvement, institutional coordination, and multi-actor engagement.

Law No. 26 of 2007 on Spatial Planning establishes a statutory framework intended to guide land use regulation, urban expansion control, and balanced regional development in response to rapid urbanization pressures. Under this legal regime, municipalities such as Surabaya are mandated to prepare Regional Spatial Plans (Rencana Tata Ruang Wilayah/RTRW) that

organize land use, zoning, infrastructure corridors, and green open space allocations for a 20-year period, subject to revision every five years to align with evolving socio-economic conditions and medium-term development plans. This legal mandate reflects the recognition that spatial planning is a critical policy instrument for managing urban growth and mitigating adverse outcomes of unplanned expansion (World Bank, 2019; Ministry of Land Use and National Development Planning, 2025). Empirical evidence from Indonesian urban studies demonstrates that weak implementation of spatial plans may lead to intensive land conversion, loss of green space, and strain on public services, even while urbanization contributes to economic activity (Khoerunnisa et al., 2025). In the case of Surabaya, the rapid transformation of vacant land into residential, commercial, and industrial uses has intensified the demands for coherent land use regulation, particularly given the city's contribution of IDR 407,726,799.19 million to East Java's GRDP in 2021.

Concurrently, Law No. 13 of 2003 on Manpower provides the national legal basis for regulating industrial relations, worker protection, and human resource development, which are fundamental to the labor market dynamics that drive urbanization pull factors. Urban economic attractiveness is often associated with broader employment opportunities, wage differentials, and labor market flexibility in urban centers compared to rural origins (Harahap, 2025; UN-Habitat, 2020). The Manpower Law authorizes local governments to set regional minimum wages, establish workforce training programs, and facilitate job placement services aimed at enhancing labor absorption capacity and protecting worker rights. In Surabaya, this legal framework underpins municipal initiatives such as public-private partnerships for vocational training, coordination with industrial associations for job fairs, and facilitation of industrial relations to optimize employment outcomes. Research on urban labor markets in Indonesia indicates that such multi-stakeholder interventions can improve employment matching and reduce informality, although structural challenges remain when urban job creation fails to keep pace with labor supply (Setiawan et al., 2024). Consequently, the integration of spatial planning and labor market regulation through these legal instruments is essential for shaping inclusive city development trajectories in the face of sustained urbanization.

Table 3. Linkage Between Legal Instruments and Urbanization Impacts in Surabaya

Legal Instrument	Governance Domain	Main Policy Tools	Urbanization Issue Addressed	Expected Social Outcome
Law Number 26 of 2007 concerning Spatial Planning	spatial governance	RTRW, zoning, green open space	land conversion, settlement growth	controlled expansion, improved livability
Law Number 13 of 2003 concerning Manpower	labor governance	wage policy, training, placement	employment pull factor, informality	job absorption, worker protection

Source: Processed by the author, 2025.

In Surabaya's rapid urbanization, the convergence of Law Number 26 of 2007 concerning Spatial Planning and Law Number 13 of 2003 concerning Manpower creates an integrated legal foundation for addressing both spatial expansion and labor market dynamics. Law Number 26 of 2007 concerning Spatial Planning guides urban morphology, land use allocation, and environmental balance through statutory instruments such as the Regional Spatial Plan (Rencana Tata Ruang Wilayah), which delineates residential, industrial, commercial, and green open space zones and prescribes minimum green space ratios to sustain ecological functions (World Bank, 2019; UN-Habitat, 2020). Empirical studies on Indonesian metropolitan areas show that consistent enforcement of spatial regulation can reduce adverse externalities of urban expansion, including informal settlement proliferation, loss of public space, and congestion, particularly when

supported by cross-sectoral coordination and participatory planning (Anggraini & Wicaksono, 2025).

At the same time, Law Number 13 of 2003 concerning Manpower regulates industrial relations, workforce training, minimum wage settings, and worker protections, providing the institutional basis to manage labor inflows associated with urbanization. Urban labor markets frequently face segmented employment opportunities, expansion of informal work, and skills mismatch between workforce supply and industrial demand, which may widen socio-economic disparities when policy responses are fragmented (Sari & Prasetyo, 2023). Surabaya operationalizes this framework through local minimum wage determination and skills development initiatives aimed at improving employability and aligning workforce readiness with industrial needs.

The intersection of Law Number 26 of 2007 concerning Spatial Planning and Law Number 13 of 2003 concerning Manpower is reflected in Surabaya's integrated industrial estate development policies, which align land-use decisions with employment ecosystem planning. These policies allocate industrial zones by considering not only proximity to transport infrastructure and utilities, but also workforce accessibility and skills availability. Comparative research suggests that industrial estate development aligned with spatial strategy and labor market measures can support more inclusive growth by reducing commuting burdens, improving access to formal employment, and strengthening the distribution of economic opportunities across urban areas (Kapoor & Mitra, 2022; Lee et al., 2023).

Urbanization in Indonesia's major cities significantly transforms socio-economic structures, often generating labor market pressures and employment dynamics that differ from migrants' expectations. Empirical evidence indicates that internal migrants frequently relocate in hope of improved job prospects, but urban unemployment rates in metropolitan areas such as Jakarta, Surabaya, and Bandung remain relatively high, contributing to labor oversupply and intense competition (Hermawan et al., 2022). In Surabaya specifically, the open unemployment rate was reported at 4.82% in 2023, significantly above the national rural average, illustrating how urban labor markets absorb excess labor only imperfectly (BPS, 2024). This mismatch between labor supply and demand intensifies economic insecurity among migrant households and can amplify social discontent when formal employment opportunities are limited.

Alongside labor market challenges, urbanization contributes to the expansion of informal settlements and infrastructure deficits. Rapid population growth tends to outpace the city's capacity to provide adequate public services such as water supply, sanitation, health facilities, and affordable housing (Firdaus & Nugroho, 2023). A spatial analysis of slum expansion in several Indonesian cities demonstrates that areas with annual urban population growth exceeding 1.5% tend to see proportional increases in informal housing clusters and service backlogs (Rizki & Azzahra, 2024). In Surabaya, although the annual population growth rate averaged around 0.29% between 2023 and 2024, the concentration of migrants in peripheral urban wards has correlated with localized infrastructure strain, particularly in neighborhoods with low access to piped water (<60% coverage) and formal waste management (IDPS Surabaya, 2024). These material deficits are associated in the literature with increased risk of health problems, environmental degradation, and petty crime, reinforcing multi-layered social vulnerability (UN-Habitat, 2020).

Urbanization also drives socio-cultural restructuring within urban communities. Migrants bring rural values and social norms, yet they must navigate urban social milieus characterized by heterogeneity and rapid change, often leading to intergenerational and intercultural tensions. Sociological research in urban Southeast Asia highlights that migrants' integration into urban settings can produce cultural hybridization, identity negotiation, and at times, conflict when traditional norms confront modern urban lifestyles (Tran & Nguyen, 2022; Yulianti, 2023). For example, cross-sectional surveys in Java indicate that younger urban migrants report higher acceptance of urban social norms and individualistic values compared to older cohorts who retain stronger attachment to rural communal traditions (Setyawan & Anwar, 2023). These socio-cultural dynamics influence not only household adaptation strategies but also broader patterns of

community cohesion, social capital, and civic engagement. Collectively, these socio-economic and cultural impacts illustrate that the effects of urbanization extend beyond demographic concentration to encompass structural labor issues, material infrastructure deficits, and cultural transformation. These processes are consistent with international urbanization studies that frame urban transitions as complex, multi-dimensional phenomena requiring integrated policy responses rather than sectoral remedies (Tacoli et al., 2021).

## Economy

Urbanization and economic growth are interrelated processes that shape regional development trajectories. Urbanization can function as a catalyst for economic expansion because cities concentrate labor, capital, and infrastructure, enabling agglomeration economies that increase productivity and innovation (Liu, 2024). Urban areas also attract investment, stimulate industrial diversification, and expand market opportunities, positioning cities as strategic nodes of economic activity. Empirical studies show that higher urban population shares are often associated with accelerated economic performance through scale efficiency, specialization, and spatial spillover effects across regions (Liu, 2024).

In Indonesia, urbanization may contribute positively to local economic performance when supported by adequate infrastructure, labor market readiness, and business ecosystems. Migration from rural to urban areas can expand the urban labor supply and stimulate regional output through increased production and service activity, which may strengthen local gross regional domestic product (Kristiadi & Herdiansyah, 2024). This process is frequently reflected in the growth of manufacturing, construction, trade, and service sectors, which benefit from density and clustering. Under inclusive conditions, these dynamics can support poverty reduction through employment creation and rising household incomes, particularly when urban development policies promote job creation and skills upgrading.

Nevertheless, the economic contribution of urbanization is conditional and depends on the capacity of urban systems to absorb population inflows effectively. When urban population growth outpaces the expansion of physical infrastructure, public services, and labor market absorption, potential economic gains may be offset by congestion, rising living costs, infrastructure bottlenecks, and widening inequality (UN-Habitat, 2020). Such constraints can reduce productivity and weaken the sustainability of economic growth, particularly when employment expansion occurs primarily through informal work and low-productivity sectors. These patterns indicate that the relationship between urbanization and economic development is not automatically positive, but mediated by governance capacity, infrastructure readiness, and the effectiveness of policies that translate economic concentration into broad-based welfare improvements.

Surabaya's labor market performance during the post-pandemic period indicates a gradual recovery, as reflected in the declining Open Unemployment Rate (Tingkat Pengangguran Terbuka). The Open Unemployment Rate decreased from 9.79 percent in 2020 to 9.68 percent in 2021, then fell more substantially to 7.62 percent in 2022 and 6.76 percent in 2023 (Kependudukan et al., 2024). This downward trend represents a cumulative reduction of 3.03 percentage points between 2020 and 2023, suggesting that employment absorption has improved alongside economic normalization. Nevertheless, the reduction of unemployment does not automatically indicate the absence of structural constraints, particularly in metropolitan cities where urbanization continues to expand the labor supply and intensify job competition. In such conditions, skills mismatch remains a persistent challenge, as labor demand in formal sectors may not align with the competencies of new entrants and migrant workers, thereby limiting the inclusiveness of labor market recovery (UN-Habitat, 2020).

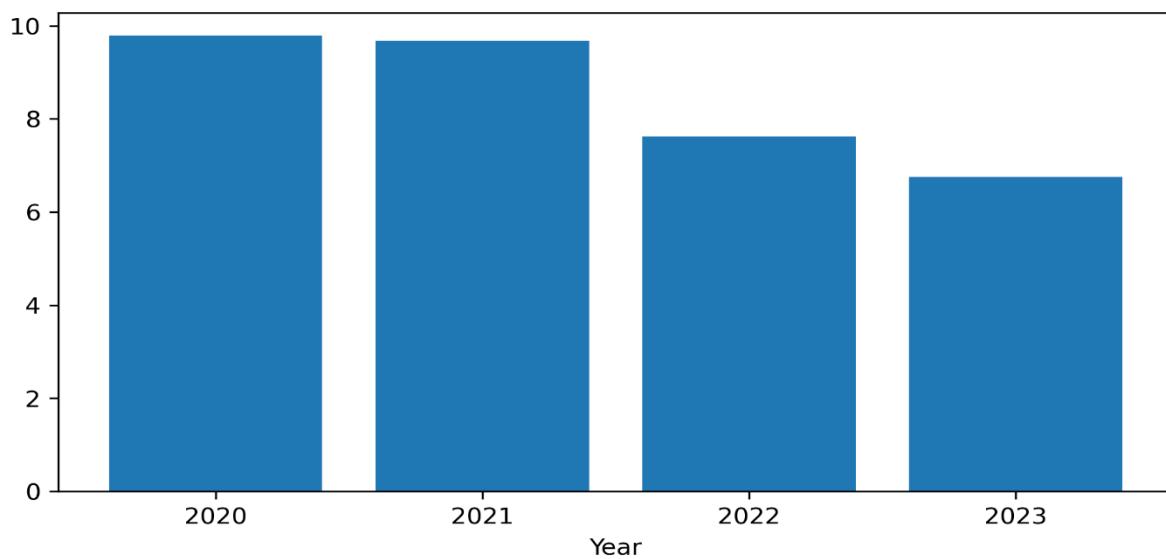


Figure 1. Trend of Open Unemployment Rate in Surabaya City (2020–2023)

Source: Kependudukan, Dinas Pencatatan, & Salim (2024). Processed by author, 2025..

Urbanization also interacts with economic inequality by concentrating both opportunities and deprivation within the same urban system. Rapid population inflows may strengthen economic agglomeration, yet they can simultaneously widen disparities in access to education, health services, and stable employment, producing localized pockets of vulnerability and extreme poverty (Zubaedah, 2023). These pressures are amplified when urban infrastructure expansion does not keep pace with rising demand for housing, transportation, water supply, electricity, and health facilities. The economic implications are not limited to welfare distribution, but also extend to urban productivity, since infrastructure bottlenecks and service deficits can raise transaction costs and reduce the efficiency gains expected from urban concentration. Empirical studies further indicate that economic growth tends to increase activity in transportation, industrial, commercial, and public sectors, which is associated with rising energy consumption and stronger pressure on urban utility systems (Sari & Sari, 2023). Therefore, Surabaya's labor market recovery should be interpreted alongside broader urban economic pressures, where sustained unemployment reduction depends on coordinated policy efforts to improve workforce skills, expand formal job creation, and strengthen infrastructure readiness to support inclusive economic growth (Kependudukan et al., 2024).

Population projections indicate that rural-to-urban migration will continue to be a major driver of urbanization in Indonesia. This trend is reinforced by lower natural population growth in cities and the persistence of urban bias in economic and development policies, which increases the relative attractiveness of urban centers for rural residents (UN Department of Economic and Social Affairs, 2022; UN-Habitat, 2020). As urban population growth continues, metropolitan areas face rising pressures on labor markets, housing provision, and infrastructure readiness. These pressures become more visible when demographic concentration is not matched by proportional expansion of public facilities and basic services that support socio-economic life.

Rapid urbanization also produces environmental and socio-economic risks that require systematic governance instruments. Environmental Impact Assessment and Environmental and Social Impact Assessment are widely recognized as planning tools that help identify, anticipate, and mitigate the negative externalities of development projects associated with urban growth, including pollution, land conversion, and unequal service access (Mhagama, 2025). Recent studies emphasize that impact assessment frameworks support more responsible project design by integrating environmental and social considerations into decision-making processes, especially in

fast-growing urban settings (Afaz et al., 2024). This approach is relevant for Indonesian cities, where increasing demand for transportation, housing, water supply, electricity, and health facilities can intensify resource pressures and widen socio-economic disparities if not managed through integrated planning and regulatory oversight (UN-Habitat, 2020).

The Environmental Impact Assessment (Analisis Mengenai Dampak Lingkungan/AMDAL) process in Surabaya consists of structured stages including screening, public announcement, public consultation, scoping, and the preparation of an Environmental Management Plan (Rencana Pengelolaan Lingkungan/RKL) and an Environmental Monitoring Plan (Rencana Pemantauan Lingkungan/RPL). This multi-stage assessment is designed to integrate environmental considerations into the planning and implementation of development projects, ensuring that economic growth and urban expansion proceed in ways that anticipate and mitigate negative externalities (Glasson et al., 2023). As urbanization and industrial activity expand, integrating AMDAL into infrastructure planning such as transportation networks, housing developments, and health facilities supports the alignment of economic growth targets with sustainability requirements and social equity considerations (Sadler, 2020).

Evidence from urban governance and environmental policy research emphasizes that robust impact assessment practices strengthen the capacity of cities to balance productivity gains with environmental protection and community welfare. Studies on rapidly urbanizing regions indicate that environmental assessment frameworks are associated with improved resource efficiency, stronger pollution control, and reduced exposure of vulnerable communities to environmental risks, particularly when public participation and monitoring mechanisms are effectively implemented (Runhaar et al., 2021). These findings reinforce the relevance of AMDAL as an instrument that supports Surabaya's economic development agenda while maintaining environmental quality and equitable access to urban services.

From a rational public policy perspective, AMDAL also functions as an analytical input for evaluating policy alternatives and their trade-offs. Rational decision-making requires policymakers to compare options systematically based on anticipated costs and benefits, including economic returns, environmental impacts, and distributional consequences for different social groups (Dunn, 2018). In Surabaya, such evaluation is critical when considering alternative pathways such as limiting residential land conversion, decentralizing economic nodes to reduce spatial congestion, or prioritizing public transport investments over road expansion. Without integrating AMDAL outputs, policy choices risk being driven primarily by short-term economic objectives, while underestimating long-term environmental degradation and social inequality that may undermine urban productivity.

Urbanization can accelerate economic activity by concentrating labor and investment, yet unmanaged growth may intensify informal settlement expansion, infrastructure strain, and regulatory compliance challenges, including traffic congestion, uncontrolled street vending, building approval violations, and flood risks linked to land conversion (UN-Habitat, 2020). These conditions demonstrate that economic development strategies cannot be separated from environmental governance and spatial regulation. The integration of AMDAL into urban policy decisions therefore supports more coherent governance by ensuring that economic growth, spatial planning, and environmental safeguards operate as mutually reinforcing components rather than fragmented interventions.

## CONCLUSION

Urbanization in Surabaya represents a multidimensional transformation that reshapes socio-economic structures through population concentration, labor mobility, and spatial expansion. The discussion shows that Surabaya's attractiveness as a metropolitan economic center strengthens agglomeration dynamics and can support regional output growth, yet these benefits remain conditional on the city's capacity to absorb population inflows through adequate labor market opportunities, infrastructure readiness, and equitable public service delivery. The declining Open Unemployment Rate in Surabaya during 2020–2023 indicates a gradual labor market recovery, but the analysis also highlights persistent structural constraints such as skills mismatch, informality risks, and socio-spatial inequality that may intensify as rural-to-urban migration continues.

From the social field perspective, urbanization generates pressures that extend beyond demographic growth, including housing and settlement stress, uneven access to basic infrastructure, and weakening social cohesion in vulnerable urban groups. These conditions reflect a governance challenge where policy instruments may remain fragmented and reactive, addressing migration administration, housing provision, and welfare services as separate issues rather than interconnected outcomes of urban concentration. The findings reinforce that rational public policy for urbanization management requires evidence-based problem definition, integrated planning, and the strengthening of administrative capacity, particularly through reliable data systems, cross-sectoral coordination, and iterative policy evaluation.

The analysis further indicates that strengthening regulatory coherence is essential for improving urbanization governance in Surabaya. Law Number 26 of 2007 concerning Spatial Planning provides the legal basis for controlling land conversion, spatial zoning, and environmental balance, while Law Number 13 of 2003 concerning Manpower supports the management of labor market dynamics that drive urban migration. In addition, the integration of Analisis Mengenai Dampak Lingkungan into development decision-making strengthens policy rationality by enabling the government to assess trade-offs between economic growth targets, environmental sustainability, and social equity. Overall, this study concludes that urbanization in Surabaya should be managed through coordinated and evidence-based public policies that align spatial planning, labor governance, infrastructure provision, and environmental safeguards to support inclusive and sustainable urban development.

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