

Determinants of Poverty In Indonesia

By

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Submission: October 15, 2022; Accepted: September 28, 2023

ABSTRACT: This study aims to determine the effect of economic growth, unemployment, labor, human development index (HDI), and the provincial minimum wage on poverty in 34 provinces of Indonesia in 2018-2021. The analytical model used Fixed Effect Model (FEM). The novelty in this study is that it uses the latest year and combines labor and HDI variables. The results in the study indicate that (1) simultaneously (together) all variable have a significant effect on poverty; (2) the economic growth and the unemployment variable has a positive and significant effect; (3) the labor variable and the variable of the provincial minimum wage has a negative and insignificant effect; and (4) the human development index (HDI) variable has a negative and significant effect. The Implication of this study is the government needs to ensure a sustainable HDI so that it can boost welfare levels and reduce poverty in *Indonesia*.

Keywords: *Poverty, Economic Growth, Unemployment, Labor, Human Development Index*

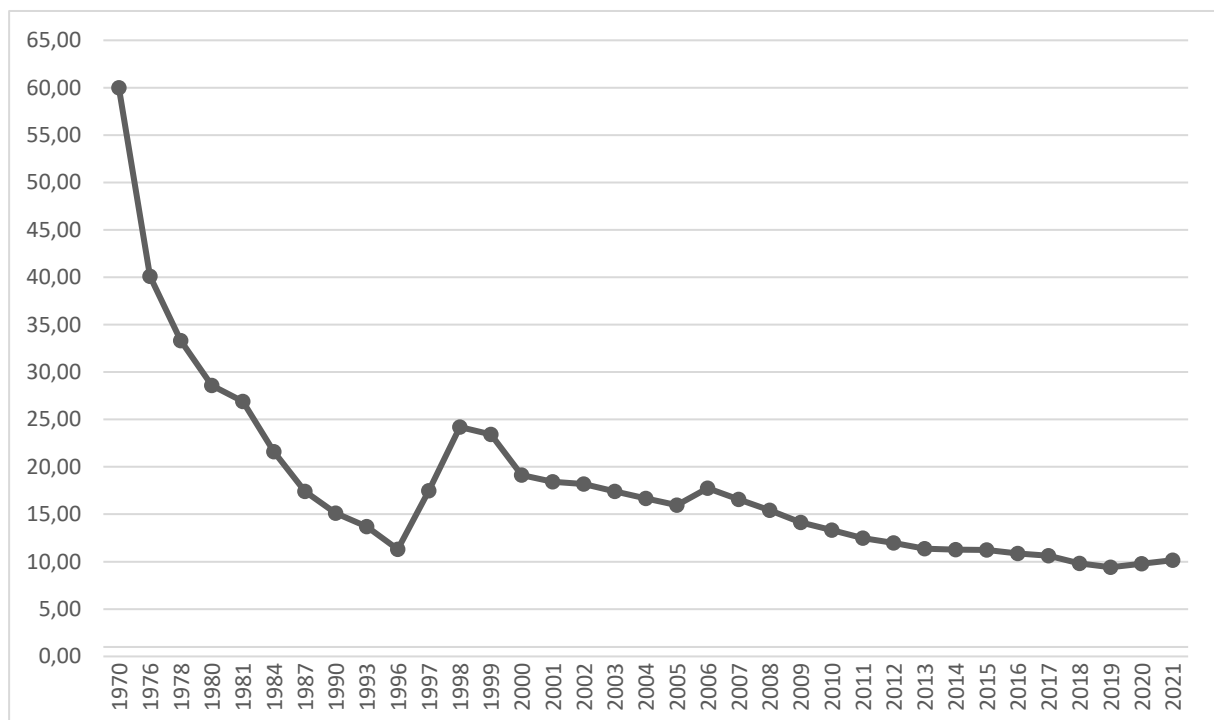
ABSTRAK: Penelitian ini menganalisis pengaruh pertumbuhan ekonomi, pengangguran, tenaga kerja, indeks pembangunan manusia (IPM), dan upah minimum provinsi (UMP) terhadap kemiskinan di 34 provinsi Indonesia pada tahun 2018 – 2021. Model yang digunakan adalah analisis regresi data panel Fixed Effect Model (FEM). Kebaruan dalam penelitian ini adalah menggunakan tahun terbaru dan menggabungkan variabel tenaga kerja dan HDI. Hasil penelitian dengan taraf signifikansi 5% menunjukkan bahwa (1) secara simultan (bersama-sama) seluruh variabel berpengaruh signifikan terhadap kemiskinan; (2) variabel pertumbuhan ekonomi berpengaruh positif dan signifikan terhadap kemiskinan; (3) variabel pengangguran berpengaruh positif dan signifikan terhadap kemiskinan; (4) variabel tenaga kerja berpengaruh negatif dan tidak signifikan terhadap kemiskinan; (5) variabel indeks pembangunan manusia (IPM) berpengaruh negatif dan signifikan terhadap kemiskinan; (6) variabel upah minimum provinsi (UMP) berpengaruh negatif dan tidak signifikan terhadap kemiskinan. Implikasi dari penelitian ini adalah perlunya kebijakan pemerintah untuk tetap memastikan peningkatan kualitas indeks Pembangunan manusia yang berkelanjutan

Kata Kunci: *Kemiskinan, Pertumbuhan Ekonomi, Pengangguran, Tenaga Kerja, Indeks Pembangunan Manusia*

INTRODUCTION

As a multidimensional and complex phenomenon, poverty is not only related to income and consumption, but is also considered to have both monetary and non-monetary dimensions such as education and health (Chakravarty, Deutsch, & Silber, 2008; Chakravarty, 2009; Borko, 2017). Poverty is one of the challenges and problems faced in Indonesia's economic progress, creating a gap between rich and poor (Priebe, 2016). In general, poverty is defined as a condition in which a person or group cannot fulfill their fundamental rights to maintain and develop a dignified life (BPS, Penjelasan Data Kemiskinan, 2011). Poverty is still a problem that is difficult to overcome in Indonesia. The differences in terms of development determine the variations in factors that affect the poverty rate, such as social, political, cultural, and geographical. Thus, economic factors are not the basic factors of poverty (Spaho, 2014). The area and population are factors that affect the difficulty in overcoming poverty. Based on Population and Civil Registration Office (Dukcapil) in 2022, with a population of 273.8 million in 2021, making Indonesia the largest archipelagic country in the world. In many areas of development, poverty is characterized by high unemployment, underdevelopment, and poor quality of life (Khan, 2001). The eradication of poverty must have the highest priority in national development because it is a problem at the national level that cannot be postponed in any way. Based on Dukcapil data (2022), with a population of 273.8 million in 2021, making Indonesia the largest archipelagic country in the world. In many areas of development, poverty is characterized by high unemployment, underdevelopment, and poor quality of life. The eradication of poverty must have the highest priority in national development because it is a problem at the national level that cannot be postponed in any way.

Based on figure 1. from 1990 to 2017, Indonesia's poverty rate has consistently been in the double digits. This indicates that poverty in Indonesia has not been handled properly. However, at the beginning of 2018, Indonesia's poverty rate had decreased to 9.82 percent or was in the single digits. The poverty rate touched 1 digit, this is the first time for Indonesia in more than 20 years.



Source: Central Bureau of Statistics, 2021

Figure 1. Poverty Rate In Indonesia

Increased distribution of non-cash food assistance programs (BPNT) and prosperous rice (rastra) are factors that trigger the decline in the poor in Indonesia (Kemenko PMK, 2019). The percentage of poor people then decreased to 9.41 percent 2019. However, it started to increase in March 2020,

reaching 9.78 percent. The coronavirus often referred to as the covid-19 virus, originated in Wuhan, China, and then entered the country. The emergence of the Covid-19 virus has made the Indonesian economy again experience an economic crisis. The Covid-19 virus has significantly impacted various aspects, especially the economic aspect. With the Covid-19 pandemic, the Indonesian economy experienced a decline until finally, in 2021, the percentage of the poor increased again and touched the 2-digit number, 10.14 percent.

Several possibilities trigger the poverty rate in Indonesia still high even though economic growth has increased. One of them is that the lower-class people have less access to factors of production. The synergy between production components is used in economic activities to generate added value in the form of Gross Domestic Product (GDP). Lack of access to production factors results in the poor's lack of added value opportunities (GDP). As a result, they have a lower ability to enjoy part of the added value.

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Table 1. Number of Unemployment and Open Unemployment Rate in Indonesia in 2018 – 2021

Years	Number of Unemployed (Million People)	Open Unemployment Rate (%)
2018	7.073,39	5,30
2019	7.104,42	5,23
2020	9.767,75	7,07
2021	9.102,05	6,49

Source: Central Bureau of Statistic, 2021

Unemployment is another important variable that has an impact on poverty levels. Kusumo (2022) In Indonesia, there are more job seekers than job vacancies or the so-called talent shortage. Recruiters also mentioned severe talent shortages in senior leadership positions within large corporations in Indonesia. These positions are currently being filled by expats and workers from overseas (Nambiar, Karki, Rahardiani, Putri, & Singh, 2019). This results in differences in the minimum wage of workers which have an impact on increasing unemployment because there is no match between the wage and the work done (Sotomayor, 2021). In addition, the labor market cannot be matched to the efficiency of job seekers. Problems like this will lead to reduced productivity and income among people leading to poverty and other issues.

In addition, an important factor for economic development that has an impact on poverty is the Human Development Index (HDI) (Mukhtar, Saptono, & Arifin, 2019). Human development can affect the economy's progress, as seen from the community's ability to increase productivity. The more productive people are, the better the impact on the economy. However, the HDI can also have a negative impact on the economy, the HDI increases, economic growth declines. This can affect increasing the percentage of the poor (Mukhtar, Saptono, & Arifin, 2019).

Tabel 2 Indonesian Human Development Index 2018-2021

Year	Human Development Index
2018	71.39
2019	71.92
2020	71.94
2021	72.29

Source: Central Bureau of Statistic, 2021

In Table 2, the HDI in Indonesia increased every year in the 2018-2021 period (Indonesia, 2019). The HDI was 71.39 percent in 2018 and will continue to grow until 2021 with a figure of 72.29. This

increase indicates that the condition of human development in Indonesia is still improving. Based on the standards of the United Nations Development Program (UNDP), human development includes four criteria: an HDI of more than 80 belongs to the very high group, an HDI of 70 - 79 belongs to the high group, and an HDI of 60-69 belongs to the medium group. This means that human development in Indonesia in the 2018-2021 period is in the high category.

Provincial Minimum Wage is another variable that affects the amount of poverty (Pamungkas, 2017). The minimum wage is a benchmark used by business owners and other industry players to determine the wage that must be paid to employees in their workplace (Rosandi, Amin, & Dyastari, 2017). To protect the wages of those who work for a shorter period of time (less than a year), a minimum wage is set. In addition, with fair and competitive wages, minimum wages can help reduce poverty. However, its determination has consequences, namely the possibility of delaying the creation of new jobs, replacing workers with machines (automating manufacturing processes), causing layoffs, and increasing the likelihood of business closures (SIMREG, 2022). Of course, this can also have an impact on improving the percentage of the poor.

Tabel 3 Average National Minimum Wage 2018-2021

Year	Wage Minimum (Rupiah)
2018	2.268.874.19
2019	2.455.662.23
2020	2.672.370.77
2021	2.687.723.69

Source: Central Bureau of Statistic, 2021

In Table 3, Indonesia's average national minimum wage is increasing every year. In 2018, the average national minimum wage was 2,268,874.19 rupiah; until 2021, the average minimum wage increased by 2,687,723.69 rupiahs. The minimum wage that consistently increases every year will make the company's expenses also increase, which then the company will be forced to reduce labor or lay off, which causes a decrease in the welfare of those who are affected.

Asrol & Ahmad (2018), research on "Analysis of factors that affect poverty in Indonesia" results in the finding that policies to encourage economic growth, education, and health, as well as government spending on infrastructure, have a positive impact on reducing the number of poor people. Combining these policies can reduce the number of people living in poverty. Programs to improve education, health, housing services, and subsidies are needed to reduce poverty.

Previous research has been done by Dewi, Majid, Aliasuddin, & Kassim (2018) about "Dynamics of financial development, economic growth, and poverty alleviation: the Indonesian experience." This study emphasizes that pro-poor and pro-growth economic policies must be designed to encourage economic growth with lower poverty levels. Economic growth should offer more job opportunities and encourage labor-intensive investment. When the government spurs growth in the real sector, poverty levels are also reduced simultaneously through the development of employment options for those classified as poor to increase their income levels.

Based on available information, it is known that for the first time, Indonesia's poverty rate fell to single digits in 2018 and continued to fall until the second quarter of 2019, which was 9.22 percent. However, the poverty rate began to rise again to 9.78 percent in early 2020, when the coronavirus began to spread to Indonesia in March. In September 2020, the poverty rate reached its highest point, reaching double digits again, namely 10.19 percent. After the economic recovery in 2021, Indonesia's poverty rate declined to 1 digit, 9.71 percent. However, this figure is still higher than before the COVID-19 pandemic.

From the explanation of the background above, the researcher became interested in conducting a study on socioeconomic factors influencing poverty in Indonesia. Unemployment, labor, and the Human Development Index (IPM) are social factors, while economic growth and the Provincial Minimum Wage are economic factors (BPS, Penjelasan Data Kemiskinan, 2011). The researcher uses independent variables in the form of economic growth with an approach to GRDP per capita,

unemployment (according to the open unemployment rate), labor (Percentage of Formal Labor by Province), HDI, and Minimum Wage, and the dependent variable used is poverty by using data on the percentage of poor people in Indonesia. The novelty in this study is that it uses the latest year and combines labor and HDI variables that are rarely used in previous studies.

METHODS

Researchers used quantitative data types in this study. Data with numbers that can produce more measurable information is called quantitative data. This data uses annual data from 2018 – 2021, including data on GRDP, unemployment, labor, HDI, and Minimum Wage from 34 provinces in Indonesia. The analytical method used is panel data regression. Panel data regression combines time series data and cross-section data, where uniform cross-sections are measured over many periods. Time series data from 2018 to 2021 and cross-sectional data from 34 provinces in Indonesia are used in this study. The panel data regression analysis method aims to determine how one or more independent and dependent variables are related. The function model used is:

$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \beta_5 \log X_{5it} + \varepsilon_{it}$$

Information:

- Y : Poverty Rate (%)
- β_0 : Constanta
- $\beta_1 \beta_2 \beta_3 \beta_4 \beta_5$: Independen Variabel Coefficient
- X_1 : Economic Growth (%)
- X_2 : Unemployment Rate (%)
- X_3 : Labor (%)
- X_4 : Human Development Index (HDI) (%)
- X_5 : Provincial Minimum Wage (Million Rupiah)
- i : Province
- t : year
- ε : Residual

Panel data regression analysis test will be carried out by selecting the best model consisting of model estimation, model suitability test, classical assumption test, and statistical test.

RESULTS AND DISCUSSIONS

Model Selection Test

Chow Test

The following hypotheses are tested in this test to determine which model, between Common Effect and Fixed Effect, should be used:

- H0: The best model is the Common Effect
- H1: The best model is the Fixed Effect

Table 4 Chow Test Estimation Result

Test	Statistic	Probability
Cross-section F	514,173859	0,0000
Cross-section Chi Square	703,127955	0,0000

Source: Author’s Calculation

The test is carried out by comparing the probability and alpha values ($\alpha = 0.05$). Accepting H0 indicates that the Common Effect is the appropriate model to use when the P value exceeds 0.05. On the other hand, if P is less than 0.05, then H0 is rejected, indicating that the Fixed Effect should be the model of choice.

Based on the Chow test table above, H_0 is rejected, and H_1 is approved because the value of the Chi-square distribution of data from Eviews 12 is 703.127955 with a probability of 0.0000 less than alpha ($\alpha = 0.05$). Thus, it can be stated that the Fixed Effect is the right model to use. Hausman test was used to analyze the data further based on the results of the Chow test, which rejected H_0 .

Hausman Test

The following hypotheses were tested using the Hausman test to determine the best model to use between Fixed Effects and Random Effects:

H_0 : The best model is the Random Effect

H_1 : The best model is the Fixed Effect

Table 5. Hausman Test Estimation Result

Test	Chi-square	Probability
Cross-section random	12,545946	0,0280

Source: Author’s Calculation

The test is carried out by comparing the probability and alpha values ($\alpha = 0.05$). Accepting H_0 indicates that the Random Effect is the best model to use when the P value exceeds 0.05. On the other hand, if P is less than 0.05, it means that H_0 is rejected, indicating that the Fixed Effect should be the model of choice.

Based on the Hausman test table above, H_0 is rejected, and H_1 is accepted because the cross-section probability value on the Random Effect is 0.0280, less than alpha ($\alpha = 0.05$). Thus, it can be said that the Fixed Effect is the best model to use. The Lagrange Multiplier test does not have to be carried out based on the Hausman test results, which reject H_0 .

Table 6. Fixed Effect Model Estimation Result

Variable	Coefficient	Std Error	t-Statistic	Probability
Constanta	29,84718	6,322852	4,720525	0,0000
Economic Growth	0,030149	0,010201	2,955559	0,0039
Unemployment	0,145402	0,062886	2,312162	0,0229
Labor	-0,034438	0,020150	-1,709112	0,0906
HDI	-0,230936	0,096412	-2,395298	0,0185
Log (wage Minimum)	-0,156174	0,296095	-0,627445	0,5991
R-Squared	0,997136	Mean dependen var		10,61279
Adjusted R-Squared	0,996013	S.D. dependen var		5,517931

Source: Author’s Calculation

$$\hat{y} = 29,84718 + 0,030149 \text{ Economic Growth} + 0,145402 \text{ Unemployment} - 0,034438 \text{ Labor} - 0,230936 \text{ HDI} - 0,156174 \text{ LogWage Minimum}$$

The Classic Assumption Test

1) Normality Test

Table 7. Normality Test Result

Jarque-Bera	5,868075
Probability	0,053182

Source: Author’s Calculation

The method used in this test is Jarque-Bera, in order to see if the data is normally distributed or not. The results of the normality test prove that the data is normally distributed due to the probability value of $0.053182 > 0.05$

2) Multicollinearity Test

Table 8. Multicollinearity Test Result

	X1	X2	X3	X4	X5
X1	1,000000	-0,273178	0,023045	-0,066251	-0,147399
X2	-0,273178	1,000000	0,543313	0,388472	0,233725
X3	0,023045	0,543313	1,000000	0,712481	0,193014
X4	-0,066251	0,388472	0,712481	1,000000	-0,007978
X5	-0,147399	0,233725	0,193014	-0,007978	1,000000

Source: Author’s Calculation

Because the correlation between the independent variables of economic growth, unemployment, labor, HDI, and Minimum Wage, according to the data, is less than 0.90 (Ghozali, 2019). Therefore, it can be stated that the independent variable of the regression model does not have a multicollinearity problem.

1) Heteroscedasticity Test

Table 9. Heteroscedasticity Test Result

Variable	Probability
Economic Growth	0,8405
Unemployment	0,6969
Labor	0,1490
HDI	0,9497
Log (Wage Minimum)	0,6585

Source: Author’s Calculation

The results showed that there was no heteroscedasticity between the independent variables of economic growth, unemployment, labor, HDI, and Wage Minimum. This is evidenced by the fact that when the probability value of the independent variable exceeds 0.05, It can be said that heteroscedasticity does not occur in the regression model.

Evaluation of Fixed Effect Regression Model

1) F-Test (Model Feasibility)

This test is conducted to prove whether the independent variable has the potential to affect the dependent variable by comparing the probability value with alpha ($\alpha = 0.05$). The following is the F-test hypothesis:

1. If $F_{count} \geq F_{table}$ and $F\text{-statistic } p\text{-value} \leq 0.05$ then H_0 is rejected and H_1 is accepted, which means that the independent variables jointly affect the dependent variables.
2. If $F_{count} \leq F_{table}$ and $F\text{-statistic } p\text{-value} \geq 0.05$ then H_0 is accepted and H_1 is rejected, which means that the independent variables together do not affect the dependent variables.

Based on the results of Fixed Effect estimation, hypothesis H_0 is rejected, and H_1 is accepted, which shows that the variables of economic growth, unemployment, labor, HDI, and Minimum Wage together affect the variable of poverty. The value of F-statistics is shown at = 888.6016 with probability F-statistics = 0.000000 significant with alpha ($\alpha = 0.05$).

2) Coefficient of Determination Test (R-squared)

The coefficient of determination test is used to calculate the proportion of fluctuations in the overall dependent variable that can be taken into account by the independent variables in the regression model. The estimated fixed effect model $R\text{-squared} = 0.997136$ shows that the variables of economic growth, unemployment, labor, HDI, and Minimum Wage can explain 99.71 percent of the poverty variable. However, the remaining 0.2864 percent is explained by factors not included in the model.

3) t-Hypothesis Test

The purpose of this test is to see whether each independent variable has an influence on the dependent variable. The results of the partial hypothesis test based on the calculation of Eviews 12 obtained the following results:

Table 10. t-statistic Test Result

Variable	Coefficient	t-statistic	Prob.	Conclusion
Economic Growth	0,030149	2,955559	0,0039	Significant
Unemployment	0,145402	2,312162	0,0229	Significant
Labor	-0,034438	-1,709112	0,0906	Not Significant
HDI	-0,230936	-2,395298	0,0185	Significant
Log (Wage Minimum)	-0,156174	-0,527445	0,5992	Not Significant

Source: Author's Calculation

a. Economic Growth Variable Test

Based on the table of fixed effect estimation results, the variable coefficient of economic growth is 0.030149, while the probability value is 0.0039, which is significant in alpha 0.05 (α), proving that the impact of economic growth on poverty is statistically positive and significant. Thus, poverty will increase by 0.030149 percent for every 1 percent increase in the rate of economic growth.

b. Unemployment Variable Test

Based on the table of fixed effect estimation results, poverty is statistically positive and significantly affected by unemployment. The coefficient of the unemployment variable is 0.145402, while the probability value is 0.0229, which is significant in alpha 0.05 (α). Thus, poverty will increase by 0.145402 percent for every 1 percent increase in the unemployment rate.

c. Labor Variable Test

Based on the table of fixed effect estimation results, it is known that the variable coefficient of labor is = -0.034438, while the probability is known = 0.0906, which is not significant in alpha 0.05 (α), indicating that the impact of labor on poverty is statistically negative and insignificant. Thus, poverty will decrease if the percentage of the workforce increases. However, the effect is not that great.

d. Testing of Variables HDI (Human Development Index)

Based on the table of fixed effect estimation results, the variable coefficient of HDI is = -0.230936, and the probability is known to be = 0.0185, significant in alpha 0.05 (α), indicating that the impact of HDI on poverty is statistically negative and significant. Thus, poverty will decrease by -0.230936 percent if the HDI increases by 1 percent.

e. Log Minimum Wage Variable Testing

Based on the table of fixed effect estimation results, the Minimum Wage variable coefficient = -0.156174, while the probability is known = 0.5992, which is not significant in alpha 0.05 (α), proving that the Minimum Wage has a negative effect and is not statistically significant.

Economic Analysis

1) Analysis of the Effect of Economic Growth on Poverty

Based on the test results, it shows that economic growth has a positive and significant effect on poverty in Indonesia. This means that an increase in economic growth is directly proportional to the increase in poverty. Dada & Fanowopo (2020), Tri (2020), Mogess, Eshete, & Alemaw (2023), Nadhifah (2018) and Leiwakabessy & Payapo (2022) Mentioned that economic growth is a factor that significantly affects the increase in poverty. The existence of the pro-growth-poverty nexus supports this result, although economic growth is not a sufficient condition in reducing poverty. However, poverty reduction can boost economic growth and vice versa. In the short and long term, changes in economic growth have a positive impact on poverty reduction.

The use of GRDP as a proxy for economic growth shows that the sectors within it contribute to poverty. This is in line with the statement of Nadhifah (2018), that a small proportion of people who

enjoy increased economic growth are supported by the development of the industrial sector. This means that people engaged in industry have greater benefits than those who are not engaged in this sector. Thus, it results in the low contribution of the agricultural sector, which is mostly in rural areas. Therefore, people engaged in the agricultural sector will become poorer over time. Husodo (2020) supports this statement by showing that there is a relationship between the demand for GRDP sectors and regional development, which has an impact on increasing production which actually requires labor to achieve it. This means that there is still a gap between regions in the demand for output in each sector which is widening in line with the increase in economic growth.

This is due to the lack of quality development in an area, which creates gaps. Judging from the value of the highest Gini ratio in 2018 to 2021, it was in the DI Yogyakarta, Southeast Sulawesi, West Java, and Gorontalo Provinces which ranged at 0.4 with the highest Gini ratio in DI Yogyakarta Province at 0.441 in 2021. BPS (2022), Other provinces have ratio values Gini ranges from 0.3, and the lowest Gini ratio is in Kep Province. Bangka Belitung which is around 0.2. The Gini ratio value indicates that there is still inequality and unequal income in the province of Indonesia. Economic growth does not always cause poverty to decrease because economic growth does not always reflect equitable per capita income, meaning that there is still inequality in people's income in Indonesia. This is contrary to research by Azizah, Sudarti, & Kusuma (2018), which interprets that poverty will decrease if economic growth increases, marked by an increase in the per capita income of society.

2) Analysis of the Effect of Unemployment on Poverty

The unemployment variable has a positive and significant effect on poverty. These results are in accordance with the hypothesis and previous research, which became the theoretical basis for this research. Purnomo (2019), Erick & Wenagama (2019), Feriyanto, Aiyubbi, & Nurdany (2020), Muliana & Idris (2020), and Meo, et al., (2020) mentioned that the positive effect of unemployment on poverty reduces people's welfare. This occurs because of the determination of different basic incomes for each region and the lack of employment opportunities for the community. Everytime the unemployment rate-decreases, the poverty rate will also decrease. Judging from the development of the poverty rate and unemployment rate from 2018-2021, in 2018, the unemployment rate was 5.3 percent, and the poverty rate was 9.54 percent. In 2019, the unemployment rate decreased to 5.23 percent, and the poverty rate also decreased to 9.22 percent. Then in 2020, the unemployment rate increased by 7.07 percent and decreased in 2021 by 6.49 percent. Likewise, the poverty rate in 2020 will increase by 10.19 percent and decrease in 2021 by 9.71 percent (SIMREG, 2022). Because unemployment reduces people's income, it will also reduce the degree of prosperity they experience. Their needs will not be met if they are unemployed and without a source of income. So they can be categorized as poor individuals, which leads to an increase in the population of poor people.

3) Analysis of the Effect of Labor Variables on Poverty

The labor variable has a negative and insignificant effect on poverty. The results of this study follow the hypothesis and previous research that is used as the theoretical basis for this research, namely research conducted by Sholihah, Laut, & Julunggono (2019), Fitriyanti (2019), Nambiar, Karki, Rahardiani, Putri, & Singh (2019), Castillo & Chiatoua (2022) which states that labor has an inverse effect on poverty. This means that when labor absorption increases, the community earns income to meet their needs. The income earned supports people's purchasing power and improves welfare. This increase in welfare supports the reduction of poverty. Furthermore, the more labor is used to produce goods and services, the lower the unemployment rate, reducing poverty. However, it will have no effect because job opportunities in Indonesia are not comparable to the readiness of the workforce to work. The cause is a mismatch between the quality and competence of the workers with the existing jobs.

Analysis of the Effect of HDI Variables on Poverty

The HDI variable has a negative and significant effect on poverty. These results follow the hypothesis in this study. Purnomo's (2019); Alma'ruf (2023); Manik, Tumangger, & Pratama (2023); and Manik, Pardede, & Tampubolon (2023) mentioned that the quality of human resources can be seen from an increase in a person's knowledge and skills that can increase their productivity and income. Increased income will ultimately affect the community to fulfill their needs and reduce the

poverty rate. This will improve people's welfare and reduce poverty, according to research by Erick & Wenagama (2019), which found that three crucial aspects to fulfill the need for long life (long life) and a healthy life (healthy life), knowledge (the knowledge), and having access to resources that can maintain a standard of living. These three aspects of human development have a significant impact on reducing poverty. This research is also strengthened by Maulani (2020), which shows that HDI has a negative and significant effect on poverty. Inequality and poverty will decrease when the human development index increases in terms of life expectancy, health, and education

2) Analysis of the Effect of Minimum Wage Variables on Poverty

The Minimum Wage variable has a negative and insignificant effect on poverty. This result does not follow the hypothesis and previous research used as the theoretical basis. The findings of this study pursue Jajuli (2015); Alma'ruf (2023); Burkhauser, McNichols, & Sabia (2023) which shows that the minimum wage has a negative and insignificant effect on poverty in the short and long term. For each worker, the minimum wage has varying results. Setting a minimum wage raises the wages of some workers, preventing them from being trapped in poverty. Lowers the wages of other individuals who are highly vulnerable to changes in the labor market, making their wages not representative of the average wage for all workers (SIMREG, 2022). This research is also reinforced by Chairunnisa & Qintharah (2022) study that the minimum wage has a negative and insignificant effect on poverty. No matter how large the minimum wage set by the government is, it will not impact poverty if the human resources do not have the knowledge or training needed by the business world. However, the findings of this study do not support the research by Islami & Anis (2019), which concluded that the Minimum Wage has a positive and significant impact on poverty. His analysis revealed that the reduction in the poverty rate was not always accompanied by an increase in the provincial minimum wage. Because as evidenced by a phenomenon, an increase in the minimum wage tends to be followed by a rise in Termination of Employment (PHK), which will increase unemployment and lead to increased poverty.

CONCLUSIONS

Economic growth and unemployment variables have a positive and significant impact on poverty, while the human development index has a negative and significant impact on poverty. There needs to be an even distribution of economic results to all groups of people, both in urban and rural areas, so that there is no gap between the rich and the poor, maximizing the potential possessed in an effort to improve the economy in each region, as well as for welfare the Indonesian people, the food and agriculture sectors must be improved as optimally as possible.

To minimize the growth of the population below the poverty line, it is necessary to increase the provision of employment opportunities and improve the capabilities and skills of human resources, so that community productivity increases. The Implication of this study is the government needs to ensure a sustainable human development index so that it can boost welfare levels and reduce poverty in Indonesia.

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