

## THE EFFECT OF HUMAN DEVELOPMENT INDEX, MINIMUM WAGE, AND OPEN UNEMPLOYMENT RATE ON POVERTY IN EAST JAVA PROVINCE

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### ABSTRACT

*This study aims to analyze the effect of the Human Development Index (HDI), Regency/city Minimum Wage (MW), and Open Unemployment Rate (OUR) on Poverty in East Java Province in 2023. The technique used in this study is multiple linear regression analysis. Based on the results of the analysis, it shows that partially the Human Development Index (HDI) variable has a negative and significant effect on poverty in East Java, while Minimum Wage has a positive and significant effect on poverty in East Java Province. On the other hand, the Open Unemployment Rate does not have a significant effect on poverty in East Java. These findings have important implications for development policy in East Java. According to existing theories, policies focusing on improving human quality through education and health (which support HDI improvement) will be more effective in reducing poverty. Meanwhile, policies related to Regional Minimum Wage need to consider the balance between fair wages and the economic sector's capacity to absorb the workforce. Lastly, although open unemployment is a serious issue, it does not always correlate directly with poverty levels, as many external factors influence household income.*

**Keywords :** *Poverty<sup>1</sup>, Human Development Indeks<sup>2</sup>, Minimum Wage<sup>3</sup>, Open Unemployment<sup>4</sup>*

### ABSTRAK

*Penelitian ini bertujuan untuk menganalisis pengaruh Indeks Pembangunan Manusia (IPM), Upah Minimum (MW) Regency/Kota, dan Tingkat Pengangguran Terbuka (OUR) terhadap Kemiskinan di Provinsi Jawa Timur pada tahun 2023. Teknik yang digunakan dalam penelitian ini adalah analisis regresi linier berganda. Berdasarkan hasil analisis menunjukkan bahwa secara parsial variabel Indeks Pembangunan Manusia (IPM) berpengaruh negatif dan signifikan terhadap kemiskinan di Jawa Timur, sedangkan Upah Minimum Daerah berpengaruh positif dan signifikan terhadap kemiskinan di Provinsi Jawa Timur. Di sisi lain, Tingkat Pengangguran Terbuka tidak berpengaruh signifikan terhadap kemiskinan di Jawa Timur. Menurut teori yang ada, kebijakan yang berfokus pada peningkatan kualitas manusia melalui pendidikan dan kesehatan (yang mendukung peningkatan IPM) akan lebih efektif dalam mengurangi kemiskinan. Sementara itu, kebijakan terkait Upah Minimum Daerah perlu mempertimbangkan keseimbangan antara upah yang adil dan kapasitas sektor ekonomi untuk menyerap tenaga kerja. Terakhir, meskipun pengangguran terbuka adalah masalah serius, hal itu tidak selalu berkorelasi langsung dengan tingkat kemiskinan, karena banyak faktor eksternal yang mempengaruhi pendapatan rumah tangga.*

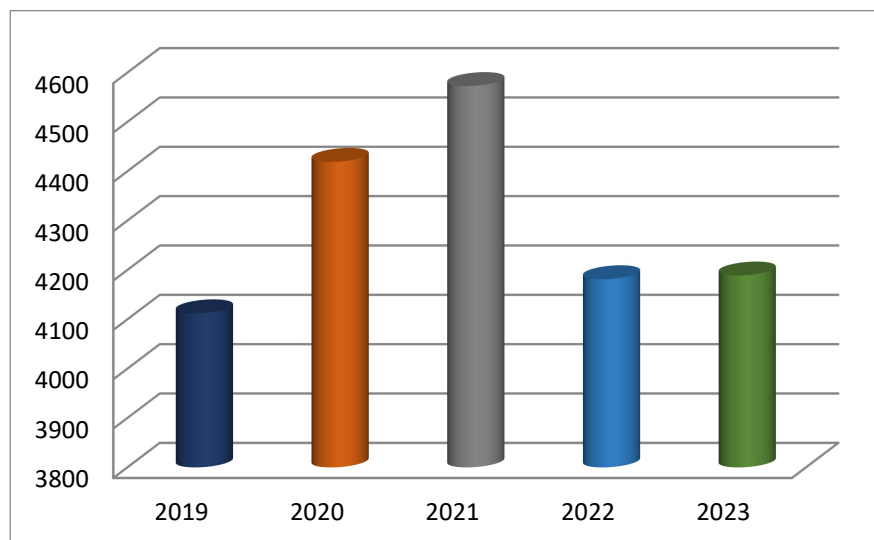
**Kata Kunci :** *Kemiskinan<sup>1</sup>, Indeks Pembangunan Manusia<sup>2</sup>, Upah Minimum<sup>3</sup>, Tingkat Pengangguran terbuka<sup>4</sup>*

### INTRODUCTION

Poverty is a complex social issue, not only limited to economic aspects, but also related to education, health, and overall quality of life. Poverty is often understood as the inability of

individuals or groups to fulfill their basic needs, such as food, clothing, shelter, education, and health services. According to the Central Bureau of Statistics (BPS), to measure poverty by considering people's ability to meet the minimum standard of basic needs, which includes food and non-food needs.

In Indonesia, there are several provinces that are facing poverty issues, one of which is East Java Province. According to the Central Bureau of Statistics (BPS) this is because East Java Province is one of the provinces with the largest population in Indonesia number 2, which is 41,230.0 thousand people after the province after West Java province of 49,306.8. Therefore, the unemployment rate in East Java is very high, which causes the poverty rate to be very high. In addition, there are significant inequalities in some urban and rural areas, as well as unfavorable geographical conditions, which contribute to the high poverty rate in East Java. The following is a graph showing the number of poor people in East Java province over the last five years.



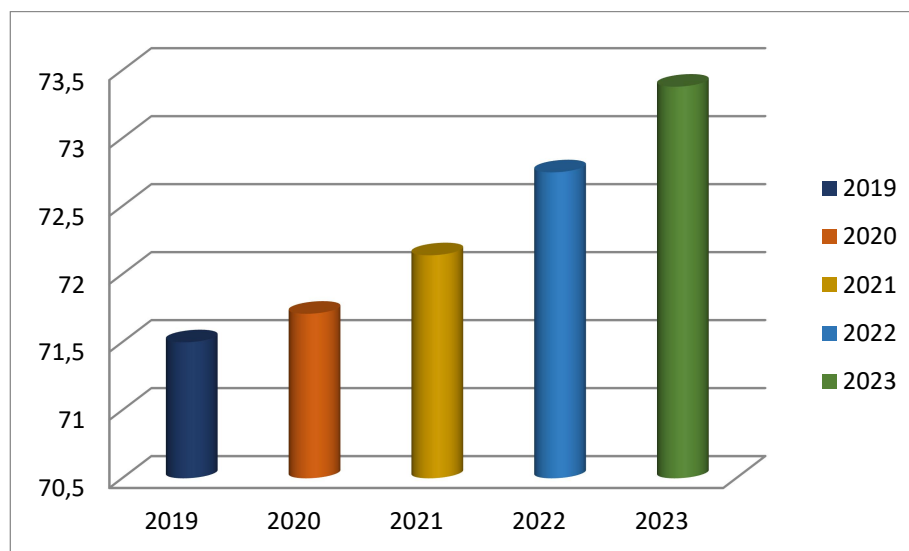
**Figure 1:** Graph of Poverty in East Java 2019-2023

*Source: Central Bureau of Statistics, 2024*

Based on the graph above, over the past five years the number of poor people in East Java Province has shown fluctuations that reflect the economic dynamics and social challenges in the province. In 2019, the number of poor people was recorded at 4,112.25 thousand, which shows that there is still a need for more attention in poverty alleviation efforts. However, in 2020, the number of poor people increased to 4,419.10 thousand, most likely due to the negative impact of the COVID-19 pandemic, which caused many people to lose their jobs and income. This figure continued to increase in 2021 to 4,572.73 thousand

people, indicating that the effects of the pandemic are still being felt. In 2022, there was a decrease in the number of poor people to 4,181.29 thousand, indicating that there were recovery efforts that began to produce results. Unfortunately, in 2023, the number of poor people rose slightly to 4,188.81 thousand people, indicating that challenges in poverty alleviation still exist. According to the Central Bureau of Statistics (BPS), East Java is among the five poorest provinces in Java in March 2023, the first position is DIY with a poverty percentage of 11.04 percent. Central Java is in second place with a poverty percentage of 10.77 percent. Furthermore, East Java is in third place with a poverty percentage of 10.35 percent. The poverty percentage in West Java is 7.62 percent. The last is Banten province with a poverty percentage of 6.17 percent.

The high poverty rate in East Java Province is influenced by various factors such as the Human Development Index (HDI), Regency minimum wage (MW) and open unemployment rate. The Human Development Index (HDI) is an indicator that measures people's quality of life through the dimensions of health, education, and living standards. People who are better educated and healthier usually have better employment opportunities and income. This makes the HDI play an important role in poverty reduction.

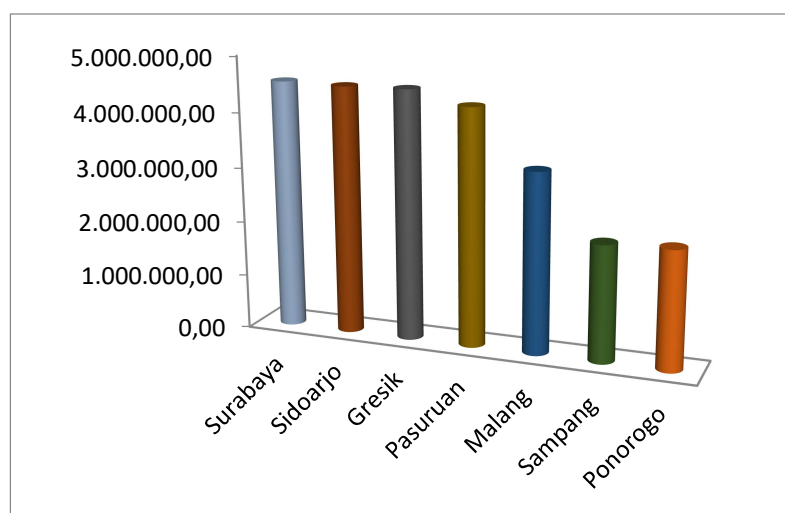


**Figure 2.** Graph of Human Development Index (HDI) in East Java  
*Source: Central Bureau of Statistics, 2024*

Based on the graph above, it can be seen that over the past five years, the HDI has shown a consistent upward trend. In 2019, East Java's HDI was recorded at 71.50. This figure shows that despite challenges in development, the province has achieved a relatively good

level of human development. It reflects improvements in people's quality of life, including in the aspects of education, health, and income. Furthermore, in 2020, the HDI again experienced a slight increase to 71.71. Although this growth is not significant, it shows resilience in human development amid the challenges faced, including the impact of COVID-19. In 2021, the HDI increased again to 72.14, indicating continued efforts to improve people's quality of life, despite the pandemic situation still affecting various sectors. In 2022, the HDI reached 72.75, signaling a continued positive trend in human development in East Java. At its peak, in 2023, East Java's HDI reached 73.38, the highest figure in the period. This increase is due to better efforts in education, health, and the economy, as well as policies that support people's quality of life.

The next factor is the Regency minimum wage (MW), which is the lowest level of wages received by workers each month, which includes the components of basic wages and fixed benefits. Determining this minimum wage is the authority of the governor. Because the needs of life in each region are different, the minimum wage is not applied uniformly throughout the region, but is adjusted to each region. (Faizin, 2021) . The minimum wage set in each Regency has an impact on people's purchasing power so that an increase in the minimum wage can increase workers' income. However, if the increase in the minimum wage is not in line with inflation and the cost of living, it will have an impact on increasing poverty.

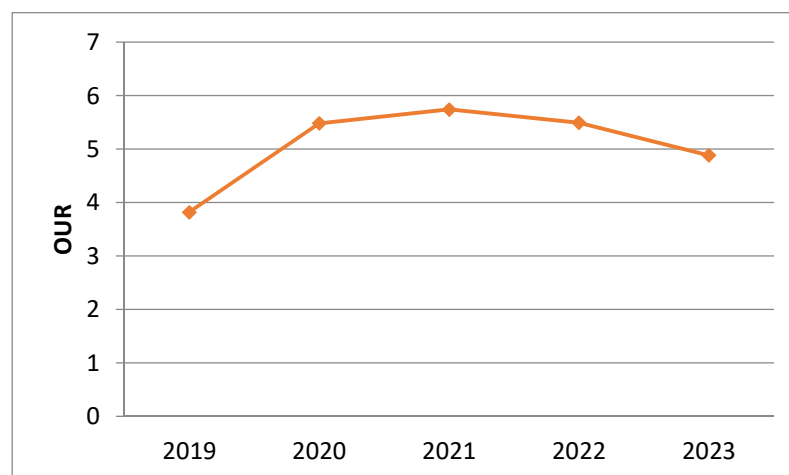


**Figure 3.** Graph of Regency/Municipality Minimum Wages in East Java

*Source: Central Bureau of Statistics, 2024*

Based on regency/city minimum wage data in East Java in 2023, there are significant variations between regions. Surabaya City recorded the highest minimum wage of IDR

4,525,479.19, reflecting its role as the economic and trade center of the province. This is followed by Sidoarjo Regency and Mojokerto Regency, which each have a minimum wage of IDR 4,504,787.17. Gresik Regency also shows a high figure of IDR 4,522,030.51, making it one of the regions with a competitive minimum wage. Other regions with relatively high minimum wages are Pasuruan Regency with IDR 4,290,133.19 and Malang Regency with IDR 3,268,275.36. In contrast, the regions with the lowest minimum wages are Regency Sampang with IDR 2,114,335.27 and Regency Ponorogo with IDR 2,149,709.45. The lower minimum wages in these regions indicate challenges in improving workers' welfare and creating better economic conditions. Overall, this data indicates that there is considerable disparity in minimum wages in East Java, reflecting the different economic conditions and labor market needs in each region. Therefore, it is important for the government to consider policies that can increase the minimum wage in the regions with lower rates for the sake of public welfare.

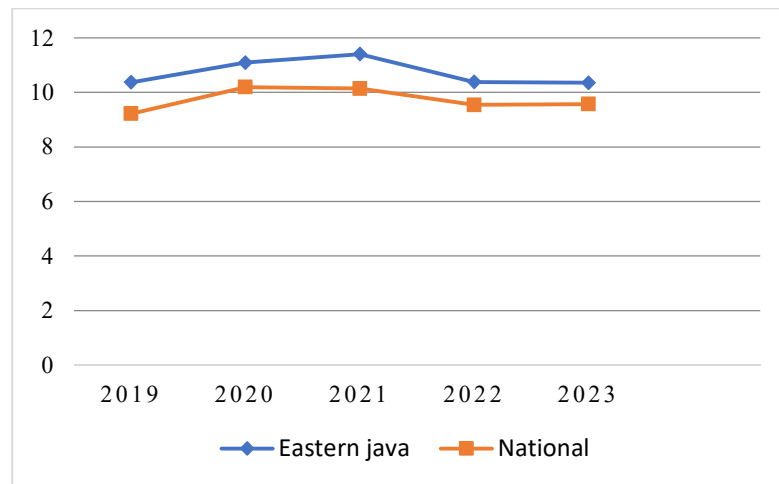


**Figure 4.** Graph of Open Unemployment Rate (OUR) in East Java

*Source: Central Bureau of Statistics, 2024*

The open unemployment rate in East Java during the 2019-2023 period reflects the dynamics of employment influenced by various factors, such as the Covid-19 pandemic, economic recovery, and structural changes in the workforce. A sharp increase in 2020 to 5.48 percent and a peak in 2021 at 5.74 percent due to the covid-19 pandemic that limited economic activity. Unemployment declined in 2022 to 5.49 percent and continued to 4.88 percent in 2023. Indicating this decline, government support such as labor training, MSME empowerment, and social assistance contributed to supporting the community to return to work, both in the formal and informal sectors. However, the unemployment rate in 2023, which has not returned to the level of 3.82 percent in 2019, shows that employment

challenges still exist, especially related to the creation of quality and sustainable jobs. To understand the poverty situation in East Java, it is necessary to compare it with the national average.



**Figure 5:** Comparison Chart of East Java and National Poverty Rate (percent)

*Source: Central Bureau of Statistics, 2024*

The poverty rate comparison graph between East Java and the national average shows that East Java has a poverty rate that is always higher than the national average during the 2019-2023 period, even though the province has an HDI that continues to increase every year. The Human Development Index (HDI) is a measurement tool used to assess the level of welfare of a country by looking at three main aspects: education, health, and income. HDI was introduced by the United Nations Development Programme (UNDP) in 1990. According to human capital theory, education and training serve as an investment in improving individual skills and productivity. The higher a person's education level, the greater their chances of getting a better job with a higher income. Meanwhile, health is also an important component of this theory, as healthy individuals are more productive and can work longer. Good health increases work capacity and provides more opportunities to earn income. Thus, an increase in HDI should be followed by a decrease in the number of poor people (Ardian et al., 2021). However, the fact that the poverty rate in East Java is still high shows that an increase in HDI is not enough to ensure equitable welfare. This can be caused by unequal access to economic resources and employment opportunities across East Java. In addition, the District/City Minimum Wage is also one of the factors that influence poverty. According to the Efficiency Wage Theory, wage increases should increase worker productivity and reduce poverty. Although East Java has a District/City Minimum Wage standard that varies considerably between regions, with

large cities such as Surabaya having a higher District/City Minimum Wage than other regions. according to (Hanifah, 2021), this indicates that an increase in the District/City Minimum Wage may not reduce poverty if it is not accompanied by an increase in equitable distribution of employment opportunities and economic growth. The open unemployment rate is also a very important factor according to (Rivana & Gani, 2024). Based on the theory of Structural Unemployment developed by Keynesian, unemployment occurs when there is a mismatch between the skills of the labor force and employment needs. East Java has a lower OUR than some other regions, but if the workforce does not have skills that match the needs of the growing industry, then they will find it difficult to get a job with a decent income.

Therefore, research on the impact of the Human Development Index (HDI), Minimum Wage, and Open Unemployment Rate (TPT) on poverty in East Java Province is very important to carry out because the complexity of poverty is still the main challenge in the East Java area as the province with the largest population in Indonesia, which also has diverse social and economic dynamics, thus affecting the welfare of its population. Therefore, it is necessary to examine more deeply how education, health, and income factors contribute to the persistent poverty condition.

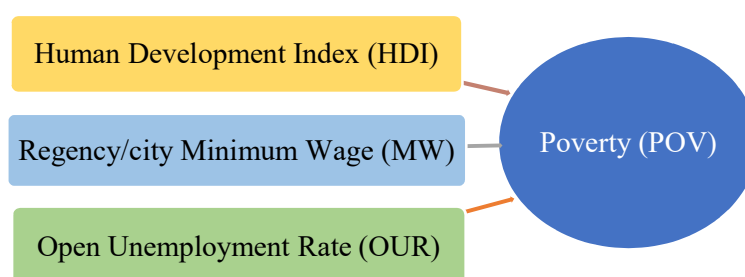
## **LITERATURE REVIEW**

Chambers stated that poverty is seen as a multi-dimensional phenomenon, covering both economic and social aspects. He emphasized that poverty can not only be measured through income, but also through access to education, health and access to resources. The concept of poverty consists of five dimensions, including incapacity, powerlessness, vulnerability, dependency and alienation. First, poverty refers to the inability to fulfill basic needs. Second, powerlessness indicates that poverty makes it difficult for individuals to gain power or social justice. Third, vulnerability relates to the difficulty of dealing with emergency situations, such as disasters, which can hamper survival. Fourth, dependency describes the conditions in which individuals depend on others to solve problems, especially those related to income. Finally, isolation explains how people can be trapped in poverty because of their distance from centers of welfare services, which hinders their access to these facilities. Meanwhile, Keynes (1936) argued that poverty can arise despite an abundance of resources, which he referred to as poverty in the midst of abundance. In



his view, economic instability can stem from internal factors, where uncontrolled labor and capital markets can trigger a strong tendency to reach an unstable market equilibrium. Then, in the trickle down effect theory describes the progress achieved by certain groups in society as naturally flowing to the lower strata, creating jobs and economic opportunities that encourage the equitable distribution of the results of economic growth. This theory implies that economic growth automatically triggers vertical flows from the rich to the poor. The benefits of economic growth tend to accrue to the rich first, while the poor only begin to benefit when the rich spend what they earn. As a result, the impact of economic growth on poverty reduction is indirect, depending on the vertical flow from the rich to the poor.

Research conducted by (Hilmi, 2022), (Utami, 2022) , and (Mufidah et al., 2022) which states that in their research the open unemployment rate has no significant effect on poverty. Then research conducted by (Sari, 2021) and (Hanifah, 2021) states that the minimum wage has a significant effect on poverty. Research conducted by (Ardian et al., 2021) and (Dharmmayukti, 2021) states that the human development index has a significant effect on poverty. Previous research used panel data regression analysis methods, while this study used multiple linear regression analysis methods. Then in previous studies using time series and cross section data, while this study uses cross section data only. Based on the explanation above, a framework can be formulated regarding the relationship between the human development index, regency/city minimum wage, and open unemployment rate to the poverty rate as follows:



*Figure 5. Thinking framework*



## Hypothesis

1.  $H_0$  : Human Development Index has no significant effect on poverty in East Java Province.  
 $H_1$  : Human Development Index has a significant effect on poverty in East Java Province.
2.  $H_0$  : Regency/city Minimum Wage has no significant effect on poverty in East Java Province.  
 $H_1$  : Regency/city Minimum Wage has a significant effect on poverty in East Java Province.
3.  $H_0$  : Open Unemployment Rate has no significant effect on poverty in East Java Province.  
 $H_1$  : Open Unemployment Rate has a significant effect on poverty in East Java Province.

## RESEARCH METHODS

This research uses a quantitative approach. The quantitative approach is an approach used to conduct research on certain populations or samples by collecting data in the form of numbers and conducting statistical analysis to test previously established hypotheses (Sugiyono, 2021) . The type of data used in this study is cross section data of 38 Regencys / cities in East Java Province during 2023. The data used in this study include the Number of Poor People, Open Unemployment Rate, Human Development Index, and Minimum Wage in Java Province. The data collection method applied in this research is documentation through relevant agencies, namely BPS East Java Province. The analysis method used is multiple linear regression analysis which aims to analyze the effect of the Human Development Index, minimum wage, and open unemployment rate on poverty in East Java Province. The resulting model in this study is as follows:

$$POV_i = \alpha + \beta_1 HDI_{1i} + \beta_2 MW_{2i} + \beta_3 OUR_{3i} + u_i$$

Where, POV is poverty,  $\alpha$  is constant,  $\beta_1, \beta_2, \beta_3$  is coefficient of human development index, regency/city minimum wage, and open unemployment rate, HDI is human development index, MW is regency/city minimum wage, OUR is open unemployment rate,  $e$  is *error term*,  $i$  is regency/City in East Java Province and  $t$  is period (2023). Furthermore, there are

four classical assumption tests carried out, namely normality, autocorrelation, heteroscedasticity, and multicollinearity. Then, to determine how much the independent variables contribute in shaping the dependent variable, several statistical tests were conducted. The three statistical tests applied in this study include partial test (t-stat), coefficient of determination test ( $R^2$ ), and simultaneous test (F-stat).

RESULTS AND DISCUSSION

Classical Assumption Test

In this study, there are four classic assumption tests carried out, namely normality, autocorrelation, heteroscedasticity, and multicollinearity. The normality test is carried out to determine whether the residual value has a normal distribution or not. The following is a measure of normality indicated by the prob value. Jarque-Bera,

Table 1. Normality test results

Normality Measure	Value	$\alpha$	Description
Prob. (Jarque-Bera)	0,704152	0,05	Normally Distributed Data

Source: Data processed, 2024

Based on the table 1, the normality test results show that the Jarque-Bera probability value is 0.704152, which is greater than the  $\alpha$  value of 0.05 which indicates that the residuals are normally distributed. Furthermore, the Multicollinearity test is used to identify whether there is a correlation between the independent variables by checking the correlation value between the independent variables. The following is the correlation value between independent variables,

Table 2. Multicollinearity test results

Variable	Correlation Value Between Independent Variables		
	HDI	MW	OUR
HDI	1,000000	0,407560	0,602247
MW	0,407560	1,000000	0,542850
OUR	0,602247	0,542850	1,000000

Source: Data processed, 2024

Based on the multicollinearity test results in table 2, it can be seen that the correlation value between the independent variables is below 0.8 so it can be concluded that there is no multicollinearity problem. Furthermore, this study also tested heteroscedasticity using

the white method. The following is a measure of heteroscedasticity shown by the prob value. Obs\*R-squared,

**Table 3.** heteroscedasticity Test Results

Heteroskedasticity Measure	Value	$\alpha$	Description
Prob. Obs*R-squared	0,5260	0,05	No Heteroscedasticity

*Source: Data processed, 2024*

Based on the heteroscedasticity test above, it is known that the Obs\*R-squared probability value is 0.5260 which is greater than  $\alpha$  which is 0.05. The results of this test indicate that there is no heteroscedasticity problem. Then, the autocorrelation test aims to identify whether there is a correlation between the disturbance variables from one observation to another. The following is a measure of autocorrelation indicated by the prob value. Obs\*R-squared,

**Table 4.** Autocorrelation Test Results

Autocorrelation Measure	Value	$\alpha$	Description
Prob. Obs*R-Squared	0,7621	0,05	No Autocorrelation

*Source: Data processed, 2024*

The autocorrelation test results above show that the Obs\*R-squared probability value is 0.7621 which is greater than  $\alpha$  which is 0.05. This result shows that the regression model is free from autocorrelation problems.

### Multiple linear regression

Multiple linear regression aims to see the effect of several independent variables on the dependent variable. In this study, researchers want to see the effect of independent variables consisting of the human development index, Regency / city minimum wage, open disturbance rate on poverty. The results of this research regression can be seen in the table 5.

**Tabel 5.** Regression Results

Variable	Coefficient	Prob t-Statistic	Significance
HDI	11.67765	0,0000	Significant
MW	0.003965	0,0010	Significant
OUR	683.3870	0,3201	Not significant

Variable	Coefficient	Prob t-Statistic	Significance
R-Squared	0,570167		
Prob F-Statistic	0,000001		

Source: Data processed, 2024

Based on the results of the study, the following equations can be made:

$$POV_i = 83470,57 - 11,67HDI_{1i} + 0,0039MW_{2i} + 683,38OUR_{3i} + u_i$$

### Statistical test

The t-Statistic test is conducted to determine the effect of the independent variable on the dependent variable. Based on regression result on table 5, it can be seen that the Human Development Index (HDI) and the Regency/City Minimum Wage (MW) variables have a significant effect on poverty. Meanwhile, the Open Unemployment Rate (OUR) variable does not significantly affect poverty. Furthermore, F-Statistics testing is used to measure the effect of independent variables together on the dependent variable. The following is the size of the F-Statistic which is indicated by the probability value of the F-Statistic, Then, based on the results of the F-Statistic test above, it can be seen that the independent variables, namely the Human Development Index (HDI), Regency Minimum Wage (MW), and Open Unemployment Rate (OUR) together have a significant effect on the dependent variable, namely poverty. Furthermore, Determinant Coefficient Test is to assess how well the model is able to explain the effect of independent variables simultaneously on the dependent variable, which can be seen from the R-squared value (Ghozali, 2016). Based on the results in table 5, the value of  $R^2$  is 0.570167 or 57.0167 percent, meaning that the independent variables, namely the Human Development Index (HDI), Regency/City Minimum Wage (MW) and Open Unemployment Rate (OUR) are able to explain the dependent variable, namely poverty, by 57.0167 percent while the remaining 42.9833 percent is explained by other variables that are not in the model.

### Discussion

#### The Effect of Development Index (HDI) on Poverty in East Java Province

Based on the results of the regression analysis conducted, it was found that the Human Development Index (HDI) variable has a negative and significant effect on poverty in East Java Province. The coefficient value of the HDI variable on poverty is negative at -11.67765 with a significant value of (0.0000) < 0.05 this shows that everyone increase in

HDI will reduce the poverty rate by 11.68 percent, which means  $H_0$  is rejected. This explains that an increase in the Human Development Index can reduce the poverty rate. In 2023 East Java's HDI reached 73.38 percent, an increase from 71.50 in 2019, which means that  $H_0$  is rejected. According to , which states that the main indicators of the Human Development Index (HDI) besides income are education and health. Significant negative changes indicate that improvements in the aspects of the HDI, namely education, health, and income, are closely related to a decrease in poverty. When HDI increases, it generally reflects progress in education and health. With these improvements, individuals have better opportunities to get better jobs and increase their income to meet economic needs. Conversely, when there is a decline in the Human Development Index, poverty tends to increase. Overall, these findings suggest that policies that focus on improving HDI can be an effective strategy to reduce poverty in the long run.

This decrease in poverty rate is in line with Amartya Sen's human development theory, which states that development that focuses on improving the quality of human life (education, health, and economic opportunities) can reduce poverty. Increasing HDI, which includes education and health, is a key factor in improving the quality of life and reducing poverty. These results are in line with research from (Diyanna Rahmawati & Dr. Asnita Frida Sebayang, 2023) , which states that HDI has a significant negative effect on poverty, because an increasing Human Development index indicates that it can increase human labor productivity which will increase income to meet the needs of a decent life, so that the poverty rate will decrease. The results of this study are also in line with the results of research (Handayani, 2023) and (Rahmawati et al., 2022) which states that a high Human Development Index contributes to improving the quality and productivity of human resources (HR) which in turn improves people's welfare and reduces poverty.

### **The Effect of Regency/City Minimum Wages (MW) on Poverty in East Java Province**

The regression analysis results show that the minimum wage has a significant positive effect on poverty in East Java Province. The coefficient value of District/City minimum wage on poverty is positive at 0.003965 with a significant value of  $(0.0010) < 0.05$ , which means that  $H_0$  is rejected. This means that every 1 increase in minimum wage is associated with an increase in poverty by 0.003965. This shows that even though the district/city minimum wage increases, it is not always effective in reducing poverty.

Although higher minimum wage are supposed to increase purchasing power and reduce economic hardship for workers, in reality it has not been enough to reduce existing poverty. One of the underlying reasons for this finding is that even though minimum wage have increased, the cost of living, especially goods and services, has also continued to rise, which reduces the positive impact of wage increases on society. In several districts/cities in East Java, while minimum wage have increased in recent years, the prices of basic necessities such as food and transportation have continued to rise. As in Surabaya, which reached Rp. 4,200,000 in 2020, but the monthly cost of living can be more than Rp. 5,000,000 per month, making it difficult for workers to meet basic needs, because the increase in minimum wage has not been proportional to the inflation of the cost of living. According to wage theory, the minimum wage should be sufficient to meet workers' basic needs. However, if inflation continues to outpace wage increases, then even if wages rise, it is not effective in reducing social inequality and poverty. The results of this study are in line with research by (D. S. Ayu, 2018) , (Faizin, 2021) , (Mengko et al., 2023) namely minimum wage have a positive and significant effect on poverty. This research is also in accordance with research conducted by (Millenia & Zaini, 2021) which found that an increase in the minimum wage does not always go hand in hand with a decrease in poverty. This is due to the inadequacy of wage policies in improving the welfare of local communities. When the minimum wage increases but is accompanied by an increase in the cost of living due to inflation, the level of community welfare does not show a significant increase, so poverty remains high in the region.

### **The Effect of Open Unemployment Rate on Poverty in East Java Province**

The results showed that the Open Unemployment Rate (OUR) had a positive and insignificant effect on poverty in East Java Province. The coefficient value of OUR on poverty is positive at 683.3870 with a significant value of  $(0.3201) > 0.05$ , which means that  $H_0$  is accepted. This indicates that although there is a tendency for poverty to increase along with the increase in the unemployment rate, the relationship is not statistically strong enough. In 2020, the unemployment rate in East Java was recorded at 5.48 percent. The poverty rate in East Java in the same year was actually higher at 11.09 percent. This is because many individuals are involved in the informal sector in East Java, which has a large role in many individuals in East Java working in the informal sector, which is not recorded in unemployment statistics. In 2020, more than 60 percent of the labor force in

East Java worked in the informal sector, this is not recorded as unemployment even though they have enough income to fulfill their needs. In addition, many families have several members working, so their combined income can reduce the negative impact of unemployment (Yacoub, 2012). In theory, the poverty rate should be in line with the unemployment rate, where an increase in unemployment will lead to an increase in poverty. However, in this case, the relationship between the two variables does not always match the assumptions of common economic theory. Instead, there is an opposite pattern, where an increase in unemployment does not always have a direct impact on an increase in poverty.

This relationship pattern shows that even if unemployment exists, support from social networks and other family members can help reduce poverty, so the effect of unemployment on poverty is not significant. According to (Giovanni, 2018) , in the context of poverty, an unemployed person in a household does not necessarily mean that the family becomes poor, because there are other family members who have enough income to keep the family living above the poverty line. This finding is in line with research (Amalia, 2012), and (Lusiana et al., 2024) which states that the open unemployment rate is not significant to poverty. This is because people who are unemployed are still helped with their living expenses by other family members who have high incomes. In addition, in both Classical and Neoclassical theories, open unemployment is considered a temporary phenomenon that does not directly lead to long-term poverty. This is due to market mechanisms that will eventually adjust, either through changes in wages, adjustments in the labor market, or increased mobility of labor and skills. Therefore, while unemployment may affect poverty in the short term, in the long term, the impact of unemployment on poverty tends to be more limited, and other factors such as skills, labor mobility, as well as market adjustments play an important role in reducing its effect on poverty.

## CONCLUSIONS

Based on the analysis, the results indicate that, partially, the Human Development Index (HDI) has a negative and significant effect on poverty in East Java, while the Minimum Wage has a positive and significant effect on poverty in East Java Province. On the other hand, the Open Unemployment Rate does not have a significant effect on poverty in East



Java. Furthermore, Human Development Index (HDI), Minimum Wage and Open Unemployment Rate variables, when considered simultaneously, have positive and significant effect on poverty in East Java Province. These findings have important implications for development policy in East Java. According to existing theories, policies focusing on improving human quality through education and health (which support HDI improvement) will be more effective in reducing poverty. Meanwhile, policies related to Minimum Wage need to consider the balance between fair wages and the economic sector's capacity to absorb the workforce. Lastly, although open unemployment is a serious issue, it does not always correlate directly with poverty levels, as many external factors influence household income, such as the informal sector.

### **LIMITATIONS AND RECOMMENDATIONS**

This study has limitations, namely in the discussion section an in-depth analysis has not been carried out. Recommendations for the East Java Provincial government are to create jobs and provide information on job vacancies so that they can be widely accessed by people who are still unemployed. In addition, the researcher also suggested that the East Java Provincial government should increase the real wages of workers instead of increasing wages accompanied by an increase in inflation.

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