



## What determines the number of poverty-stricken people in Indonesia?

Rina Manasika\*, Rahayu Tri Utami, Agata Sandra Naomi  
Vocational School, Universitas Gajah Mada, Indonesia

### Abstract

Poverty is seen as a condition where basic rights are not fulfilled as a mandatory condition for carrying out a dignified life for the community. This research was conducted with the aim of analyzing and obtaining empirical evidence of how the provincial minimum wage (*Upah Minimum Provinsi-UMP*), Real Per Capita GRDP, and the open unemployment rate (*Tingkat Pengangguran Terbuka-TPT*) can affect the number of poverty-stricken people in Indonesia in 2020. The method used in this research is quantitative, namely the *Ordinary Least Square (OLS)* technique, with secondary data obtained from the official website source of the Indonesian Central Bureau of Statistics (BPS), which is processed using EViews 12 software. The final results of the research showed that partially the UMP and Real Per Capita GRDP variables have a significant effect on the number of poverty-stricken people in Indonesia in 2020, while TPT has no significant effect. However, when all three variables were tested simultaneously, the results showed that there was a significant effect on the number of poverty-stricken people in Indonesia in 2020. Another result that was also shown in this study is the coefficient of determination ( $R^2$ ) at 0.7694 which means that 77% of the information needed to predict the dependent variable can be explained by all of the independent variables in this study.

Keywords: GRDP; poverty; provincial minimum wage; open unemployment rate

### 1. Introduction

In developing countries such as Indonesia, paying attention to and realizing the problem of poverty and making various efforts to reduce its growth rate is very important. Even to improve the economy and reduce poverty, it is used as a master plan in development planning (Gulo, 2020). It should also be noted that one of the national development targets is the reduction of the poverty rate. This is in line with the goals of the Indonesian nation, as stated in the fourth paragraph of the preamble of the 1945 Constitution of the Republic of Indonesia. In addition, national development also aims to improve economic performance in the form of creating new jobs so as to be able to direct an adequate life for all levels of society and realize welfare for all Indonesian citizens. The problem of poverty is multidimensional and complex. The concept of poverty is defined as the community's economic powerlessness to meet basic needs, including food and non-food, and is measured by expenditure indicators (Badan Pusat Statistik, 2022). Poverty is often characterized by underdevelopment and high unemployment rates (Mahendra, 2019). Thus, the government needs to make regulations as a strategy to reduce poverty in an integrated, comprehensive, and sustainable manner.

In 2018, the Central Bureau of Statistics (*Badan Pusat Statistik-BPS*) announced that the Indonesian economy had experienced growth with an achievement of 5.17%, which was higher than the previous year's 5.07%. This figure is measured based on Per Capita Gross Domestic Product and Gross Domestic Product at current prices. Economic growth is one of the important goals of implementing government policies, especially macroeconomic policies. Good economic growth will create economic prosperity for the country's population, which is reflected in the decreasing number of poverty-stricken people in that country. Poverty reduction will occur significantly if economic growth

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\* Corresponding author at Vocational School, Universitas Gajah Mada, Jl. Persatuan, Blimbing Sari, Caturtunggal, Kec. Depok, Kabupaten Sleman, Daerah Istimewa Yogyakarta 55281. E-mail: rina.manasika@mail.ugm.ac.id

is high. Then, using the formulation of the total additional UMP in 2017 multiplied by the national inflation rate and national economic growth, the UMP in Indonesia increased by 8.71% or around IDR 2,264,676, where the national inflation rate is set at 3.72% while the national economic growth is determined at 4.99% (Gulo, 2020).

The contribution of the ascent of food prices has a higher effect than the wage increase on poverty. This is based on the National Socioeconomic Survey (Susenas) results. However, in general, the main cause of poverty is unemployment due to the termination of employment (layoffs) by companies. These conditions cause people to lose income and make them classified as poverty-stricken. Layoffs usually occur due to a slowdown in economic growth, reducing demand for goods and services. This is similar to what happened in 2015, but in 2016 the unemployment rate decreased. The decline in the unemployment rate occurred because the government implemented policies aimed at improving the economy so that industrial demand for resources or a productive workforce increased (Supriyatna, 2017). From 2015 to 2018, poverty in Indonesia has shown a downward trend. In 2015, the poverty rate reached 28.59 million people, while in 2018, it was only 25.94 million people.

Unlike previous years, in 2020, the global economy was shaken by the Covid-19 pandemic, causing various impacts that could be considered extraordinary on aspects of human life in the economic, humanitarian, health, and financial system stability fields. The Covid-19 pandemic, which is very fast, requires all entities to properly cooperate in dealing with this problem. The high death rate and the increasing number of infected people prompted the government to make policies to prevent other impacts immediately. The policies carried out are social distancing, limiting population mobility in all areas where the virus is spreading, and implementing large-scale social restrictions (PSBB). Limited mobility of people and economic activity in Indonesia as an effort to contain the spread of the virus has an impact on increasing uncertainty in financial markets, as well as a contraction in economic growth in each country (Bank Indonesia, 2021). In addition, looking more deeply at the macroeconomic level, the impact of limited community economic activities has resulted in significant changes in employment opportunities, income, and income inequality in society (De la Fuente, 2020).

The International Monetary Fund (IMF) also stated that Covid-19 had changed global economic conditions in only a relatively short period of time, namely three months. During that period, there was a total change in economic projections. The IMF even stated that all countries in the world had entered a crisis. The IMF statement regarding the crisis that occurred was reinforced by the results of a study from the LIPI Population Research Center, the Ministry of Manpower, and LD-FEB UI (2020) which stated that from the entrepreneur group, 39.4% of their businesses had stopped, 57.1% were still running, but production and income were greatly reduced, and only 3.5% were not affected. Looking at the real conditions on the ground, this has implications for an increase in the number of unemployed as well as workers with declining incomes.

According to BPS publication data, the open unemployment rate (*Tingkat Pengangguran Terbuka-TPT*) in August 2019 was 5.23%, but in August 2020, the number increased sharply to 7.07%. This crisis situation is in line with the increase in the number of poverty-stricken people in Indonesia in 2020. In March 2019, the number of poverty-stricken people in Indonesia, according to BPS, was 25,144 thousand people and decreased in September 2019, namely 24,785 thousand people. However, in March 2020, the number of poverty-stricken people increased to 26,424 thousand people, and in September 2020, it continued to increase to 27,549 thousand people.

Based on these problems, studying the factors that might affect the number of poverty-stricken people is necessary. To achieve what this research aims, the authors are interested in conducting research that focuses on "The Effect of the Regional Minimum Wage, Open Unemployment Rate, and Real Per Capita GRDP on the Number of Poverty-stricken People in Indonesia in 2020". The author will test the Provincial Minimum Wage (*Upah Minimum Provinsi-UMP*), Real Per Capita GRDP, and the Open Unemployment Rate (*Tingkat Pengangguran Terbuka-TPT*) on the number of poverty-stricken people in Indonesia in 2020 through several tests conducted. If the number of abstract poverty upheavals is not immediately followed up, society will face social disasters. Therefore, the authors are trying to examine the factors to minimize poverty fluctuations and can be used as material for consideration by stakeholders in determining policies to be decided.

## 2. Literature review

### **Poverty**

Poverty is one of the global issues that until now has not been able to be resolved. Poverty is interpreted as a human inability to meet basic needs and a person's inability to fulfill basic rights in life. Aftab et al. (2002) state that poverty occurs due to social factors such as the land tenure system, the structure of society, low level of human development, ethnic and sectarian conflicts. Poverty as a multidimensional problem will not adequately describe the meaning and phenomenon that accompanies it with only one approach in a particular field of science (Abilawa, 2010), but in general, what is often used in academic studies is the definition of poverty introduced by the World Bank, namely as a condition of society with an inability to achieve a minimum standard of living. Thus, the main problem of poverty is the limitation of welfare. Hence, an understanding emerges that poverty is an inability to meet the needs of welfare guarantors and a lack of access to resources that can be used to support his life. The government has run various programs to solve the problem of poverty in Indonesia. However, the results are still not optimal.

### **Provincial minimum wage (*upah minimum provinsi-UMP*)**

Upah Minimum Provinsi (UMP), or provincial minimum wage, is a standard minimum wage that employees must receive in a business entity. UMP includes basic wages and fixed allowances, where the fixed allowance is the total incentive that was received by workers regularly and systematically, and their payment is not related to the attendance or achievement of certain achievements. The government sets the UMP with the aim of ensuring wage levels are maintained and preventing exploitation of employees by business entities by keeping wages as low as possible in order to achieve greater profits. If the minimum living needs are met, workers' welfare levels can increase to free them from poverty problems. However, most of Indonesia's population depends not on the provincial minimum wage but on the income from their daily work (Feriyanto *et al.*, 2020). This indicates that when the provincial minimum wage is increased, it will not affect the income of the poverty-stricken.

### **Open unemployment rate (*tingkat pengangguran terbuka-TPT*)**

A workforce is defined as people, both men and women, who will and or are doing work within or outside of work relations to create goods and services to meet the community's needs. While the open unemployment category is those who are unemployed due to the process of looking for work, the process of preparing for a business, or will not get a job because it is affected by age, physical condition, educational background, and various other factors, as well as unemployed people who have found work but haven't started work yet. This open unemployment variable can be used as data that represents unemployment, and one of the important indicators that can determine the level of people's prosperity is income. Maximum community income can be achieved when labor is used effectively and efficiently. Poverty and unemployment rates have a very close relationship regarding inequality in people's income (Ujung, 2021). Unemployment and poverty have a significant relationship when people work regularly with sufficient income, but there are still dependents of an unemployed person who has not gotten a job. This will reduce the amount of a worker's ability to meet his needs and his dependents, so unemployment has an effect on increasing poverty.

According to Sadono (2004), the definition of unemployment is someone who has been classified into the labor force who is actively looking for work at a certain wage level but does not get the job he wants. Then reported from the official website of the Central Bureau of Statistics, open unemployment consists of:

- Those who do not have a job and are looking for work
- Those who do not have a job and are preparing for a venture
- Those who don't have a job and are not looking for a job
- Those who already have a job but have not yet started work

According to Hapsoro et al. (2013), the number of unemployed is closely related to poverty, where the population has a very large dependence on income or wages earned at that time. When a very large population is inversely proportional to the available jobs, it causes a person to have no income,

and automatically he cannot meet his needs. This means that higher unemployment will increase poverty.

### ***Real per capita gross regional domestic product (GRDP)***

One of the conditions for a country's economic development to run smoothly is high national income with a measure of the level of economic growth. Economic growth is defined as an increase in the capacity of a country, in the long run, to provide various economic goods as measured by indicators of technological, ideological, and institutional progress or institutions against all existing demands (Todaro, 2003). However, in its implementation, there are problems in the form of how to trigger economic growth and who are the implementers and recipients of the results of the growth itself. Gross Regional Domestic Product (GRDP) is the total value of goods and services produced in an area within a certain period of time by production units. Per capita, income reflects the production results and the population's average income. This is also used as a reference to view a country's prosperity, capability, and welfare (Mahendra, 2019).

### ***Previous research***

According to Gulo (2020), in the research titled "Analysis of the Effects of Economic Growth, Unemployment and Minimum Wage on the Number of Poverty-stricken People in Indonesia in 2000-2018," explain that economic growth is irrelevant to the number of poverty-stricken people and has a negative relation. While unemployment is also irrelevant to the number of poverty-stricken people, the relationship is positive. The minimum wage is the only variable that is relevant to the number of poverty-stricken people and has a negative relation. Research by Lustig & McLeod (1997), "Minimum Wages and Poverty in Developing Countries: Some Empirical Evidence," is a chapter in the book "Labor Markets in Latin America" explains that minimum wages can reduce poverty in developing countries by increasing the income of low-wage workers. In addition, minimum wages can positively impact formal employment and reduce the size of the informal sector. However, minimum wages can have unintended consequences, such as reducing employment opportunities for low-skilled workers.

Unlike the research entitled "The Influence of the Human Development Index (IPM), Regional Minimum Wage (UMR), and the open unemployment rate or Tingkat Pengangguran Terbuka on the Number of Poverty-stricken Population in Indonesia in 2017-2021 (Case Study of 34 Provinces in Indonesia)" by Rahmawati et al. (2022) which stated that regional minimum wage (*Upah Minimum Regional-UMR*) and the open unemployment rate (*Tingkat Pengangguran Terbuka-TPT*) have a significant and positive effect on the number of poverty-stricken people. Likewise, in the study "Analysis of the Influence of Gross Domestic Product, Inflation and Regional Minimum Wage on Unemployment Rates in Indonesia for the 2002-2016 Period" by Alridho, Gross Domestic Product and Regional Minimum Wage simultaneously affect the level of unemployment in Indonesia. Research on the same topic by Sari (2022) with the title "Analysis of the Influence of GRDP Per Capita, Average Years of School, Per Capita Expenditure, and District/City Minimum Wage on the Number of Poverty-stricken Population: Panel Study in Central Java Province in 2018-2020" states that the number of poverty-stricken people in Central Java Province is significantly influenced by per capita expenditure and District/City Minimum Wage, while Real Per Capita GRDP and Average years of school do not affect the number of poverty-stricken people during these three years.

### **3. Method**

Analysis of the effect of the provincial minimum wage (*Upah Minimum Provinsi-UMP*), Real Per Capita GRDP, and the open unemployment rate (*Tingkat Pengangguran Terbuka-TPT*) on the number of poverty-stricken people in Indonesia in 2020 is a type of quantitative research using secondary data published by the Indonesian Central Bureau of Statistics (*Badan Pusat Statistik-BPS*), namely *Upah Minimum Provinsi (UMP)*, *Tingkat Pengangguran Terbuka (TPT)*, Real Per Capita GRDP, and the number of poverty-stricken people in Indonesia. The type of analysis used in analyzing the data is descriptive analysis, where the output of the test that has been carried out is hoped to be able to provide an overview and explain how the effect of the provincial minimum wage (*Upah Minimum Provinsi-UMP*), open unemployment rate (*Tingkat Pengangguran Terbuka-TPT*), and Real Per Capita GRDP on the total poverty-stricken people in Indonesia in 2020. To analyze the data, a statistical

analysis model is used as a multiple linear regression model or Ordinary Least Squares (OLS). The statistical model can be described through the following multiple regression equation:

$$Y = \alpha + \beta \log X_1 + \beta \log X_2 + \beta \log X_3 + \varepsilon \dots (1)$$

Information:

- Y = variable dependent
- $\alpha$  = Constanta
- $\beta$  = independent variable coefficient
- $X_1, X_2, X_3$  = independent variables
- $\varepsilon$  = term of error

This statistical method was chosen on the grounds that the multiple linear regression model or OLS can show and provide an overview of whether there is a substantial relationship between the number of poverty-stricken people and the provincial minimum wage (*Upah Minimum Provinsi-UMP*), Real Per Capita GRDP, and the open unemployment rate (*Tingkat Pengangguran Terbuka-TPT*) in Indonesia in 2020. The statistical software applications that will be used to analyze the collected data are Microsoft Excel and EViews. Microsoft Excel software is used to enter and tidy up data taken from the official website of the Indonesian Central Bureau of Statistics (BPS). At the same time, the EViews software is used to calculate the correlation and the effect expressed through the regression equation from the data that has been added and tidied up using the Microsoft Excel application. In this process, a high level of accuracy is required to obtain multiple linear regression forms is obtained and conclusions can be drawn regarding whether there is a simultaneous significant relationship for the variables used.

#### 4. Results and discussion

In using the multiple linear regression analysis methods or also called Ordinary Least Square (OLS), it is necessary to test the classical assumptions as a condition and prove that the assumptions required in this method are met and ensure that the resulting estimator or the regression equation obtained has the properties Best Linear Unbiased Estimator (BLUE). This means that the resulting equation is correct, valid, unbiased, and consistent. Several tests that must be fulfilled in this classic assumption test consist of a normality test, linearity test, multicollinearity test, autocorrelation test, and heteroscedasticity test.

##### *Normality test*

Table 1. Normality test using Jarque-Bera

Model	N	Mean	Std. Dev	Jarque-Bera	Probability
1	34	5.19e-15	0.5258	1.4247	0.4904

The normality test shown in Table 1 is used in terms of reviewing whether the data used in analyzing the effect of the provincial minimum wage (*Upah Minimum Provinsi-UMP*), open unemployment rate (*Tingkat Pengangguran Terbuka-TPT*), and Real Per Capita GRDP on the number of poverty-stricken people is normally or not normally distributed. This can be done by checking the value of Jarque-Bera and Probability. Based on the table above, the Jarque-Bera and Probability values obtained are 1.4247 and 0.4904. Data can be said to be normally distributed when the Jarque-Bera value and the probability are more than the level of significance used. Thus, the data used in this study are normally distributed.

##### *Multicollinearity test*

The multicollinearity test is carried out when the linear regression equation uses more than one independent variable in which a model with a reasonably high coefficient of determination (R-Squared) indicates one of the symptoms. Still, only a few independent variables significantly affect the dependent variable throughout the test. This test uses the VIF value as a parameter to determine it, where when

the value is less than 10, it can be declared free from multicollinearity problems. Based on the table, it can be seen that the VIF value shows the numbers 1.6841; 1.6534; 1.2292, which is less than 10. It can be concluded that the regression model above is free from multicollinearity problems.

Table 2. Multicollinearity test using Tolerance and Variance Inflation Factor (VIF) value

Model		B	VIF
1	(Constant)	65.5598	
	Per capita real GRDP	0.0106	1.6841
	Open unemployment rate	0.1643	1.6534
	Regional minimum wage	0.2550	1.2292

**Autocorrelation test**

Table 3. Autocorrelation test using Breusch-Godfrey Serial Correlation LM

Model	R	R-Squared	Prob. Chi-Squared (2)	S.E of regression
1	-0.1631	0.0130	0.8011	0.5671

Based on the results of the autocorrelation test shown in the table using a significance level ( $\alpha$ ) of 0.05, the magnitude of Prob. Chi-Square (2) 0.8011. Because the value is more significant than 0.05, it can be concluded that the regression model has no autocorrelation problems.

**Heteroscedasticity test**

Table 4. Heteroskedasticity test using Breusch-Pagan-Godfrey

Model	R	R-Squared	Durbin-Watson	S.E of regression	Prob. Chi-Squared (3)
1	0.0936	0.1760	1.3108	0.3363	0.1124

The heteroscedasticity test was carried out to test whether, in the regression equation model, there is an inequality of variance and residuals between one observation to another. This can be done by looking at the p-value indicated by the Prob value. By looking quickly at the table, you can see the magnitude of the Prob. Chi-Squared (3) is 0.1124. Because the value is higher than the level of significance ( $\alpha$ ) used (0.05), it can be concluded that the regression model presented is homoscedasticity or the assumption of heteroscedasticity is valid.

**Partial test**

Table 5. Partial test using Ordinary Least Square (OLS) technique

Model	Unstandardized Coefficients		t	Sig.
	B	Std. Error		
Per Capita Real GRDP	0.7251	0.1032*	7.0252	0.0000
Open Unemployment Rate	-0.5200	0.4054	-1.2826	0.2094
Regional minimum wage	-1.6600	0.5050*	-2.2868	0.0026
(Contant)	18.0357	8.0993*	2.2268	0.0336

Notes: “\*” indicate significance at the 5% levels

Based on the table result of a partial test above, the regression equation can be taken to analyze the effect of the provincial minimum wage (*Upah Minimum Provinsi-UMP*), open unemployment rate (*Tingkat Pengangguran Terbuka-TPT*), and Real Per Capita GRDP on the number of poverty-stricken people in Indonesia in 2020 as follows.

$$Y = 18.0357 + 0.7251X_1 - 0.5200X_2 - 1.6600X_3 + \varepsilon \dots(2)$$

Where Y is the number of poverty-stricken people, X1 is the Real Per Capita GRDP, X2 is the open unemployment rate (*Tingkat Pengangguran Terbuka-TPT*), X3 is the provincial minimum wage (*Upah Minimum Provinsi-UMP*), and e is the term of error or error captured by the model. Based on the regression model, it can be seen that the constant value is 18.0357 and is positive. This means that if the values of all independent variables (Real Per Capita GRDP, TPT, and UMP) are equal to zero, then the average Real Per Capita GRDP in all provinces in Indonesia is 18.0357 million rupiahs.

### ***F-Test and Regression Coefficient Test (R2)***

Table 6. Estimation result F-Test and Regression Coefficient Test (R2)

Model	F-statistic	Prob (F-statistic)	R-squared	Adjusted R-squared	Std. Error
1	33.3726	0.0000	0.7694	0.7463	0.5515

Statistically, by looking at the probability value obtained when using a significant level ( $\alpha$ ) of 0.05, it can be concluded that H0 failed to be accepted, so the independent variables used are the UMP, TPT, and Real Per Capita GRDP simultaneously has a significant effect on the dependent variable, namely the number of poverty-stricken people. The probability is 0.000, and the F value is 33.3726.

Based on the table above, using a level of significance ( $\alpha$ ) value of 0.05 and by using a quick way to see the R-Squared value, a figure of 76.94 is obtained. This means that as much as 76.94% of the poverty-stricken population that occurs in Indonesia in 2020 can be explained by the variables of the Provincial Minimum Wage, Open Unemployment Rate, and Real Per Capita GRDP, while the remaining 33.06% is explained by other variables that are not included in the in models. These other variables include the human development index, per capita income, and economic growth. This is in line with research by Sinta and Fahrati (2022), which identified that there is a relationship between the human development index, per capita income, economic growth, and poverty. However, the strength and direction of this relationship can vary depending on the specific context and time period being studied.

### ***Real per capita GRDP***

The regression equation illustrates that the regression coefficient ( $\beta$ ) of the Real Per Capita GDP variable is positive and significant for the number of poverty-stricken people, namely as much as 0.7251. This means that if the Real Per Capita GRDP increases by 1%, the total number of poverty-stricken people will also increase by 0.7251 thousand people. This is in line with Kuznet in Tambunan (2001) that economic growth, which is reflected in an increase in GRDP and poverty, has a close relationship (Nugroho and Rhamadhani, 2016). The phenomenon of an increase in the number of poverty-stricken people accompanied by an increase in Real Per Capita GRDP in 2020 is something unique. In general, an increase in Real Per Capita GRDP will be accompanied by a decrease in the number of poverty-stricken people. If the Real Per Capita GRDP is higher, it means that the population is considered to be more prosperous and will be accompanied by a decrease in the number of poverty-stricken people (Sari, 2022).

2020 is a very historic year where in this year all aspects of life have been rocked by the Covid-19 pandemic for the first time. Thus, according to the author, the phenomenon of increasing the number of poverty-stricken people followed by an increase in Real Per Capita GRDP could be due to consumption by the public being allocated more for food consumption and various health support needs than for other things such as housing, clothing, and education needs. This is supported by the statement of Arida et al. (2015) that in poverty-stricken households, food expenditure tends to be greater than non-food expenditure. In addition, Real Per Capita GRDP has increased due to the large number of consumption needs that must be met in order to face the pandemic in 2020, while the number of poverty-stricken people who have increased is as a result of an increase in the average public consumption expressed in the Poverty Line so that households that whose consumption is still below the poverty line can be counted as a poverty-stricken household. Therefore, the number of poverty-stricken people has increased.

### ***Open unemployment rate (tingkat pengangguran terbuka-TPT)***

The resulting regression model represents that the regression coefficient ( $\beta$ ) of the independent variable open unemployment rate (*Tingkat Pengangguran Terbuka-TPT*) is negative but insignificant to the number of poverty-stricken people, equal to 0.5200. This indicates that when the Tingkat Pengangguran Terbuka increases by 1%, the number of poverty-stricken people will also decrease by 0.5200 thousand people. This result does not align with existing theories, which say that the number of poverty-stricken people is due to increased unemployment (Hilmi et al., 2022). However, these results are in line with research from Gulo (2020), which found the same thing that unemployment does not have a significant effect on the poverty variable. This is because among the categories of open unemployment, some of them belong to the informal sector, and some others have jobs with working hours of less than 35 hours per week.

The open unemployment rate (*Tingkat Pengangguran Terbuka-TPT*) causes a loss of income sources for individuals and families. When they do not have a stable income, meeting their basic needs, such as food, housing, and access to health services, will be hampered. This then becomes the risk of poverty which complicates life. In addition, the high TPT also triggers a cycle of poverty. Where when a person loses his job, it creates the possibility of being trapped in long-term poverty. This happens due to the difficulty of access in getting a new job. This situation has a negative impact on future generations and prolongs the cycle of poverty in the family.

### ***Provincial minimum wage (upah minimum provinsi-UMP)***

The regression equation results show that the regression coefficient ( $\beta$ ) of the provincial minimum wage (*Upah Minimum Provinsi-UMP*) variable is negative and significant for the number of poverty-stricken people, namely 1.6600. This means that if the provincial minimum wage (*Upah Minimum Provinsi-UMP*) increases by 1%, the number of poverty-stricken people decreases by 1.6600 thousand inhabitants. The difference in the amount of provincial minimum wage (*Upah Minimum Provinsi-UMP*) received by the community is closely related to income inequality, where income inequality is seen as a determinant of poverty (Palomino et al., 2020). A higher provincial minimum wage (*Upah Minimum Provinsi-UMP*) could help reduce the income gap between low-paid and high-paid workers. In societies with high levels of income inequality, a relatively high provincial minimum wage (*Upah Minimum Provinsi-UMP*) can help equalize access to resources and opportunities. In addition, an increase in the provincial minimum wage (*Upah Minimum Provinsi-UMP*) is also associated with the high productivity of a company. The increase in the minimum wage forced companies to optimize internal production, reduce redundant employees and foster innovation.

When wages increase, the population's welfare level will also increase due to their ability to meet the necessities of life, so the number of poverty-stricken people will decrease. However, the size of the provincial minimum wage (*Upah Minimum Provinsi-UMP*) can also negatively impact it by reducing the number of workers or increasing the price of products and services produced to cover the cost of higher wages by companies. Therefore, regional minimum wage policies must be balanced with the needs and characteristics of the regional economy concerned to achieve optimal results in reducing poverty. Bird and Manning (2008) say that minimum wage policies may not effectively reduce poverty in Indonesia, as they result in net losses for most poverty-stricken households.

## **5. Conclusion**

The final result of the analysis in this study is that the Real Per Capita GRDP is positive and significant for the number of poverty-stricken people, namely 0.7251. This means that if the Real Per Capita GRDP increases by 1%, the total number of poverty-stricken people will also increase by 0.7251 thousand. The independent variable of the open unemployment rate or Tingkat Pengangguran Terbuka is negative and insignificant to the number of poverty-stricken people, namely -0.5200. This indicates that when the open unemployment rate or Tingkat Pengangguran Terbuka increases by 1%, the number of poverty-stricken people will also decrease by 0.5200 thousand people. Meanwhile, the provincial minimum wage (*Upah Minimum Provinsi-UMP*) has a negative and significant value for the number of poverty-stricken people, namely -1.6600. This means that if the provincial minimum wage (*Upah Minimum Provinsi-UMP*) increases by 1%, the number of poverty-stricken people will decrease by 1.6600 thousand people. Simultaneously, the independent variables, namely the provincial minimum wage (*Upah Minimum Provinsi-UMP*), open unemployment rate (*Tingkat Pengangguran Terbuka*-



TPT), and Real Per Capita GRDP have a significant effect on the dependent variable, namely the number of poverty-stricken people. The probability is 0.0000 and the F value is 33.3726.

Based on the conclusions above, the authors provide several suggestions for the government, society, and subsequent writers. As a stakeholder, the government should make regulations and encourage economic growth through increased production capacity. With an increase in production, it will open new jobs, provide work experience, and encourage investment and technological development. Then, the government must also review the UMP policy and tighten existing regulations because the UMP policy is very effective in suppressing the growth of the number of poverty-stricken people in Indonesia. However, the implementation of government policies also needs to be followed by increasing the capacity of its human resources, especially the community, through training so that more and more people are absorbed into the workforce and reduce the unemployment rate. In addition, it is hoped that this research will become a source of literature for further research related to the analysis of the effect of the provincial minimum wage (*Upah Minimum Provinsi-UMP*), open unemployment rate (*Tingkat Pengangguran Terbuka-TPT*), and Real Per Capita GRDP on the number of poverty-stricken people.

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