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ANALYSIS OF THE INFLUENCE OF SOCIAL-ECONOMIC FACTORS ON THE PERCENTAGE OF POVERTY IN CENTRAL JAVA PROVINCE IN THE PERIOD 2017-2024

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Abstract

This study aims to analyze the effect of average years of schooling, open unemployment rate, district/city minimum wage, and labor force participation rate on the poverty percentage in Central Java. Poverty remains an important development issue because it is closely related to community welfare. This research uses a quantitative approach with secondary data obtained from Statistics Indonesia (BPS). The data used are panel data from 35 districts/cities in Central Java during the 2017–2024 period. The analytical method employed is panel data regression using the Fixed Effect Model (FEM) approach. The results show that average years of schooling has a positive and significant effect on the poverty percentage. The open unemployment rate also has a positive and significant effect on the poverty percentage. Meanwhile, the district/city minimum wage has a negative and significant effect on the poverty percentage. In addition, the labor force participation rate has a negative but insignificant effect on the poverty percentage. These findings indicate that educational factors, employment conditions, and wage policies play an important role in influencing poverty levels in Central Java.

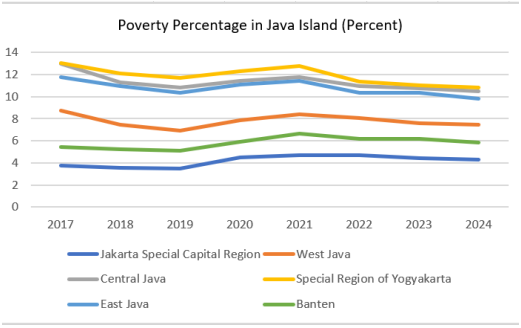
Keywords: Poverty Percentage, Average Years of Schooling, Open Unemployment Rate, District/City Minimum Wage, Labor Force Participation Rate.

INTRODUCTION

Poverty remains one of the main challenges in economic development in Indonesia. In the context of economic development, economic growth that is not accompanied by equitable income distribution can lead to social inequality and increase poverty levels. Poverty is a complex issue influenced by various interrelated factors, including community income levels, unemployment, health, education, labor force participation, and access to goods and services. According to Martini & Woyanti (2022), poverty is not only understood as economic incapacity, but also as the failure to fulfill people's basic rights. Therefore, poverty alleviation has become a national development priority through improving the quality of human resources, creating employment opportunities, and increasing community income.

Central Java has a relatively high poverty rate compared to other provinces on the island of Java. Based on available data, the poverty rate in Central Java during the 2017–2024 period consistently remained above the national average and ranked as the second highest on Java Island. In 2024, the poverty rate in Central Java reached 10.47%, while the national average was 8.57%. In addition, data indicate that the poverty rate increased during the COVID-19 pandemic period in 2020–2021 before gradually declining in subsequent years. These conditions indicate that poverty in Central Java is fluctuating and influenced by various complex socio-economic factors.

Vol. 02 Year 2026, 2799 – 2811
ISSN: 3109-3337



Source: Statistics Indonesia/BPS Indonesia (2017-2024)
Figure 1. Poverty Rate in Java Island (2017-2024)

Disparities among regencies and municipalities in Central Java also reflect differences in regional economic development conditions. Based on Table 1, Kebumen Regency, Brebes Regency, Wonosobo Regency, Pemalang Regency, and Banjarnegara Regency recorded the highest poverty rates in 2024. These differences in poverty levels indicate that each region has distinct economic, educational, and labor characteristics, thereby requiring more targeted policy interventions. In this study, the socio-economic factors analyzed include the average years of schooling, open unemployment rate, regency/municipality minimum wage, and labor force participation rate, as these variables are closely related to community welfare and the ability of regions to reduce poverty levels.

Table 1. Highest Poverty Rates in Regencies/Municipalities of Central Java in 2024

Regency/City	**Poverty Rate (Percent)**
Kebumen Regency	15,71
Brebes Regency	15,6
Wonosobo Regency	15,28
Pemalang Regency	14,92
Banjarnegara Regency	14,71

Source : Central Java Statistics Agency/BPS Provinsi Jawa Tengah (2024)

From the educational perspective, the average years of schooling is an important indicator in improving the quality of human resources. According to Faritz & Soejoto (2020), education can increase community productivity, thereby helping individuals escape the cycle of poverty. Based on Table 2, Salatiga, Magelang, Surakarta, Semarang, and Sukoharjo Regency recorded the highest average years of schooling in Central Java in 2024. However, several regions such as Banjarnegara Regency, Brebes Regency, Pemalang Regency, and Wonosobo Regency still had an average years of schooling of only around six years, equivalent to elementary school graduates. These educational disparities indicate that improving the quality of education remains an important challenge in poverty alleviation efforts in Central Java.

Table 2. Highest Average Years of Schooling in Regencies/Municipalities of Central Java in 2024

Regency/City	**Average Years of Schooling (Years)**
Salatiga City	11,48
Magelang City	11,43
Surakarta City	11,25
Semarang City	11,05
Sukoharjo Regency	10,01

Source : Central Java Statistics Agency/BPS Provinsi Jawa Tengah (2024)

In addition to education, labor-related factors also influence poverty levels. The open unemployment rate reflects the inability of the economy to absorb labor, which can reduce community income and increase poverty. Based on Table 3, Brebes Regency recorded the highest

open unemployment rate in Central Java in 2024 at 8.35%, followed by Cilacap Regency, Tegal Regency, Pemalang Regency, and Banyumas Regency. According to Ferian & Gunanto (2021). when unemployment increases, the population becomes less productive, making it more difficult to fulfill basic living needs and consequently reducing overall welfare.

Table 3. Highest Open Unemployment Rates in Regencies/Municipalities of Central Java in 2024

Regency/City	Open Unemployment Rate (Percent)
Brebes Regency	8,35
Cilacap Regency	7,83
Tegal Regency	7,53
Pemalang Regency	6,63
Banyumas Regency	6,18

Source : Central Java Statistics Agency/BPS Provinsi Jawa Tengah (2024)

Meanwhile, from the income perspective, the minimum wage is also an important factor in increasing people's purchasing power, enabling them to meet their daily living needs. An increase in the minimum wage is also expected to stimulate more equitable economic growth. Based on Table 4, Semarang, as the provincial capital, recorded the highest regency/municipality minimum wage in Central Java in 2024, amounting to Rp 3.243.969,00. However, disparities in minimum wages among regions remain relatively large, indicating that the distribution of economic welfare is still uneven.

Table 4. Highest Regency/City Minimum Wages in Central Java in 2024

Regency/City	Minimum Wage (rupiah)
Semarang city	3.243.969,00
Demak regency	2.761.236,00
Kendal regency	2.613.573,00
Semarang regency	2.582.287,00
Kudus regency	2.516.888,00

Source : Central Java Statistics Agency/BPS Provinsi Jawa Tengah (2024)

On the other hand, a high labor force participation rate does not necessarily reduce poverty if it is not accompanied by adequate employment opportunities. In this study, the labor force participation rate variable is used to examine its contribution in influencing the poverty rate in Central Java. In addition, it is intended to assess whether the potential demographic bonus has been optimally utilized to improve community welfare. Based on Table 5, Semarang Regency recorded the highest labor force participation rate at 79,29% in 2024. However, disparities in employment opportunities across regions remain a major challenge in regional development.

Table 5. Highest Labor Force Participation Rates in Regencies/Municipalities of Central Java in 2024

Regency/City	Labor Force Participation Rate (Percent)
Semarang Regency	79,29
Temanggung Regency	78,06
Batang Regency	77,91
Wonogiri Regency	77,75
Magelang Regency	77,72

Source : Central Java Statistics Agency/BPS Provinsi Jawa Tengah (2024)

This study aims to analyze the effect of average years of schooling, open unemployment rate, regency/municipality minimum wage, and labor force participation rate on the poverty rate across 35 regencies and municipalities in Central Java during the 2017–2024 period. The scope of this study is focused on analyzing regional socio-economic factors from the perspective of development economics. The data used in this study consist of panel data from regencies and municipalities over an eight year period. Theoretically, this study is expected to contribute to the

development of economic development theory, particularly regarding the relationship between education, labor, and income on poverty. Practically, the findings of this study are expected to serve as a consideration for local governments in formulating poverty alleviation policies through improving educational quality, expanding employment opportunities, optimizing minimum wage policies, and effectively utilizing the demographic bonus.

The novelty of this study lies in the use of the latest data covering the 2017–2024 period, which includes conditions before and after the COVID-19 pandemic, thereby providing a clearer picture of recent socio-economic changes in Central Java. In addition, this study incorporates four socio-economic variables education, unemployment, minimum wage, and labor force participation within a single analytical model. This study is also based on the existence of both a phenomenon gap and a research gap identified in previous studies, as earlier findings have shown inconsistent relationships between socio-economic variables and poverty. Therefore, this study is expected to provide more comprehensive empirical evidence regarding the factors influencing poverty in Central Java.

The results of this study are expected to show that increases in average years of schooling, minimum wages, and labor force participation rates can reduce poverty levels, while increases in the open unemployment rate tend to increase poverty. The implications of this study highlight the need for regional development policies, such as equalizing access to education in underdeveloped areas, improving labor quality and employment absorption, adjusting minimum wage policies in accordance with decent living standards, and optimizing the demographic bonus through the expansion of productive employment opportunities. With more targeted policies, poverty alleviation efforts in Central Java are expected to become more effective and capable of improving community welfare.

LITERATURE REVIEW AND HYPOTHESIS FORMULATION

Poverty is a problem associated with the low ability of people to fulfill their basic living needs. According to Nurkse (1985), poverty occurs through the mechanism of the vicious circle of poverty, a condition in which low productivity leads to low income, thereby limiting people's ability to improve their quality of life. From the perspective of development economics, poverty is influenced not only by income factors, but also by the quality of human resources, employment opportunities, and prevailing economic policies. Sari (2021) explains that poverty arises due to differences in the quality of human resources, resulting in low productivity and ultimately low wages. People with lower levels of education tend to have lower productivity and income. Therefore, poverty analysis needs to be associated with indicators of education, employment, and community income.

In human capital theory, education is viewed as an investment capable of increasing labor productivity and quality Todaro & Smith, (2015) state that education can help people escape the cycle of poverty through improved skills and employment opportunities. One of the educational indicators used in this study is the average years of schooling, defined as the average number of years of formal education completed by the population. The higher the average years of schooling, the better the quality of human resources, thereby increasing opportunities to obtain better employment and income. Research conducted by Faritz & Soejoto (2020) shows that average years of schooling has a significant negative effect on poverty in Central Java. Similar findings were reported by Alfin & Boedirochminarni (2025) who stated that improvements in education can reduce the number of poor people. In addition, an international study by Spada et al., (2023) in European countries found that improvements in education negatively affect poverty levels. Thus, education plays an important role in reducing poverty through improving the quality of human capital.

Vol. 02 Year 2026, 2799 – 2811
ISSN: 3109-3337

In addition to education, the open unemployment rate is also an important factor affecting poverty. According to Ferian & Gunanto (2021), unemployment is a condition in which an individual who belongs to the labor force and is willing to work has not yet obtained employment. In Keynesian theory, unemployment occurs due to low aggregate demand, preventing firms from optimally absorbing labor. When a person becomes unemployed, income decreases, limiting the ability to meet basic needs and increasing the risk of poverty. Sari (2021) found that the open unemployment rate has a significant positive effect on poverty in Central Java. Research by Oktaviani & Qurrota A'yun (2021) also showed a positive relationship between unemployment and poverty. At the international level, a study by Ngubane et al., (2023) in South Africa stated that increasing unemployment in the long run can increase poverty. However, several other studies, such as that of Martini & Woyanti (2022) found that unemployment does not have a significant effect on poverty in Central Java. These differences in findings indicate the existence of a research gap, suggesting that the effect of unemployment on poverty still requires further investigation.

Another factor influencing poverty is the minimum wage. The minimum wage is a government policy intended to guarantee workers a decent minimum income. According to Todaro & Smith (2015), wage increases can raise income levels, thereby improving purchasing power and potentially reducing poverty. However, in the labor market, excessively high minimum wage increases may reduce labor demand and trigger unemployment. Research by Sari (2021) shows that the minimum wage has a significant negative effect on poverty in Central Java. Research by Lestari et al., (2024) also found that, in the long run, minimum wages negatively affect poverty. However, research conducted by Juliyanti & Cahyadi (2025) found that minimum wages do not significantly affect poverty. These differences indicate that the effectiveness of minimum wage policies in reducing poverty depends on the economic conditions of each region.

The labor force participation rate is also an important indicator in poverty analysis because it reflects the percentage of the working-age population actively engaged in economic activities. According to Todaro & Smith (2015), an increase in the labor force participation rate can encourage higher household income if supported by adequate employment opportunities and good-quality human resources. Christy et al., (2024) found that the labor force participation rate negatively affects poverty, although the effect is not statistically significant. Meanwhile, research by Muttaqin & Anwar (2023) showed that the labor force participation rate has a significant negative effect on poverty in Indonesia. In addition, Nurhaila & Anwar (2024) found that increasing labor force participation rates can reduce poverty levels. Nevertheless, Desmawan et al., (2023) reported different results, namely that the labor force participation rate has a significant positive effect on poverty. These inconsistent findings indicate that the effect of labor force participation on poverty is influenced by job quality and labor productivity.

Based on theories and previous studies, this study develops a conceptual framework explaining the relationship between educational, employment, and income factors and the poverty rate in Central Java during the 2017–2024 period. Therefore, this study uses four independent variables, namely average years of schooling (X1), open unemployment rate (X2), regency/municipality minimum wage (X3), and labor force participation rate (X4), to analyze their effects on the poverty rate (Y). This conceptual framework serves as the basis for formulating the research hypotheses regarding the relationships among variables, which will be tested using panel data regression analysis.

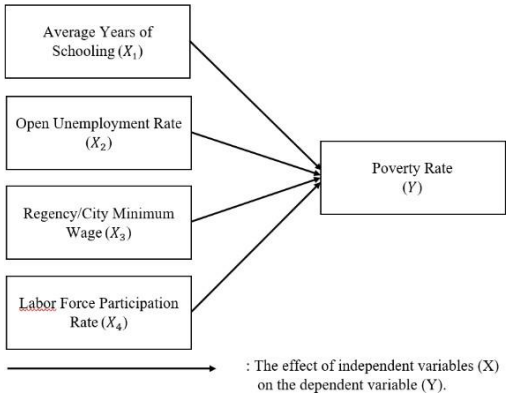


Figure 2. Conceptual Framework

H1: Average years of schooling have a negative effect on the poverty rate in Central Java.
H2: The open unemployment rate has a positive effect on the poverty rate in Central Java.
H3: Regency/City minimum wages have a negative effect on the poverty rate in Central Java.
H4: The labor force participation rate has a negative effect on the poverty rate in Central Java.

RESEARCH METHODS

This study employs a quantitative research method using a panel data regression analysis approach. The quantitative approach was selected because the study focuses on measuring the relationship among variables through numerical data and statistical analysis. Panel data analysis was applied as it combines time series and cross-sectional data, enabling the study to capture changes in socio-economic conditions across regions and over time. The purpose of this study is to analyze the effect of Average Years of Schooling, Open Unemployment Rate, Regency/City Minimum Wage, and Labor Force Participation Rate on the poverty rate in Central Java from 2017 to 2024. The object of the study covers all regencies and municipalities in Central Java Province, with a focus on socio-economic conditions affecting poverty levels.

The population of this study consists of all regencies and municipalities in Central Java Province, totaling 35 regions, comprising 29 regencies and 6 municipalities. The data collection technique used in this study was documentation through secondary data obtained from official publications on the Central Java Statistics Agency website. The data collected include poverty rate, Average Years of Schooling, Open Unemployment Rate, Regency/City Minimum Wage, and Labor Force Participation Rate. The collected data were processed using EViews software to facilitate statistical analysis and panel regression model testing.

The data analysis technique employed in this study is panel data regression analysis. This analysis is used to examine the effect of independent variables on the dependent variable, both partially and simultaneously. The dependent variable in this study is the poverty rate, while the independent variables consist of Average Years of Schooling, Open Unemployment Rate, Regency/City Minimum Wage , and Labor Force Participation Rate. The panel data regression model in this study can be formulated as follows:

$$Y = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + e$$

or

$$POV = \beta_0 + \beta_1 AYS_{it} + \beta_2 OUR_{it} + \beta_3 RMW_{it} + \beta_4 LFPR_{4it} + e$$

Vol. 02 Year 2026, 2799 – 2811
ISSN: 3109-3337

Description:
POV : Poverty Rate Variable
β_0 : Constant
$\beta_{1,2,3}$: Regression Coefficients
AYS : Average Years of Schooling Variable
OUR : Open Unemployment Rate Variable
RMW : Regency/City Minimum Wage Variable
$LFPR$: Labor Force Participation Rate Variable
i : Regencies/Municipalities in Central Java
t : Period of 2017-2024
e : Error term (disturbance variable)

In panel data regression analysis, several testing stages were conducted, including model selection tests through the Chow Test, Hausman Test, and Lagrange Multiplier (LM) Test to determine the most appropriate model among the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). In addition, classical assumption tests were also carried out, including multicollinearity and heteroscedasticity tests, to ensure that the regression model satisfies the required assumptions. Furthermore, statistical tests consisting of the F-test, t-test, and coefficient of determination (R^2) were performed to examine the effect of independent variables on the dependent variable and to measure the model's ability to explain variations in the poverty rate in Central Java.

RESULTS AND DISCUSSION

This study aims to analyze the effect of Average Years of Schooling, Open Unemployment Rate, Regency/City Minimum Wage, and Labor Force Participation Rate on the poverty rate in Central Java during the period 2017–2024. The data were analyzed using the panel data regression method. Through this analysis, the study seeks to examine the relationship and the magnitude of the influence of each independent variable on the dependent variable.

A. Model Selection Test

Based on the results of the model selection tests, the Chow Test showed that the probability value of the Cross-section Chi-square was 0.000, which is smaller than 0.05, indicating that the Fixed Effect Model (FEM) is more appropriate than the Common Effect Model (CEM). Furthermore, the Hausman Test also indicated that the Chi-square probability value of 0.000 is smaller than 0.05, meaning that the FEM is more suitable than the Random Effect Model (REM). Therefore, the best model used in this study is the Fixed Effect Model (FEM).

The regression estimation results using the Fixed Effect Model (FEM) indicate that the variables of Average Years of Schooling, Open Unemployment Rate, and Regency/City Minimum Wage have a significant effect on the poverty rate in Central Java, while the Labor Force Participation Rate variable does not have a significant effect.

Tabel 6. Selected Model *Fixed Effect Model*

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	9,386	2,185	4,295	0,000
AYS	0,186	0,043	4,261	0,000
OUR	0,857	0,306	2,796	0,005
RMW	-3,100	3,880	-7,994	0,000
LFPR	-0,002	0,018	-0,134	0,893

Source: *Eviews 13*, processed data (2026)

The estimated panel data regression equation using the Fixed Effect Model approach can be formulated as follows:

$$POV_{it} = 9{,}386 + 0{,}186AYS_{it} + 0{,}857OUR_{it} - 3{,}100RMW_{it} - 0{,}002LFPR_{it}$$

Based on Table 6, the Average Years of Schooling variable has a coefficient value of 0.186 with a probability value of 0.000, indicating a significant effect on poverty. This result suggests that an increase in the average years of schooling is followed by an increase in the poverty rate in Central Java. This finding differs from the human capital theory proposed by Todaro & Smith (2015) which states that education can improve productivity and income, thereby reducing poverty. This condition may occur due to the unequal quality of education across regencies and municipalities in Central Java Province. Although the level of education has increased, many workers are still employed in low-productivity informal sectors, meaning that higher educational attainment has not fully contributed to poverty reduction. This finding also differs from the study conducted by Faritz & Soejoto (2020) which found that AYS has a significant negative effect on poverty.

The Open Unemployment Rate variable has a coefficient value of 0.857 with a probability value of 0.005, indicating a positive and significant effect on poverty. This finding shows that an increase in unemployment leads to an increase in the poverty rate in Central Java. This condition is consistent with the theory of John Maynard Keynes, which states that low aggregate demand reduces labor absorption, thereby increasing unemployment. High unemployment decreases community income, reducing people's ability to meet their basic needs and consequently increasing poverty levels. This result supports the study by Sari (2021) which found that the open unemployment rate has a positive and significant effect on poverty in Central Java Province.

The Regency/City Minimum Wage variable has a coefficient value of -3.100 with a probability value of 0.000, indicating a negative and significant effect on poverty. This means that an increase in the minimum wage can reduce the poverty rate in Central Java. This finding is in line with the theory proposed by Todaro & Smith (2015) which states that higher wages can increase people's income and consequently reduce poverty. An increase in the minimum wage improves people's purchasing power in fulfilling their basic living needs. In addition, the minimum wage policy serves as a form of government protection for workers to ensure adequate income and improve welfare levels. This result is consistent with the findings of Sari (2021) which state that minimum wage has a significant negative effect on poverty.

Meanwhile, the Labor Force Participation Rate variable has a coefficient value of -0.002 with a probability value of 0.893, indicating that it does not have a significant effect on poverty in Central Java. This result suggests that an increase in labor force participation has not been able to directly reduce poverty levels. This condition occurs because a high LFPR is not necessarily accompanied by adequate employment opportunities. Some people still work in low-productivity informal sectors, meaning that increased labor force participation has not significantly contributed to poverty reduction. This finding is consistent with the study conducted by Christy et al., (2024) which found that LFPR has a negative but insignificant effect on poverty.

B. Classical Assumption Test

1. Multicollinearity Test

This study also conducted classical assumption tests consisting of multicollinearity and heteroscedasticity tests. The multicollinearity test was performed to determine whether there is a strong correlation among the independent variables. The test results indicate that the correlation values among the independent variables

are below 0.85, meaning that the regression model is free from multicollinearity problems. This result shows that each independent variable has a relationship that does not create disturbances in the regression model estimation process.

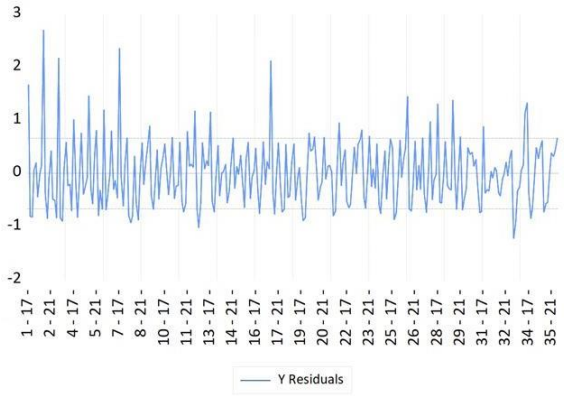
Table 7. Multicollinearity Test Results

	AYS	OUR	RMW	LFPR
AYS	1,000	0,004	0,206	-0,426
OUR	0,004	1,000	0,395	-0,052
RMW	0,206	0,395	1,000	0,279
LFPR	-0,426	-0,052	0,279	1,000

Source: *Eviews 13*, processed data (2026)

2. Heteroscedasticity Test

The heteroscedasticity test was conducted to determine whether there is an inequality in the residual variance within the regression model. The test results indicate that the residual values do not exceed the interval of 500 and -500. Therefore, it can be concluded that the model does not exhibit heteroscedasticity problems. Thus, the Fixed Effect Model (FEM) used in this study has fulfilled the classical assumptions and is appropriate for further analysis.



Source: *Eviews 13*, processed data (2026)
Figure 3. Heteroscedasticity Test Results

C. Statistical Test

1. F-Test

Based on the statistical test results, the independent variables simultaneously affect the poverty rate in Central Java. This can be seen from the F-test results, which show a probability value of 0.000, smaller than 0.05, indicating that all independent variables jointly have a significant effect on poverty. This condition demonstrates that poverty is a multidimensional problem influenced simultaneously by educational, employment, and economic factors.

Table 8. F-Test Results

F-statistic	202,2182
Prob(F-statistic)	0,000

Source: *Eviews 13*, processed (2026)

2. t-Test

The t-test results indicate that the variables of Average Years of Schooling (AYS), Open Unemployment Rate (OUR), and Regency/City Minimum Wage (RMW) significantly affect poverty, while the Labor Force Participation Rate (LFPR) does not

have a significant effect. Therefore, the research hypotheses stating that AYS, OUR, and RMW affect poverty are accepted, whereas the hypothesis regarding the effect of LFPR on poverty is rejected.

Table 9. t-Test Results

Variable	t-Statistic	Prob.
C	4,295	0,000
AYS	4,261	0,000
OUR	2,796	0,005
RMW	-7,994	0,000
LFPR	-0,134	0,893

Source: *Eviews 13*, processed data (2026)

3. Coefficient of Determination

Furthermore, the coefficient of determination results show that the Adjusted R-Squared value is 0.96. This means that 96% of the variation in the poverty rate in Central Java can be explained by the variables of Average Years of Schooling (AYS), Open Unemployment Rate (OUR), Regency/City Minimum Wage (RMW), and Labor Force Participation Rate (LFPR), while the remaining 4% is explained by other variables outside the research model.

Table 10. Coefficient of Determination Results

R-squared	0,9695
Adjusted R-squared	0,9647

Source: *Eviews 13*, processed data (2026)

The high coefficient of determination indicates that the research model has a strong ability to explain variations in the poverty rate in Central Java. Thus, education, unemployment, minimum wages, and labor force participation are important factors influencing poverty conditions in the region.

D. Discussion

1. The Effect of Average Years of Schooling on the Poverty Rate
   The results indicate that Average Years of Schooling has a positive and significant effect on the poverty rate, with a coefficient value of 0.186. This finding suggests that improvements in education have not been fully able to reduce poverty because they have not been accompanied by adequate employment opportunities and labor quality. This result is inconsistent with the Human Capital Theory proposed by Todaro & Smith (2015), which states that education can reduce poverty. However, this study is consistent with the research conducted by Mardiyana & Ani (2019) which found that education can positively affect poverty.
2. The Effect of Open Unemployment Rate on the Poverty Rate.
   The results show that the Open Unemployment Rate has a positive and significant effect on the poverty rate, with a coefficient value of 0.857. High unemployment causes people to lose income, thereby increasing poverty levels. This result is in line with the theory of John Maynard Keynes, which explains that rising unemployment can reduce public welfare. This finding also supports the study by Sari (2021) which found that unemployment has a positive effect on poverty.
3. The Effect of Regency/City Minimum Wage on the Poverty Rate
   The results indicate that the Regency/City Minimum Wage has a negative and significant effect on the poverty rate, with a coefficient value of -3,1. An increase in the minimum wage can improve people's income and purchasing power, thereby reducing poverty. This finding is consistent with the theory proposed by Todaro & Smith

Vol. 02 Year 2026, 2799 – 2811
ISSN: 3109-3337

(2015), which states that wage increases can improve community welfare. This result is also in line with the research conducted by Desmawan et al., (2023), which found that minimum wage has a negative effect on poverty.

4. The Effect of Labor Force Participation Rate on the Poverty Rate
   The results indicate that the Labor Force Participation Rate does not have a significant effect on the poverty rate, with a coefficient value of -0.002. This finding suggests that a high labor force participation rate is not necessarily accompanied by decent and productive employment opportunities. This result is not fully consistent with the theory proposed by Todaro & Smith (2015) which states that increased labor participation can reduce poverty. However, this study is consistent with the findings of Suhartini (2017) and Christy et al., (2024) which found that LFPR has a negative but insignificant effect on poverty.

CONCLUSION

A. Conclusion

Based on the results of the study, several conclusions can be drawn as follows:

1. Average Years of Schooling has a positive and significant effect on the poverty rate in Central Java. This finding indicates that improvements in education have not been fully able to reduce poverty because they are not yet supported by adequate labor quality and employment opportunities.
2. The Open Unemployment Rate has a positive and significant effect on the poverty rate in Central Java. The higher the unemployment rate, the higher the poverty level, as people lose their sources of income.
3. The Regency/City Minimum Wage has a negative and significant effect on the poverty rate in Central Java. An increase in the minimum wage can improve people's income and welfare, thereby reducing poverty.
4. The Labor Force Participation Rate (LFPR) has a negative but insignificant effect on the poverty rate in Central Java. High labor force participation has not been able to reduce poverty because some people still work in informal sectors with low income.

B. Implications

Based on the research findings and conclusions, the implications of this study are as follows:

1. Local governments need to improve the quality of education and workforce skills so that education can provide a more optimal impact on poverty reduction.
2. The government needs to expand employment opportunities and improve the quality of human resources through job training programs in order to reduce unemployment and poverty.
3. Local governments are expected to establish minimum wage policies that are aligned with decent living standards so that public welfare can improve and poverty can be reduced.
4. The government needs to improve labor quality and expand productive employment opportunities so that labor force participation can have a more optimal impact on poverty reduction in Central Java.

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