

THESIS-MBKM

THE EFFECT OF REGIONAL MINIMUM WAGE, GRDP, HDI, AND  
OPEN UNEMPLOYMENT RATE ON POVERTY IN CENTRAL JAVA

By:

ELI TRI WAHYUNI

NIM: C1G021012

Approved and Authorized

On Date:

24 June 2024

24 JUL 2024

1. Dr. Agus Arifin, SE, M.Sc.  
NIP. 198012012005011002

Advisor

(.....)

2. Dr. Lilis Siti Badriah, SE, M.Si.  
NIP.197204131998022001

Examiner

(.....)

Knowing,

Head of the Department of Economics and Development Studies



Dr. Lilis Siti Badriah, S.E., M.Si.  
NIP.197204131998022001

## STATEMENT OF THESIS AUTHENTICITY

I, the undersigned

Name : Eli Tri Wahyuni  
NIM : C1G021012  
Major : Economics and Development Studies  
Faculty : Economics and Business

I declare that this thesis is truly my work; it is not a takeover of other people's writings or thoughts that I recognize as my writings or thinking, except those that are written referred to in this manuscript and mentioned in the list of references.

If in the future it is proven or can be proven that this thesis is the result of plagiarism, then I am willing to accept sanctions in the form of revocation of academic degrees that I obtained related to this thesis.

Purwokerto, June 10 2024

Who made the statement



Eli Tri Wahyuni  
NIM. C1G021012



## FOREWORD

Praise for Allah SWT, who has bestowed His grace and guidance so that the thesis entitled "The Effect of Regional Minimum Wage, GRDP, HDI, and Open Unemployment Rate in Central Java" can be completed properly.

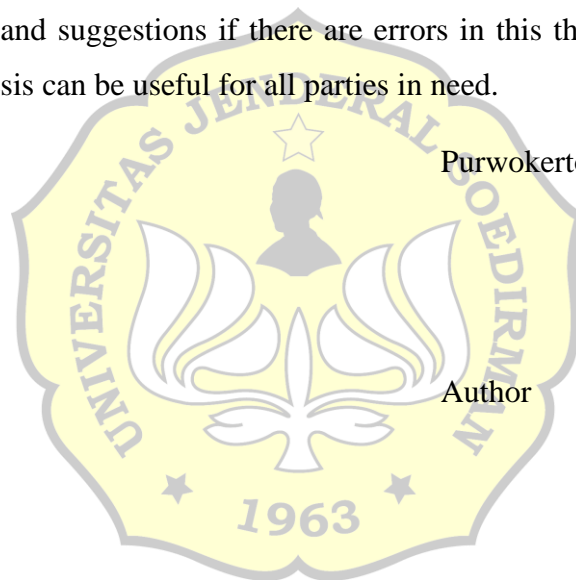
The preparation of this thesis the author received a lot of help from various parties, so on this occasion please allow the author to thank:

1. Prof. Wiwiek Rabiatal Adawiyah, Ph.D as the Dean of the Faculty of Economics and Business, Universitas Jenderal Soedirman, who has given research permission to the author.
2. Dr. Lilis Siti Badriah, SE, M.Si. as the Head of the Department of Development Studies Economics at Jenderal Soedirman University who has given permission to the author.
3. Dr. Agus Arifin, SE, M.Sc. as a Supervisor who has provided guidance and direction until the completion of this thesis.
4. Dr. Lilis Siti Badriah, SE, M.Si as Examiner I and Guntur Spuriyatno, S.E., M.A. as Examiner II who are willing to provide various suggestions and constructive criticism for the perfection of this thesis.
5. The lecturers of the Faculty of Economics and Business, Universitas Jenderal Soedirman, who have provided knowledge and knowledge so that it can be used in the preparation of the thesis and for life in the future.
6. Ayah, Ibu, Mba Wanti, Mba Nuning, Verdi, Ayah San, and Sanendra Harsa who have provided assistance and support both morally and materially.
7. Gita, Dea, Helen, Salsa, Lili, Clarissa who have accompanied and provided support from the beginning of the lecture to the end of this lecture.
8. Aaz, Alya, and the staff and Internship Adkesma BEM FEB Unsoed as well as the BEM FEB UNSOED Ratu Adil Cabinet who have accompanied, strengthened, and provided laughter and very valuable experiences.

9. IESP International 2021 friends who have provided endless enthusiasm and support and accompanied me during my studies at Universitas Jenderal Soedirman.
10. *Lambe Moncong* friends who have provided support and encouragement.
11. Last but not least, I wanna thank me. I wanna thank me for believing in me. I wanna thank me for all doing this hard work. I wanna thank me for having no days off. I wanna thank me for never quitting. I wanna thank me for just being me at all times.

The author fully realizes that the results of the preparation of this thesis are far from perfect, therefore the author sincerely hopes that the reader will be willing to provide criticism and suggestions if there are errors in this thesis and the author hopes that this thesis can be useful for all parties in need.

Purwokerto, June 10, 2024

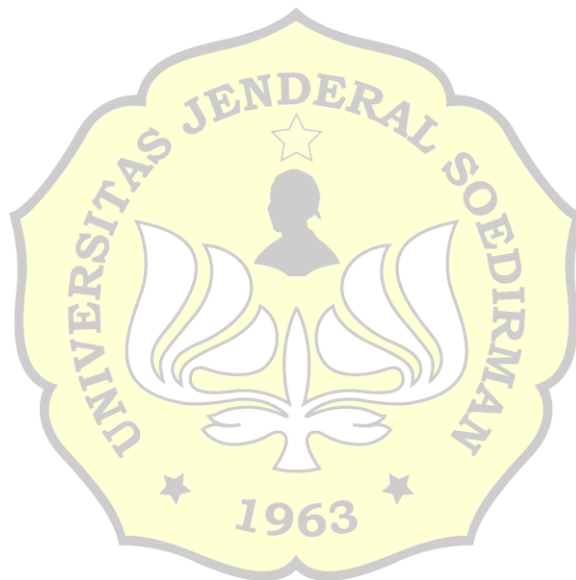


Author

## TABLE OF CONTENTS

<b>TABLE OF CONTENTS</b> .....	x
<b>LIST OF TABLES</b> .....	xii
<b>FIGURE LIST</b> .....	xiii
<b>LIST OF ABBREVIATIONS</b> .....	xiv
<b>SYMBOL LIST</b> .....	xv
<b>LIST OF ATTACHMENTS</b> .....	xvi
<b>I. INTRODUCTION</b> .....	1
A. Background .....	1
B. Problem Formulation .....	8
C. Objectives.....	9
D. Scope of Research.....	9
E. Benefits .....	10
<b>II. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT</b> .....	11
A. Literature Review.....	11
1. Poverty.....	11
2. Regional Minimum Wage .....	16
3. Gross Regional Domestic Product.....	17
4. Human Development Index.....	19
5. Open Unemployment Rate .....	20
B. Previous Research .....	22
C. Framework of Thinking .....	25
D. Research Hypothesis .....	26
<b>III. RESEARCH METHODS</b> .....	28
A. Research Design.....	28
B. Conceptual and Operational Definition of Variables.....	29
C. Data Analysis Technique .....	31
<b>IV. RESULTS AND DISCUSSION</b> .....	38
A. Description of Research Data.....	38
B. Data Analysis .....	49

C. Discussion .....	61
V. CLOSING .....	65
A. Conclusion .....	65
B. Implications .....	65
C. Research Limitations .....	68
<b>REFERENCES</b> .....	69
<b>APPENDIX</b> .....	76

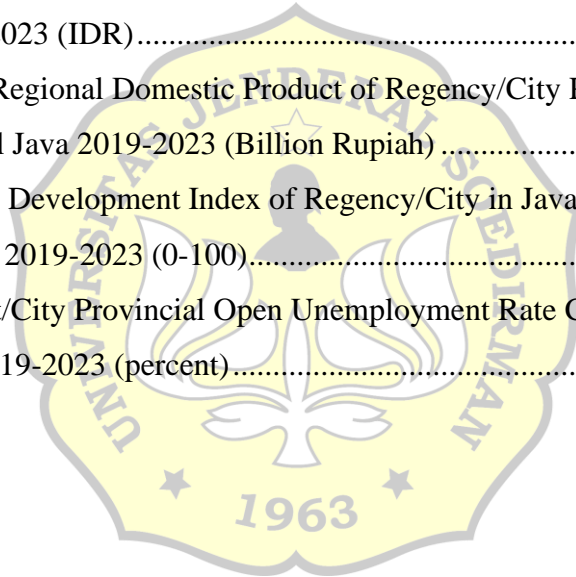


## LIST OF TABLES

Table 1.1 Number of Poor People in Java Island, 2019-2023 .....	2
Table 1.2 Poverty Severity Index of East Java Province, West Java, and Central Java 2019-2023.....	3
Table 1.3 Development of Poverty Severity, RMW, GRDP, HDI, and OUR of Central Java Province in 2019-20236 .....	6
Table 2.1 Previous research .....	26
Table 5.1 Common Effect Model Output .....	50
Table 5.2 Fixed Effect Model Output.....	51
Table 5.3 Random Effect Model Output.....	52
Table 5.4 Chow Test .....	53
Table 5.5 Hausman Test.....	53
Table 5.6 Lagrange Multiplier Test .....	54
Table 5.7 Multicollinearity Detection.....	55
Table 5.8 Heteroscedasticity Test .....	56
Table 5.9 Output of Determination coefficient .....	57
Table 5.10 F Test Output .....	58
Table 5.10 Output of t test .....	59

## FIGURE LIST

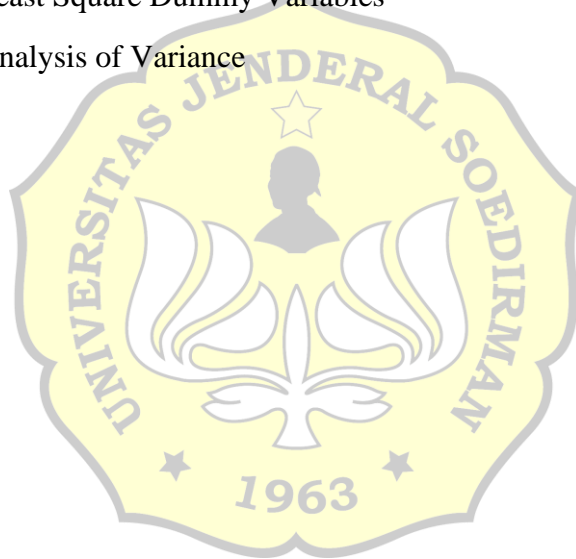
Figure 2.1 Nurkse's Vicious Circle Theory.....	15
Figure 2.2 Labor market equilibrium curve.....	16
Figure 2.3 Framework of Thinking.....	26
Figure 5.1 Poverty Severity Index of Districts/Municipalities in Java Province Central 2019-2023 (percent).....	39
Figure 5.2 Minimum Wage of Regency/City in Central Java Province 2019-2023 (IDR).....	41
Figure 5.3 Gross Regional Domestic Product of Regency/City Provinces Central Java 2019-2023 (Billion Rupiah).....	43
Figure 5.4 Human Development Index of Regency/City in Java Province Central 2019-2023 (0-100).....	45
Figure 5.5 District/City Provincial Open Unemployment Rate Central Java 2019-2023 (percent).....	47





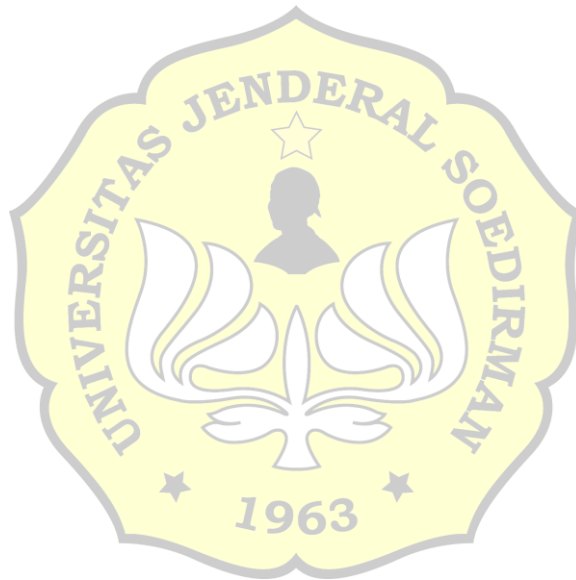
## LIST OF ABBREVIATIONS

RMW	: Regional Minimum Wage
PDRB	: Gross Regional Domestic Product
IPM	: Human Development Index
OUR	: Open Unemployment Rate
IKK	: Poverty Severity Index
CNBC	: Consumer News and Business Channel
OLS	: Ordinary Least Square
LSDV	: Least Square Dummy Variables
ANOVA	: Analysis of Variance



## SYMBOL LIST

- $\alpha$  : Alpha  
 $\beta$  : Beta  
 $i$  : District/City  
 $t$  : Year  
 $u$  : error term



## LIST OF ATTACHMENTS

Appendix 1 Poverty Severity Index of Districts/Municipalities in Java Province Central 2019-2023 (percent).....	75
Appendix 2 Minimum Wage of Regency/City in Central Java Province 2019-2023 (IDR).....	76
Appendix 3 Gross Regional Domestic Product of Regency/City Provinces Central Java 2019-2023 (Billion Rupiah) .....	77
Appendix 4 Human Development Index of Regency/City in Java Province Central 2019-2023 (0-100).....	78
Appendix 5 District/City Provincial Open Unemployment Rate Central Java 2019-2023 (percent).....	79
Appendix 6 Output Results of Common Effect Model (CEM) .....	80
Appendix 7 Output Results of Fixed Effect Model (FEM).....	81
Appendix 8 Random Effect Model (REM) Output Results.....	82
Appendix 9 Chow Test Output Results.....	83
Appendix 10 Hausman Test Output Results.....	83
Appendix 11 Lagrange Test Output Results.....	83
Appendix 12 Multicollinearity Detection Output Results .....	84
Appendix 13 Heteroscedasticity Detection Output Results.....	84