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EXPLORING UNEMPLOYMENT DYNAMICS IN EASTERN INDONESIA: PANEL REGRESSION APPROACH

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Abstract

One of the biggest issues Eastern Indonesia faces is geographic isolation. There are limited employment marketplaces and economic prospects in this region because many areas are difficult to access due to inadequate transportation. Inadequate educational opportunities also contribute significantly to the problem of unemployment. Eastern Indonesia has several areas with poor educational infrastructure, which contributes to a low-skilled labor force. Furthermore, the unemployment issue is made worse by the difference in economic growth between Western and Eastern Indonesia. Sustainable Development Goals (SDGs) aim to eradicate poverty, safeguard the environment, and guarantee prosperity for all. SDG 8, which focuses on unemployment in this instance, addresses the topic of employment and good work for everyone. The aim of this research is to investigate the relationship between unemployment in Indonesia's Eastern Region and poverty, economic growth, and the human development index. investigated using the FEM approach and the panel data analysis method with the statistical program E-Views 10. According to the analysis's findings, unemployment is significantly impacted negatively by the human development index variable, positively and significantly by poverty, and not significantly impacted by economic growth.

Keywords: Unemployment, Poverty, HDI, Economic Growth

INTRODUCTION

In Indonesia, unemployment is still a major problem, especially in the eastern areas, which are distinguished by a range of socioeconomic circumstances and developmental stages. Provinces like Papua, Maluku, and Nusa Tenggara in eastern Indonesia, which are isolated geographically, have poor access to education, and have inadequate infrastructure, all contribute to the region's distinct unemployment dynamics (Bappenas, 2020). According to research, structural issues with the labor market in Eastern Indonesia contribute to high unemployment rates. Uneven employment possibilities are a result of the differences in economic growth between western and eastern Indonesia, per a study by Arsyad et al. (2021). Eastern Indonesia continues to largely rely on agriculture and the unorganized sector, which limits job generation, whereas western regions of Indonesia, such Java and Sumatra, are rapidly industrializing and urbanizing (World Bank, 2020).

Indonesia continues to pursue economic development while working for societal wellbeing. It is imperative to create job opportunities that support equitable income distribution in order to achieve this goal. But Indonesia has to contend with an uneven employment market since more jobs are becoming accessible, and the country's workforce is expanding at a faster rate than ever before. Higher unemployment rates may result from this imbalance (Nurcholis, 2014). One economic issue that has a direct impact on survival is unemployment. A job loss will bring the community's level of living down. Both the individual and society or the environment can suffer from unemployment. Because of its key characteristics, economic uncertainty is a noteworthy advanced indicator for evaluating the influence of socioeconomic issues, which in turn drives business cycles. Unemployment in Eastern Indonesia is a significant issue, with rates higher than those in Western Indonesia; the open unemployment rate in Eastern Indonesia is around 7.5%, while in Western Indonesia it is only about 4.5% (Badan Pusat Statistik, 2023). Several factors contribute to the high

unemployment rate in Eastern Indonesia, including limited job opportunities, lower educational quality, inadequate infrastructure, and stark economic disparities. The Human Development Index (HDI) in Eastern Indonesia is also lower, with provinces like Papua having an HDI below the national average, while provinces in Western Indonesia, such as DKI Jakarta, boast higher HDI. Additionally, access to education and healthcare is better in Western Indonesia, contributing to lower unemployment rates. To address this issue, greater attention is needed on infrastructure development, improving educational quality, and creating more job opportunities, through collaborative efforts between the government, private sector, and communities (BPS, 2023). According to Setiawan and Murtini (2022), young people's low educational attainment is a major obstacle to getting into the workforce, leading to structural unemployment in situations when people lack the skills required by certain businesses. Furthermore, the unemployment rate is made worse by the difference in economic growth between Western and Eastern Indonesia. While Sumatra and Java see tremendous economic growth, Eastern Indonesia continues to rely largely on the unorganized and agricultural sectors. According to Arsyad et al. (2021), this economic disparity results in unequal work prospects, with Eastern Indonesia frequently trailing behind in terms of industrial development. Many people who depend on agriculture and unofficial work lack social benefits and a steady source of income, which exacerbates unemployment and poverty.

It has been discovered that Eastern Indonesia's unemployment rate has a major impact on the region's poverty levels. Numerous researches have demonstrated a strong and positive correlation between poverty and unemployment (Tubaka, 2019; Didu et al., 2023; Lazuardi, 2024). But according to one study, there is no discernible relationship between unemployment and poverty levels (Amalia, 2012). Education, health, income distribution, economic growth, foreign direct investment, minimum wage, and communication technology are additional elements that impact poverty in Eastern Indonesia (Tubaka, 2019; Didu et al., 2023; Lazuardi, 2024). It's interesting to note that whereas some research (Tubaka, 2019) indicated a beneficial relationship between poverty and health and education, Studies conducted by Lazuardi (2024) revealed the reverse. It was found that poverty levels were adversely and considerably affected by the provincial minimum wage (Didu et al. 2023).

Among the 17 goals that the United Nations (UN) agreed upon in 2015, the SDG's are one of the international obligations mentioned. Ending poverty, safeguarding the environment, and ensuring prosperity for all by 2030 are some of the objectives of the Sustainable Development Goals (SDGs). SDG 8, specifically, addresses the problem of employment and decent work for everybody. In this instance, the focus is on the problem of unemployment. Eastern Indonesia lags behind Western Indonesia in terms of development. Just three provinces in Eastern Indonesia—Bali, South Sulawesi, and North Sulawesi—have a high Human Development Index (HDI) category, according to 2017 BPS data. Poverty is a multifaceted, intricate issue that demands attention in terms of development. The issue of poverty is one that the Indonesian government takes very seriously. This is demonstrated by one of President Joko Widodo's initiatives, poverty alleviation, which is mentioned in Nawacita. The average monthly per capita spending of the poor is less than the poverty line. The inability to pay for necessities, including food and non-food, is viewed as a sign of poverty. The poverty line, expressed as a specific sum of rupiah, denotes the upper limit at which one can satisfy basic needs. As stated by Bappenas (2024).

The significant regional variations in poverty are among the traits of poverty in Indonesia. According to Central Statistics Agency data from 2019, Papua Province has the highest poverty rate, at 27.53 percent. At 3.47 percent, DKI Jakarta Province has the lowest rate of poverty. There is inequality between Eastern and Western Indonesia, according to this statistics. The unemployment issue in Papua Province is exacerbated by the high rate of poverty there. By highlighting the importance of job creation to support equitable income distribution, this study reveals the direct impact of unemployment on community living standards and its implications for social and economic stability. The research also explores the correlation between unemployment and poverty while considering factors such as education and health. Context of the SDG's, these findings provide insights for policymakers to address regional disparities and formulate effective poverty alleviation strategies, particularly in Eastern Indonesia provinces with high levels of poverty and unemployment.

LITERATURE REVIEW

Those who are unemployed, able to work, and have trouble obtaining work for the first four weeks are all included in the unemployment group. It also covers people who are awaiting recall to the location of their discharge. Those without jobs are looking for work, yet they are not employed (Blanchard & Johnson, 2017). Humans generally divide their time into two categories: work and play (Weiss, 2009). Humans scale preferences in time utilization because of this. The combination of wealth and leisure with a particular degree of satisfaction is described by the indifference curve. Nonetheless, labor supply and demand will affect the state of the economy. Human growth is a process that expands human choice, according to the inaugural Human growth Report (HDR) published in 1990. These

decisions are for living. A composite metric known as the Human Development Index (HDI) assesses a nation's overall level of development in terms of income, education, and health. A growing number of scholars have investigated the connection between unemployment and HDI, suggesting that increases in HDI may result in decreased unemployment rates. The idea behind this relationship is that workers who are healthier and more educated will be in a better position to compete in the labor market (UNDP, 2020). Education is one of the main ways that the HDI affects unemployment rates. Higher educational attainment, as measured by the HDI, gives people the skills they need to adapt to a labor market that is changing quickly. Lestari and Fitria (2021) claim that nations with higher HDIs typically have lower unemployment rates because better education produces a workforce that is more trained and able to meet employer demands. According to this research, investing in education not only increases personal potential but also lowers unemployment, which promotes overall economic stability. The HDI's other essential component, health, is likewise a major factor in employment results. According to Majeed and Khan (2020), those who are in better health have higher rates of labor force participation. Higher productivity and less absenteeism are two ways that improved health outcomes can cut unemployment rates. The authors contend that because healthcare services enhance workers' general well-being, they are crucial for creating a vibrant labor market.

But there is more to the relationship than just a linear one between HDI and unemployment. Aghion et al. (2022) note that although there is a general correlation between a higher HDI and reduced unemployment, there are other factors that can have a substantial impact, including labor market regulations and economic conditions. Their research emphasizes how crucial it is to have an integrated strategy to optimize job chances, combining labor market policies that work with HDI improvements. Additionally, while examining the effect of HDI on unemployment, Afonso and Mota (2023) stress the importance of taking inequality and access to employment possibilities into account. They contend that differences in access to jobs and education can keep marginalized people unemployed even in nations with high HDIs. This emphasizes how intricate the relationship is and how specific measures are required to address socioeconomic inequality as well as HDI improvements. In summary, research shows a positive correlation between HDI and unemployment, with higher HDI resulting in improved health and education outcomes and a decrease in unemployment rates. However, it is important to recognize that this link is complex and that other factors like inequality and labor market policy also play important roles. Effectively combating unemployment requires a holistic strategy that combines advancements in the HDI with practical employment tactics.

The monetary value of all the commodities and services produced inside the physical borders of an economic area over a specific time period is referred to as a country's Gross Domestic Product (Herbener, 2011). The demand for labor is derived from the theory of labor. This suggests that the degree of economic activity in a nation determines the demand for labor as a production input (Herbener, 2011). Businesses boost the supply of goods and services in response to an increase in the national income in order to capitalize on the growth in income and the resulting increase in purchasing power. More labor units are required to contribute to the manufacture of the higher product needs when this is happening. Therefore, greater employment is generally predicted to occur when a nation's GDP rises. It is often acknowledged that a major contributor to declining unemployment rates is economic growth. The idea that unemployment and GDP growth are negatively correlated has been supported by recent research. For example, a study by Cincera et al. (2021) shows that consistent economic expansion promotes the creation of jobs, especially in industries like services and technology that are essential for absorbing workers.

On the other hand, although economic expansion generally lowers unemployment, the consequences can differ greatly depending on the type of growth, according to a paper by Karanasos et al. (2023). According to their research, technological advancement-driven growth may not necessarily result in a proportionate increase in jobs since automation has the potential to displace workers even in industries that are expanding. Furthermore, Kahn and Garcia's research from 2022 indicates that government policy ought to balance the relationship between poverty and economic growth. These all show how proactive labor market policies, such education and training initiatives, can boost the effect of economic growth-induced labor force participation, increasing its potency in lowering unemployment. Afonso et al. (2020) have conducted further study on the relationship between economic growth and poverty in developing nations. The authors point out that even though economic growth contributes to the formation of work schedules, structural issues such as inadequate work-life balance and limited access to education frequently undermine the effectiveness of growth in reducing unemployment.

Poverty generally comes in two flavors: absolute and relative. When a person's income is insufficient to cover their basic requirements and falls below the poverty line, they are considered to be in absolute poverty. When someone is able to meet their basic necessities, their level of poverty is nevertheless significantly lower than that of the community in which they live. This is known as relative poverty. The World Bank (2000) defined poverty as the loss of well-being. The Central Bureau of Statistics defines poverty as the incapacity of an individual to meet the minimal needs for a respectable standard of living, including those related to food and non-food items.

Unemployment and poverty are two linked societal concerns that have the potential to affect one another. Several studies have demonstrated that a region's unemployment rates can be directly impacted by high levels of poverty. For example, research by Sahoo and Dash (2020) suggests that high levels of poverty can impede economic growth and investment, leading to increased unemployment. Additionally, studies by Ghosh and Ghosh (2021) show that those who are impoverished frequently have restricted access to education and skill development. Because of this restriction, they are less marketable on the job front, which raises unemployment rates. The study highlights how crucial it is to fund skill development and education in order to lower unemployment rates among disadvantaged populations.

On the other hand, unemployment may make poverty worse. According to a Sutherland and Sutherland (2022) study, prolonged unemployment raises the likelihood of poverty since it makes it harder for people to achieve their fundamental necessities. In this situation, unemployment is a cause of poverty as well as a component in the progression of poor. Additionally, Mankiw and Weil's research from 2023 suggests that unemployment and poverty are correlated. They note that in emerging nations, elevated levels of poverty frequently result in elevated rates of unemployment, and elevated unemployment intensifies the effects of poverty. This starts a vicious cycle that is hard to escape from without the right kind of help.

METHOD

The Provinces of Indonesia's Eastern Region contributed data from 2014 to 2019 to the Central Statistics Agency, which were utilized in this investigation. Panel data used in this study came from a number of provinces in Indonesia's Eastern Region, including South Sulawesi, Gorontalo, West Nusa Tenggara, East Nusa Tenggara, North Sulawesi, West Sulawesi, South Sulawesi, Southeast Sulawesi, North Maluku, Maluku, West Papua, Southwest Papua, Papua Mountains, Papua Central, South Papua, and Papua. Panel data is produced by merging time series with cross-sectional data. The study uses the Entropy Theil Index formulation model for the regional inequality data in order to identify the relevant measures. Frequently, the panel regression equation model is:

$Yit=a+ \beta X1it+\beta X2it+\beta X3iteit + ut$

Where:

Yit	= Unemployment
α	= Constant
β1β2β3	= Coefficient of Regression
X 1	= HDI
X 2	= Economic Growth
X 3	= Poverty
e	= Term Of Error

Panel data regression model estimationPanel data regression model estimates can be found using three different methods: REM stands for random effect model, FEM for fixed effect, and CEM for common effect.

1) CEM for common effect.

REM stands for random effect model, FEM for fixed effect, and CEM for common effect. Incorporate all available data, disregarding time and individual differences. The model expresses the Common Effect Models (CEM) model equation as follows:

$Yit=a+ \beta Xit+eit$

2) FEM for fixed effect

The FEM for fixed effect operates under the premise that every person has a unique intercept and a constant slope coefficient. The following is how the Fixed Effect Model (FEM) equation is stated in the model:

$Yit = ai + \beta Xit + eit$

The intercept (ai) for each individual is different, as indicated by the index i.

3) REM stands for random effect model

A highly correlated (Term of Error) variable for each variable over time and between people is assumed by the REM stands for random effect model which estimates panel data. Following item can be used to express the REM stands for random effect model equation:

$Yit = ai + \beta Xit + wit$

$Wit=Ei + uit$

Cross-section and time series error components are present in the wit equation. It indicates the time series and the cross-section error.

The wit equation contains cross-section and time series error components.

It denotes the cross-section error, while it denotes the time series.

2. Steps For Determining The Panel Data Model

a. Chow Test

The Chow test is used to determine whether panel data regression with fixed effects is better than standard effect panel data regression model by comparing the Residual Sum Squares. The test was conducted with the following hypothesis in mind:

If the probability is greater than 0.05, the Common Effects Model (CEM) can be applied.

Ho: Probability > 0.05, then the Common Effects Model (CEM) is valid to use

Ha: Probability < 0.05, then the Fixed Effects Model (FEM) is valid to use.

b. Hausman test

ExaminationThe fixed and random effect models are compared to see which is more appropriate using the Hausman test. Ha is a fixed effect and Ho is a random effect according to the Hausman test. The Hausman test statistic has the same amount of degrees of freedom as the Chi-Square distribution.

Ho: Probability ≥ 0.05, then the Random Effects Model (REM) is valid to use

Ha: Probability ≤ 0.05, then the Fixed Effects Model (FEM) is valid to use.

RESULTS AND DISCUSSION

Model Estimation used based on result of E-Views 10 output.

TEST CHOW

The Chow test is used to determine whether panel data regression with fixed effects is better than standard effect panel data regression model by comparing the Residual Sum Squares. The test was conducted with the following hypothesis in mind: One may use the Common Effects Model (CEM) if the probability is higher than 0.05. It is possible to use the Fixed Effects Model (FEM) if the probability is less than 0.05.

Table 1. Chow Test

Effects Test	Statistics	d.f.	Probabilis
Section F of the cross	30.793147	(15,77)	0.00
Chi-square cross-section	186.789064	,15	0.00

Source : Output Eviews 10

The Chow Test is used to see the best model between the Common Effect Model (CEM) or FEM for fixed effect The test results with a probability value of 0.0000 < 0.05 show that the best model is the FEM for fixed effect Hausman Test.

HAUSMAN TEST

Between the Fixed-Effect Model and the Random-Effect Model, the Hausman test seeks to identify which panel data regression model performs thebest. According to hypothesis H0, the Random-Effect Model is the suitable model for panel data regression, while according to hypothesis H1, the Fixed-Effect Model is the suitable model for panel data regression.

Table 2. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	16.004855	3	0.0011

Source : Output Eviews 10

Table 3. Panel Least Squares Test for Unemployment

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	14.50314	4.281500	3.387397	0.0011
HDI	-0.175483	0.062912	-2.789337	0.0067
PDRB	0.037636	0.030450	1.236002	0.2202
Poverty	0.121466	0.017502	6.940084	0.0000
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.868158	Mean dependent var		4.660104
Adjusted R-squared	0.837338	S.D. dependent var		1.888824
S.E. of regression	0.761789	Akaike info criterion		2.468997
Sum squared resid	44.68486	Schwarz criterion		2.976524
Log likelihood	-99.51186	Hannan-Quinn criter.		2.674148
F-statistic	28.16846	Durbin-Watson stat		2.264981
Prob(F-statistic)	0.000000			

Source : Output Eviews 10

The FEM approach results can be used to obtain the following regression equation results:
$\text{Unemployment} = 14{,}450314 - 0{,}175483\text{HDI} + 0{,}037636\text{PDRB} + 0.121466\text{Poverty}\ u_t$

The probability value (F-statistic) is 0.000000, which indicates it is smaller than alpha 5% based on the test findings in the above table. This suggests that the Human Development Index factors, poverty, and economic growth all have an impact on unemployment in Eastern Indonesia.The HDI variable has a probability value of 0.0067, which is less than alpha 5%, according to the t-statistic value when viewed separately. This indicates that Human Development Index has a strong and negative impact on unemployment in Eastern Indonesia. With a likelihood value of 0.2202, which is more than 5%, economic growth is not associated with unemployment. The likelihood value of poverty in Eastern Indonesia is 0.0000, indicating a positive correlation between poverty and unemployment. The coefficient of determination can be used to calculate the overall amount by which the independent variable model explains the dependent variable.

DISCUSSION

Eastern Indonesia's unemployment rate is considerably and adversely impacted by the Indonesian Development Index (HDI). Eastern Indonesia's unemployment rate will rise as a result of the Indonesian Development Index (HDI) fall. The Eastern Region of Indonesia's unemployment rate will decline with a rise in the HDI. Conversely, provinces in Indonesia's Eastern Region will have higher unemployment rates in the event that the HDI indicator declines. The research's conclusions are based on the new growth theory, which claims that unemployment is influenced by the human development index. The first dimension, a longer life expectancy at birth as a proxy for health, shows that public health is generally favorable and will eventually boost productivity at work. Income rises with increased job productivity.

Decreases, income will rise, and this will have the effect of lowering the unemployment rate. The high average length of schooling and the expectation of continued education reflect the knowledge dimension and will improve the community's sense of self. Because they possess expertise, human resources with higher quality are rapidly integrated into the workforce. This lowers the unemployment rate and affects job absorption. A decent life, as determined by average per capita expenditure, makes up the third dimension. A high average per capita expenditure in a certain area indicates a high purchasing power of the populace. This suggests a low unemployment rate and a high level of communal revenue. Should these three dimensions rise

This study supports the findings of Priastiwi and Handayani's (2018) study, which indicates that unemployment in Central Java is substantially impacted by HDI derived from educational indicators. Raising employee productivity will boost business revenues, which will enable employers to hire more people and ultimately lower the unemployment rate. According to Teddy Ch. Leasiwal et al. (2022), the HDI had a short- and long-term negative but negligible effect on unemployment. The human development index is a useful tool for gauging how well people are living at a given time. Human productivity can rise as a result of increased human development through the growth of human capital, which is reflected in health and education levels. This will raise the demand for labor and lower the unemployment rate. The unemployment rate in Eastern Indonesia is significantly influenced by the Human Development Index (HDI). A decline in HDI results in an increase in the unemployment rate, while an improvement in HDI can lead to a decrease in unemployment in the region. These findings support the new growth theory, which asserts that investment in human

capital, such as health and education, is crucial for economic growth. One dimension that illustrates this relationship is longer life expectancy, which reflects the overall health of the population. Better health can enhance work productivity, thereby increasing income. The policies implemented by the government to enhance the Human Development Index (HDI) in Eastern Indonesia, such as affirmative action programs and various initiatives aimed at improving education and health, have shown positive impacts. These programs are designed to increase community access to basic services, improve the quality of education, and enhance public health, all of which contribute to the overall improvement of HDI. However, despite the progress made, it is essential to conduct a comprehensive evaluation of the effectiveness of these policies. This evaluation is necessary to identify ongoing challenges and ensure that the implemented programs genuinely reach the communities in need. By evaluating these initiatives, the government can adjust strategies and approaches to better achieve the desired outcomes.

Economic growth has no effect on unemployment in the Eastern Indonesia Region. The study's findings indicate that the slope of economic growth is negative, which means that increasing economic growth can reduce unemployment in the Eastern Region of Indonesia. However, the effect was insignificant from 2014 to 2019 and did not significantly influence unemployment reduction. This is because economic growth in the Eastern Region of Indonesia is separate from the demand for labor. If we look at the development of technology, it impacts labor absorption. Apart from that, the allocation of economic activity is oriented towards the real sector, which does not absorb labor. This research is in line with (Priastiwi & Handayani,2018), which state that the economic growth rate will influence the increase in unemployment. Research by (Romhadhoni et al., 2019) also suggests that the GDP rate at constant prices and current prices affects open unemployment.

Research findings indicate that economic growth in Eastern Indonesia does not have a direct correlation with unemployment rates, challenging traditional economic theories. This suggests the need to separate economic growth from employment, as well as to emphasize the role of technology, which can affect labor absorption. Additionally, sectoral composition is crucial in understanding unemployment dynamics, where growth in sectors that do not absorb labor can lead to stagnant or increasing unemployment. On the other hand, although economic expansion generally lowers unemployment, the consequences can differ greatly depending on the type of growth, according to a paper by Karanasos et al. (2023). According to their research, technological advancement-driven growth may not necessarily result in a proportionate increase in jobs since automation has the potential to displace workers even in industries that are expanding

Therefore, policymakers need to focus on targeted job placement strategies, creating opportunities in sectors with higher labor absorption potential. Investment in skills training is also essential to prepare the workforce for evolving demands. Support for labor-intensive industries should be enhanced through incentives for businesses that prioritize job creation. Furthermore, continuous monitoring and evaluation of the relationship between economic growth and unemployment is vital for effectively adjusting policies. Raising public awareness about the disconnect between economic growth and employment can also help manage expectations and promote understanding of the necessary interventions. Poverty positively and significantly affects unemployment in the Eastern Indonesia Region. When poverty rises, it will increase unemployment. Poverty and unemployment are interconnected. Efforts to reduce poverty and unemployment levels are equally important. In theory, if people are not unemployed, they have a job and income to meet their needs. When someone is said to be not poor, they will be able to continue their education to create a workforce with quality human resources. BPS data shows that provinces in the Eastern Region of Indonesia have relatively low human resources quality, as seen from the Human Development Index.

This study underscores the direct relationship between poverty and unemployment in Eastern Indonesia. As poverty levels rise, unemployment rates also increase, highlighting a cycle where each factor exacerbates the other. These findings support human capital theory, which posits that individuals with stable employment are more likely to invest in education and skill development. Such investments are crucial for breaking the cycle of poverty and unemployment while fostering economic growth. The low quality of human resources in Eastern Indonesia, as indicated by the Human Development Index (HDI), suggests that poverty affects not only current employment but also long-term economic prospects. Therefore, policymakers need to adopt an integrated approach that simultaneously addresses poverty and unemployment. Increasing investment in education and skills training is essential to provide individuals with better job opportunities. Additionally, community development programs focused on economic empowerment and education can help break this cycle. Continuous monitoring and evaluation are also important to assess the effectiveness of interventions. Collaborating with non-governmental organizations that specialize in poverty alleviation and workforce development can enhance the impact of government initiatives. By considering these theoretical and practical implications, stakeholders can work together to reduce both poverty and unemployment in Eastern Indonesia, ultimately creating a more prosperous and equitable society.

CONCLUSION

The best model chosen for this investigation is the Fixed Effect Model (FEM). The F Test and the Human Development Index show that the variables of Economic Growth and Poverty have a significant effect on unemployment in the Eastern Indonesia Region (HDI). The unemployment variable may be explained by the Human Development Index (HDI), Economic Growth, and Poverty variables, as demonstrated by the Adjusted R square test result of 0.88, or 88%. Meanwhile, the remaining 12% is accounted for by elements that are not part of the research model. The Human Development Index (HDI) variable has a negative and significant impact on unemployment, according to the results of the t-statistical test. During President Joko Widodo's administration, from 2014 to 2019, unemployment in the Eastern Indonesia Region was positively and significantly impacted by poverty rather than economic progress. The study's conclusions demonstrate the strong correlation between Eastern Indonesia's unemployment rates and the Human Development Index (HDI). While increases in HDI can result in lower unemployment rates, declines in HDI are associated with higher unemployment rates. This link emphasizes how important it is to spend money on human capital, specifically on health and education, as these are key factors in economic growth and employment creation.

Furthermore, the analysis shows that although there is a general expectation that economic expansion will reduce unemployment, this association is not very strong in Eastern Indonesia. Not all economic expansion results in job possibilities, as evidenced by the critical roles played by factors like sectoral mix and technological advancements in labor absorption. In order to match workforce capabilities with changing market demands, policymakers must emphasize job creation methods in labor-intensive industries and make investments in skill development. Furthermore, it is clear that unemployment and poverty are related, with unemployment rates being made worse by rising levels of poverty. To promote sustainable economic development, poverty and unemployment must be addressed holistically. Through the implementation of community empowerment programs and the improvement of educational opportunities, stakeholders may collaborate to end the cycle of unemployment and poverty. To sum up, in order to improve employment outcomes in Eastern Indonesia and pave the road for a more wealthy and equitable society, tailored policies that prioritize the development of human capital, sector-specific job creation, and poverty alleviation are crucial.

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