

## Education, Unemployment, Minimum Wage And Health Impact On Poverty

Wenny Elies Nur Fauziyah<sup>1</sup>, Bambang Suratman<sup>2</sup>, Luqman Hakim<sup>3</sup>

<sup>1</sup>(Economic Education / Graduate University Of Surabaya, Surabaya)

<sup>2</sup>(Economic Education / Graduate University Of Surabaya, Surabaya)

<sup>3</sup>(Economic Education / Graduate University Of Surabaya, Surabaya)

Corresponding Author: Wenny Elies Nur Fauziyah

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**Abstract:** The problem of poverty in East Java is heavily influenced by three main issues namely education, employment issues, and health problems. In the employment problem, there are two major problems namely unemployment and the minimum wage. In this study using a quantitative approach with variable used is the percentage of the highest education attained at the High School level, unemployment rate, minimum wage, and the life expectancy and the percentage of poverty in five districts in East Java province in the period 2012-2016. The analysis technique used is the technique of panel data analysis, and test equipment used is Eviews 10. The results of this study showed that partially that education and unemployment variables affect significantly while the minimum wage and health variables are not significant. And simultaneously all variables significantly influence poverty.

**Keywords:** Education, Unemployment, Minimum Wage, Health, and Poverty

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### I. Introduction

Poverty is a problem faced by almost all countries of the world, including Indonesia. Indonesia is a developing country with a poverty rate that is high enough, as in Java. Java which consists of six provinces, where the Central Java Province is a province that has a high poverty rate, and the second position is occupied by East Java Province. East Java is known as the second city after Jakarta metropolis has a fairly high poverty rate amounted to 11.20% in 2017, and this figure decreased from the previous year in 2016 was 11.85%. East Java Province has 38 districts / cities which consists of 29 counties and 9 cities. The problem of poverty in East Java was influenced by three factors namely education, employment issues, and health problems. Of the three factors are the percentage of poverty in East Java contributed by the five districts with the highest poverty rate among Sampang, Bangkalan, Probolinggo, Sumenep, and Tuban.

In general, the problem of poverty in five districts are the problems arising from issues of education, employment issues, and health. So the similarity of the five districts are they equally fall into absolute poverty. Absolute poverty occurs due to unmet basic needs such as education and health. Two of these needs have an important role in developing human resources. The low quality of education in these five districts because the average occupation education to Senior High School (SMA) is only about 11.23% in 2016. This was caused by the lack of educational services such as inadequate facilities still lack interest to continue their studies at a higher level.

Another problem that causes poverty is employment issues. In the employment problem, there are two major problems namely unemployment and the minimum wage. Unemployment is the case due to lack of employment. If labor is not absorbed well then, will increase unemployment. In addition, the minimum wage issue can affect unemployment due to the minimum wage may not be able to eradicate poverty, since the enactment of the minimum wage will lead to the pros and cons among employers. Because, with the minimum wages the employer has sufficient capital will follow the policy but for entrepreneurs who have capital that is not big enough it will tend to choose some alternatives to minimize such losses, layoffs on employees whose productivity declined by converting employees who have a high productivity. The unemployment rate in East Java is quite high at 4.00% in 2017 with the largest percentage of unemployment in Junior High School (SMP) and the lowest in elementary school (SD). The percentage of unemployed decreased from year to year, but the poverty rate is still quite high. Minimum wage was established for East Java province average is Rp 1.388 million in 2017, and the minimum wage increased from 2016 (CBS, 2018). 00% in 2017 with the largest percentage of unemployment in graduate school education (SMP) and the lowest in elementary school (SD). The percentage of unemployed decreased from year to year, but the poverty rate is still quite high. Minimum

wage was established for East Java province average is Rp 1.388 million in 2017, and the minimum wage increased from 2016 (CBS, 2018).

Apart from the employment, while health problems where health is a basic human need. Population health concern in nearly all regions in Indonesia, due to measure the quality of the Human Development Index (HDI) made health one of the factors determining whether IPM sector in the region is high or not. One of the variables commonly used variable life expectancy (AHH), where life expectancy is high then the high quality of their health, and vice versa if the low life expectancy remains low then the quality of their health.

Of the three major problems of poverty, each of these variables have continuity with each other. Education and health are the basic needs of humans, not able to be met properly because of the low percentage of secondary education adopted by the population, especially the region of the areas with a poverty rate that is high enough. Besides that, the life expectancy in the region-an area with high poverty rates indicate that the level of health in the region is still quite low. It is caused by the lack of public awareness for higher education in order to improve the quality of life and work productivity. With the awareness to improve the quality of education it is expected to reduce unemployment and get their welfare.

Chambers (2006) suggests that the poor are helpless and can not do things that are too high. Poverty is largely in terms of earned income, so that low income affects consumption is both in terms of education and health. To measure poverty in terms of the inability of a person to meet basic needs such as clothing, food, and papa. This inability is achieved because the basic needs of food and non-food which is measured from the expenditure side. Suryawati (2004) suggests that poverty is made up of several characteristics: (1) do not have a production factor alone, (2) low levels of education, (3) working in the field of small and little capital, (4) are located in rural areas far of navel growth,

Unemployment is a person aged 16 years or older who are not working or non-working or looking for work. One of the factors that cause pengangguran is lower aggregate spending, aggregate expenditure is influenced by the minimum wage. To measure the unemployment rate is calculated from the number of unemployed divided by the number of workers and the unemployed. The impact of this unemployment affects several aspects including economic aspects, in this aspect affects the sluggishness in economic activity, which may cause a decrease in the national income which would result in reduced public welfare. Then on aspects of the individual and society, the impact of unemployment is resulting in decreases in welfare that would degrade the quality of human Suber. Political and social aspects, The unemployment impacts will affect public discontent will be a government program. In measuring the indicators of unemployment is measured by the number of workers who are not working and the number of workers actively looking for a job within one month.

Wages are payments obtained various forms of service provided by the employer to the labor force (Sukirno, 2005). So that wages are the remuneration or revenue that has been received by workers of other parties under the agreement that has been agreed. One type of the wage minimum wage, the minimum wage definition of the lowest wage received by workers under a government decree as stakeholders (Sukirno, 2002). Theories about the minimum wage that David Ricardo (in Deliarnov 2010) on iron wage explained that in determining wages based on market price, the market price is determined by demand and supply of labor. In setting the minimum wage, there are several indicators that have been set by Permenakertrans No.

Quoted from the statement Schiller (2011) stated that the quality of workers rely on education and training. Education is considered effective is education that is able to bring people who are intelligent, moral, and have a work ethic and innovation high. The success in the education building and a major contribution to the achievement of the purpose of national development as a whole. The purpose of the national education and intellectual life of the nation and the country can develop fully human Indonesia. Rosen and Gayer (2008) explains that during the highly educated students can make an impact in improving productivity. Thus, higher education will be able to give effect to an increase in productivity.

Health is a condition where a person is healthy both physically and mentally so as to improve the productivity and quality of human life. Stephen Covey (in Hasanah and Ahmadi, 2017) stated health is a part of life that must be maintained to be enhanced to support effective human. Grim health are closely related to human development, as health becomes one of the variables to measure human well-being. Grossman (1972) states that a person would choose something lower health status in each year. So it encourages the individual to determine his own life. And to affect the stock of health and health care demand that wage rate. In measuring health using life expectancy,

## **II. Research Methods**

In this study to support the hypothesis using this type of research using quantitative pendekatan. A quantitative approach to look at the influence of the independent variable on the dependent variable. In this study, the independent variable is the level of education, unemployment, minimum wage, and kesehatan, besides the dependent variable in this study is poverty. The data used is secondary data drawn from the years 2012-2016 in five districts including Sampang, Bangkalan, Probolinggo, Sumenep, and Tuban. Selection is based on the

five districts of the highest poverty percentage of East Java province. Data analysis techniques used ie panel data regression, using Eviews 10.

### 3. The Results Of The Research And The Discussion

**Table 3.1.**  
*Chow test result*

Redundant Fixed Effects Tests  
Equation: Untitled  
Test cross-section fixed effects

Effects Test	Statistics	df	Prob.
Cross-section F	13.230393	(4,16)	0.0001
Cross-section Chi-square	36.509513	4	0.0000

In Table 3.1 shows that the chow test is the test used to test for the presence or absence of individual securities in the modeling. The test results showed that the p-value of 0.0000 < 0,05 so that H<sub>0</sub> is rejected, which means better fixed effect model. Then to choose the appropriate model is to use Hausman test, here are the results of Hausman test:

**Table 3.2**  
*Hausman test result*

Correlated Random Effects - Hausman Test  
Equation: Untitled  
Test cross-section random effects

Test Summary	Chi-Sq. statistics	Chi-Sq. df	Prob.
Cross-section random	52.921574	4	0.0000

In Table 3.2 shows that the p-value equal to 0.0000 > 0.05, so H<sub>0</sub> is rejected, then the best model is the fixed effect model. Then, in to show the effect of variables used hypothesis testing then presented the following data:

**Table 3.3**  
*T-Test Result*

variables	The coefficient (β)	t-count	P-Value	Decision
<b>constants</b>	38.19826	6.482143	0.0000	
<b>Education</b>	-1.063581	-11.21422	0.0000	H <sub>1</sub> accepted
<b>Unemployment</b>	0.391540	2.115195	0.0472	H <sub>2</sub> received
<b>Minimum wage</b>	-1.08E-06	-1.141805	0.2670	H <sub>3</sub> is rejected
<b>Health</b>	-0.082110	-0.924333	0.3663	H <sub>4</sub> is rejected

Based on the above data shows that education and unemployment variables have a significant influence on poverty, while the minimum wage and health variables do not have a significant effect on poverty.

#### 3.1 Effect of education on poverty

Based on the test results of this research to get the result that there is significant influence between the variables of education on poverty in East Java. The influence is evidenced by the significant value of the variable of education on poverty for 0000 < 0.05 which means that, if education increases, will increase poverty anyway.

These results are consistent with research conducted by Maliki et al (2013) explain that education can be a determinant of the quality of human resources, further research conducted by Mihai et al (2015) which states that in the long term education have an impact on poverty. In fact, according to Buch and Deutsch (2014) showed that poverty and education can affect these results according to Becker (1975) who found the human investment in education, training and health will improve productivity. Because education is a measure of the progress of a region or area. If the quality of education is good, it will improve the quality of human resources and human resource development will be able to reduce poverty. In addition to Becker opinion, Amartya Sen (in Rajapakse, 2016) also say the same thing about the importance of education in reducing poverty. To improve the quality of education, the environment becomes one of the factors that affect the quality of one's education (Lucci et al, 2016).

In East Java, education taken by the NII portion of the population in East Java has not yet reached 12 years of compulsory education set by the local government. The average population of just education at junior high school level. Continuing education is necessary for the quality of its human resources better and able to adapt to the environment (Wahyudi and Rejekiningsih, 2013). Educational conditions, especially in areas that have high poverty levels are of sufficient quality is low, this is caused by the high rate of illiteracy, inadequate educational facilities, educational assistance provided is still uneven and not well targeted. Other than that,

### **3.2 The effect of unemployment on poverty**

Based on test results in the study, showed that there is significant influence between the variables of unemployment on poverty in East Java. This influence is evidenced by the significant value of unemployment on poverty at  $0.0472 < 0.05$ , which means that if unemployment increases, poverty will also increase. unemployment affects poverty.

These results are consistent with research conducted by Sari et al (2016) which states that unemployment affects poverty, this is caused by the human resources factor. In addition, this study according to research conducted by Jencova et al (2015) and Cuesta and Budria (2017) argues that the economic conditions to be one trigger rising unemployment because employment is not maximized. Unemployment also occur as a result of income received have not been able to meet the necessary requirements that will affect the quality of human resources (Wahyudi and Rejekiningsih, 2013). As expressed by Keynes (Skousen, 2012) who believe that unemployment is due to a low consumption will lead to reduced demand for labor.

In some areas in East Java Sampang minimal as to be an investment, this is because the quality of human resources is still relatively quite low, but it is still the number of workers outside of the area that work in Sampang Sampang original so that labor has no chance of working. Moreover, the cause of high unemployment is a fairly high crime rate so that investors also think back to feel uncomfortable about security. So that investors will think back to invest, because the safety and comfort even be things that need to be considered by investors when investing.

### **3.3 The effect of minimum wages on health**

Results of the testing that has been done to see whether there is influence between the variables of the minimum wage on poverty shows that the minimum wage variable has no effect on poverty. This is because, panel data regression test results indicate that the significant value of the minimum wage on poverty at  $0.2670 > 0.05$ . Not influential minimum wage on poverty is supported by research conducted by Sherk (2017) which states that the minimum wage is increased it will lower the chance someone to work and because the majority of wage earners are poor.

In addition this research conducted by Sabia and Nielsen (2012) which states that the minimum wage policy will have no effect because this will only influence the course of job offers, in addition the company will be more selective in hiring, job seekers will otherwise continue to wait until they get a job. Other studies also support this research is research conducted by Marinda et al (2017) increasing minimum wage has not completely alleviate poverty for people living in poverty bekam able to overcome the problem of meeting basic needs. This is similar study by the opinion of David Ricardo (in Deliarnov, 2010) considers that this wage based on market prices, the market price is influenced by the amount of demand and supply.

As conditions of employment in East Java, wage increases, it will increase unemployment, because of their employers' side do not want to lose, if workers want wage increases, the risk that must be faced is the Termination (PHK). In the event of layoffs will increase unemployment and affect poverty. In addition, there is no effect of the minimum wage on poverty, since the majority of the population works sector of production so as to reduce poverty, needs to be increased revenues from oil production. Besides that, the wages earned by people who worked as a farmer or fisherman is not fixed. Wages do not keep it affects the welfare of a person, in addition to the policy of increasing poverty may not necessarily be the right way to fix the problem of employment. In the event of layoffs will increase unemployment and affect poverty. In addition, there is no effect of the minimum wage on poverty, since the majority of the population works sector of production so as to

reduce poverty, needs to be increased revenues from oil production. Besides that, the wages earned by people who worked as a farmer or fisherman is not fixed. Wages do not keep it affects the welfare of a person, in addition to the policy of increasing poverty may not necessarily be the right way to fix the problem of employment. In the event of layoffs will increase unemployment and affect poverty. In addition, there is no effect of the minimum wage on poverty, since the majority of the population works sector of production so as to reduce poverty, needs to be increased revenues from oil production. Besides that, the wages earned by people who worked as a farmer or fisherman is not fixed. Wages do not keep it affects the welfare of a person, in addition to the policy of increasing poverty may not necessarily be the right way to fix the problem of employment. needs to be increased revenues from oil production. Besides that, the wages earned by people who worked as a farmer or fisherman is not fixed. Wages do not keep it affects the welfare of a person, in addition to the policy of increasing poverty may not necessarily be the right way to fix the problem of employment. needs to be increased revenues from oil production. Besides that, the wages earned by people who worked as a farmer or fisherman is not fixed. Wages do not keep it affects the welfare of a person, in addition to the policy of increasing poverty may not necessarily be the right way to fix the problem of employment.

### 3.4 Health effects on poverty

Based on test results using panel data shows that the health variable has no effect on poverty is evidenced by the results of the panel data regression test showed that significant value between health and poverty at  $0.3663 > 0.05$ . These results are consistent with research conducted by Suprianto et al (2017) which states that there is no influence between health and poverty in Sumbawa.

These results also rejected claims Grossman (1972) which states that choosing health facilities are available, but in using public health facilities is necessary to determine the health products will be selected according to their ability. The absence of the effect of health variables on poverty is due to an increase in health facilities is not matched with the needs of workers such as doctors, dentists, and lack of medicine, so people tend to choose to go to the city center to get the maximum service. In addition, the government programs in the health sector is still not evenly distributed. So be some government programs in health equalization is still lacking.

### 3.5 Effect of education, unemployment, minimum wage, and health to poverty

**Table 3.4**

*f-test result*

R-squared	0.912834	Mean dependent var	21.62000
Adjusted R-squared	0.895400	SD dependent var	3.108436
SE of regression	1.005327	Akaike information criterion	3.025359
Sum squared resid	20.21365	Schwarz criterion	3.269134
Log likelihood	-32.81699	Hannan-Quinn criter.	3.092972
F-statistic	52.36149	Durbin-Watson stat	2.830153
Prob (F-statistic)	0.000000		

Based on test results-f in Table 4.7 then all independent variables affect the dependent variable, the variable of education, unemployment variable, the variable minimum wage, and health variables influenced against poverty with significant value  $0.0000 < 0.05$ . Thus, there is significant influence between education, unemployment, minimum wage, and health on poverty in East Java.

These results are consistent with the results of research conducted by Amalia (2015) which describes the level of education reached by women. If they get a good education will be able to increase productivity, which will produce a decent wage in order to improve their welfare. Harlik et al (2013) which states that a good education will produce quality human resources is good too so that will increase productivity and high productivity would yield a good return and is expected to alleviate poverty. Wahyudi and Rejekiningsih (2013) argue that the simultaneous effect this means that if all the dependent variable increases, will increase the independent variable.

## III. Conclusion

Based on the discussion of the results of the research, then, can put forward some Conclusions:

- 1) There is significant influence between the variables of education on poverty variables.
- 2) Variable unemployment significantly influence poverty variables.
- 3) Variable minimum wage has no significant effect on poverty.
- 4) health variables no significant effect on poverty variables.
- 5) The effect of all dependent variables: education, unemployment, minimum wage, and health simultaneously against poverty.

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