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The Impact of the Open Unemployment Rate on the Poverty Rate in Indonesia from 2014 to 2023

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ABSTRACT

This study aims to analyze the impact of the open unemployment rate on the poverty rate in Indonesia over the period 2014–2023. Utilizing a qualitative approach and literature review method, the research identifies a strong correlation between open unemployment and poverty, along with other contributing factors. The findings indicate that an increase in the open unemployment rate significantly contributes to the rise in the number of people living in poverty. Furthermore, this study provides insights for the government and relevant stakeholders in formulating more effective policies to reduce both unemployment and poverty, thereby supporting the achievement of the Sustainable Development Goals (SDGs) in Indonesia. It is expected that these findings will serve as a foundation for further research and the development of more inclusive and sustainable policy measures.

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INTRODUCTION

Poverty remains a persistent and complex challenge in Indonesia, a nation endowed with vast natural resources yet struggling to overcome substantial obstacles in ensuring widespread economic and social welfare (Aini et al., 2024). Figure 1 showed that approximately 9.8% of the population—equivalent to 26.4 million individuals—were living below the poverty line. This figure highlights the structural nature of poverty in the country, despite considerable macroeconomic growth. Crucially, poverty in Indonesia is multidimensional, encompassing not only income deficits but also limited access to education, healthcare, sanitation, and employment opportunities.

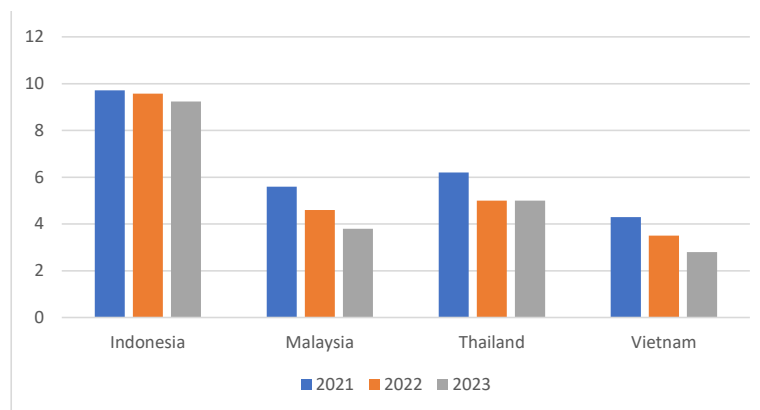


Figure 1. *Comparison of Poverty Rate*
Sources: Badan Pusat Statistik (2022)

In Figure 1, comparative statistics underscore Indonesia's relative disadvantage in regional poverty alleviation. In 2023, the national poverty rate stood at 9.24%, substantially higher than those of neighbouring Southeast Asian nations such as Malaysia (3.8%), Thailand (5.0%), and Vietnam (2.8%) (World Bank, 2023). Although Indonesia has made modest progress in reducing poverty over the past decade, these figures suggest that existing strategies may be less effective than those adopted by its regional counterparts. Such disparities warrant a closer examination of the internal structural factors that inhibit poverty reduction, as well as the external influences, such as global economic trends and trade dynamics.

Given its large labour force and significant informal employment sector, Indonesia's poverty is often exacerbated by labour market vulnerabilities. A substantial proportion of the working-age population is employed informally, lacking stable income, job security, or access to social protection (Mohapatra & Sahoo, 2025). These conditions make them particularly susceptible to economic shocks, thereby sustaining chronic poverty cycles. In this context, job creation policies and workforce development become vital not only for economic growth, but also for reducing income inequality and achieving sustainable development outcomes.

Understanding poverty in Indonesia is imperative not only due to its socio-economic implications, but also because of its capacity to generate a range of social issues including increased crime rates, urban overcrowding, and persistent

educational gaps. These outcomes can entrench poverty across generations and, if left unaddressed, threaten political and social stability (Singh & Jha, 2023). Consequently, academic research on poverty in Indonesia holds practical relevance for both policymakers and development practitioners.

A major factor often associated with poverty is unemployment, specifically open unemployment, which refers to individuals actively seeking but unable to secure employment. The Open Unemployment Rate (OUR) in Indonesia has exhibited fluctuating trends over the past decade, influenced by economic cycles, demographic shifts, and industrial transformation (Sari et al., 2024). From a developmental economics perspective, high unemployment reduces aggregate income, weakens domestic demand, and heightens the risk of income polarization. In turn, these conditions contribute to a deterioration in living standards, compounding the effects of poverty.

The existing literature reflects a range of findings on the relationship between unemployment and poverty. A number of studies demonstrate a positive correlation between open unemployment and poverty levels. Agustina, Syechalad, and Hamzah (2018), for example, reported that a 1% increase in the unemployment rate led to a 0.012% increase in poverty. Similarly, Ristika, Primandhana, and Wahed (2021) affirmed a statistically significant, though modest, positive association. Putra and Arka (2018) also argued that unemployment reduces household income security, increasing vulnerability to poverty.

Contrasting findings, however, indicate that this relationship is not universally linear. Alm et al., (2020) observed that in some contexts, particularly where government safety nets or vocational training programmes are effective, rising unemployment does not necessarily precipitate a corresponding rise in poverty. Din et al. (2014) further found that access to quality education and healthcare may offset the adverse effects of unemployment on poverty outcomes. Lewis, (2023) highlighted the role of public infrastructure investment in stimulating job creation, thereby mitigating the impact of unemployment.

These divergent perspectives suggest that the unemployment–poverty nexus in Indonesia is mediated by a range of contextual and policy-specific variables. Structural inequalities, regional disparities, labour market segmentation, and variations in policy implementation across provinces all contribute to the complexity of this relationship (Dev, 2018). Accordingly, this paper aims to contribute to the scholarly discourse by critically examining the relationship between open unemployment and poverty in Indonesia between 2014 and 2023, a period marked by dynamic socio-economic transitions including the COVID-19 pandemic and post-pandemic recovery.

By revisiting and synthesising both recent and foundational studies, the article seeks to offer a balanced perspective on whether, and to what extent, open unemployment drives poverty in the Indonesian context. Moreover, it endeavours to identify moderating factors that may either exacerbate or mitigate this relationship.

The paper also situates itself within broader academic debates on labour markets, inequality, and poverty dynamics in emerging economies.

The main objective of this study is to empirically assess the influence of open unemployment on poverty incidence across Indonesian provinces from 2014 to 2023. It is expected that the findings will reveal a significant correlation between unemployment levels and poverty outcomes, with policy implications for labour market reform and poverty alleviation programmes. The insights derived from this research may contribute to evidence-based policymaking and inform integrated strategies to achieve Sustainable Development Goals, particularly SDG 1 (No Poverty) and SDG 8 (Decent Work and Economic Growth).

LITERATURE REVIEW

Poverty is a complex and multidimensional social phenomenon that encompasses not only the lack of income but also limited access to education, healthcare, and other essential services (Guerra et al., 2024). As articulated by Sen (1999), poverty can be understood as the deprivation of basic capabilities, whereby individuals are unable to meet fundamental needs such as nutrition, housing, and education. In Indonesia, poverty remains a critical and persistent issue. According to Statistics Indonesia (Badan Pusat Statistik, 2022), approximately 9.54% of the population lived below the poverty line in 2022. Key contributing factors include low educational attainment, insufficient access to decent employment opportunities, and macroeconomic instability (Alm et al., 2020).

The Indonesian government has implemented a variety of poverty reduction strategies over the years (Nugroho et al., 2021), including conditional cash transfer schemes such as the Family Hope Programme (Program Keluarga Harapan [PKH]) and the Non-Cash Food Assistance (Bantuan Pangan Non-Tunai [BPNT]). These initiatives aim to provide direct assistance to low-income households while simultaneously enhancing their access to basic needs. However, the effectiveness of such policies is often constrained by external variables, including economic growth fluctuations, inflationary pressures, and political uncertainties (Bogari, 2024). To achieve long-term poverty alleviation, a more holistic approach is required—one that integrates improvements in education quality, vocational training, and community empowerment (Iyunade, 2024).

The legal framework addressing poverty and open unemployment in Indonesia plays a significant role in guiding national socio-economic policy. Law No. 13 of 2011 concerning the Handling of Poverty outlines comprehensive efforts to reduce poverty through integrated programmes, particularly those aimed at enhancing access to education, healthcare, and employment (Muh & Munir, 2023). The law underscores the importance of community participation and multi-sector collaboration among government entities, private enterprises, and civil society organisations. Given the systemic nature of poverty in Indonesia, a sustained and

multifaceted strategy is essential. This includes not only financial aid, but also human capital development and institutional reforms (Goh et al., 2024).

In parallel, open unemployment—defined as the condition wherein individuals who are able and willing to work remain unemployed despite actively seeking employment—constitutes a major socio-economic concern. The International Labour Organization (ILO, 2020) identifies open unemployment as a critical indicator of a country's economic health. Contributing factors include skill mismatches between labour supply and market demand, as well as cyclical economic downturns that reduce employment absorption. In the Indonesian context, open unemployment is particularly prevalent among university graduates and young people. According to BPS (2022), the national open unemployment rate stood at 6.49% in 2022, with youth and fresh graduates comprising a disproportionately high share of the unemployed.

Governmental responses to open unemployment have included a range of interventions such as vocational training (Webber, 1985), educational reform, and job creation through public investment. One notable example is the Pre-Employment Card Programme (Kartu Prakerja), which aims to enhance job-seekers' skills and employability through training and financial support (Coordinating Ministry for Economic Affairs, 2021). However, numerous challenges remain, including economic volatility, rapid technological change, and a disconnect between academic curricula and industry requirements (Sukirno, 2018). A more comprehensive and coordinated strategy is therefore needed—one that fosters collaboration among educational institutions, the private sector, and government agencies.

The regulatory basis for managing unemployment is further supported by Law No. 2 of 2003 concerning the Placement and Protection of Workers (Masur & Posner, 2011). This law seeks to promote decent work and protect workers' rights, while also fostering job creation through skills development and investment incentives. Together, Laws No. 13/2011 and No. 2/2003 offer a legal architecture for integrated and sustainable responses to poverty and unemployment. Their effective implementation requires active engagement from multiple stakeholders and continuous evaluation to adapt to evolving economic realities.

The interconnection between open unemployment and poverty has long been explored in economic theory. Keynesian economics, for instance, asserts that unemployment arises when aggregate demand is insufficient to sustain full employment. As unemployment increases, many individuals lose their primary source of income, impeding their ability to meet basic needs and exacerbating poverty. This dynamic is particularly pronounced in countries with limited social safety nets. From the perspective of classical economics, persistent unemployment may also lead to declines in productivity and overall economic growth, further entrenching poverty (Keynes, 1936; Todaro & Smith, 2020).

Thus, unemployment and poverty are mutually reinforcing in a negative cycle: high unemployment contributes to increased poverty, while poverty itself can hinder labour market participation through limited education and health outcomes.

Breaking this cycle requires targeted policy interventions that simultaneously address both employment and human development.

An illustrative example of such an integrated approach is Indonesia's Family Hope Programme (PKH), which provides conditional cash transfers to poor households. Eligibility is contingent upon specific behavioural criteria, such as ensuring school attendance and regular health check-ups for pregnant women. Beyond its immediate financial support, PKH aims to improve long-term human capital by encouraging education and health investment. In doing so, it enhances beneficiaries' employability and labour market participation, thereby reducing both poverty and unemployment in the medium to long term. The programme thus seeks to foster a virtuous cycle of development, where empowered and healthy citizens are better positioned to access economic opportunities.

METHODS

To explore and critically analyse a wide range of relevant literature pertaining to the research topic, this article adopts a qualitative methodology through a literature review approach. The research process commenced with a systematic search and collection of scholarly articles, academic books, and official documents directly related to the issues of poverty and open unemployment. The sources were retrieved from reputable academic databases and digital repositories to ensure credibility and scholarly rigour.

Inclusion and exclusion criteria were established to filter the literature, ensuring that only high-quality and thematically relevant sources were incorporated into the analysis. This selection process was vital to maintain the academic integrity and relevance of the review. Special emphasis was placed on literature published within the past five years, in line with contemporary academic standards, while also integrating seminal works foundational to the field.

Following data collection, the analysis was conducted using thematic analysis techniques. This involved identifying, coding, and categorising key themes and patterns emerging from the reviewed literature. The thematic approach enabled the researcher to synthesise complex and multidimensional insights, providing a structured narrative that elucidates the interrelationships between the variables under investigation.

The findings of this analysis are presented in a coherent and organised narrative format, which facilitates a deeper understanding of the phenomenon under study within a broader socio-economic and policy context. Through this methodological approach, the study aims to offer a meaningful contribution to the academic discourse on poverty and open unemployment, while also laying the groundwork for future empirical and theoretical research.

RESULT

Poverty, in general, is a condition where individuals or groups lack adequate access to the resources needed to meet basic life necessities such as food, housing, education, and healthcare services (Thanga & Lalremsanga, 2021). In Indonesia, poverty remains a serious challenge, despite a decline in poverty rates in recent years. Poverty in Indonesia is still considered severe, particularly in rural areas and among vulnerable groups such as women and children (Hill, 2021). Factors such as low educational attainment, lack of access to decent employment opportunities, and the impact of the COVID-19 pandemic have worsened this situation (Harris et al., 2024). Additionally, uneven development across regions also contributes to the high poverty rates in certain areas. Therefore, despite progress, more intensive and integrated efforts are necessary to effectively address poverty in Indonesia (Van Leeuwen & Földvári, 2016).

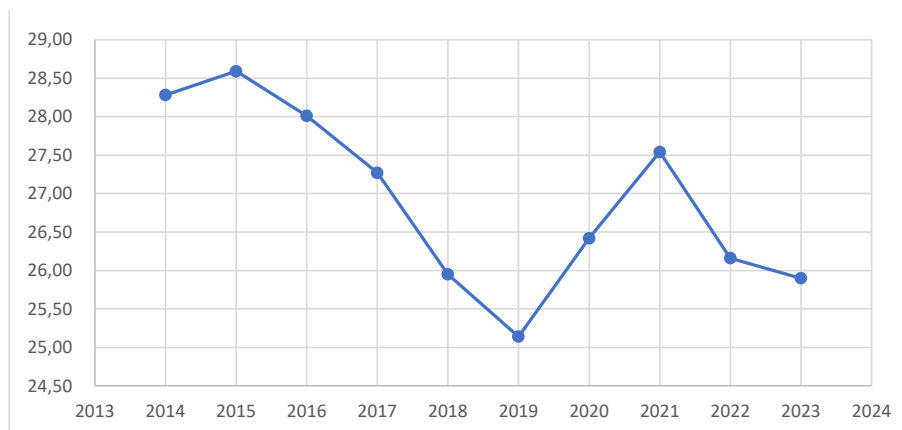


Figure 2. Poverty Rate
Sources: Badan Pusat Statistik (2022)

The Figure 2 provides an overview of poverty trends in Indonesia from 2014 to 2023. During this period, the figure shows fluctuations in poverty rates, with several significant periods of decline and increase. At the beginning of the period, from 2014 to 2015, poverty rates increased from around 28.5% to nearly 29%. This increase indicates economic challenges faced by the population during that period. One of the main causes could be the global economic slowdown impacting developing countries like Indonesia (Giap et al., 2018). Furthermore, during that time, changes in domestic economic policies, including the reduction of fuel subsidies, may have contributed to increased living costs for the poor (Carr et al., 2018). The impact of this policy was mainly felt by vulnerable groups relying on informal sector incomes, which are often unstable (Bassier et al., 2021).

However, after peaking in 2015, poverty rates gradually decreased until 2018. During these years, poverty declined significantly from nearly 29% to about 25.5%. This decline can be associated with several factors, including improvements in the global economy and relatively stable domestic economic growth (Bayır, 2021). During this period, the Indonesian government strengthened poverty alleviation programs such as the Family Hope Program (Program Keluarga Harapan, PKH), the Healthy

Indonesia Card (Kartu Indonesia Sehat, KIS), and the Smart Indonesia Card (Kartu Indonesia Pintar, KIP). These programs provided direct assistance to poor families, helping to alleviate their economic burdens. Additionally, growth in labor-intensive sectors such as manufacturing and construction may have contributed to the poverty decline by absorbing many workers, particularly those with low educational attainment (Rambe et al., 2023).

However, this downward trend halted in 2019, when poverty rates slightly increased. This marginal increase may have been caused by global uncertainties, including the trade war between the United States and China, which affected the global economy and Indonesia. Fluctuations in global commodity prices also impacted incomes of poor people working in agriculture and other natural resource sectors (Solaymani, 2017).

A more significant increase occurred in 2021, marking the peak of rising poverty. That year showed a sharp spike, approaching 27%. This surge was a direct consequence of the COVID-19 pandemic that struck Indonesia and the world from 2020 to 2021. The pandemic halted various economic activities, causing many people to lose their jobs, especially those in the informal sector (Cortes & Forsythe, 2020). Social restrictions (PSBB) and lockdowns implemented to control virus spread led many small and medium enterprises to bankruptcy. The tourism, trade, and service sectors—major employment absorbers—suffered drastic declines, resulting in widespread income loss. At this time, poverty rose significantly as people could no longer meet basic needs.

Following the 2021 spike, poverty rates began to decline in 2022. This decrease indicates economic recovery after the pandemic peak. The government started easing social restrictions, allowing economic activities to resume. National economic recovery programs, including economic stimulus and direct cash assistance to affected communities, played a key role in reducing poverty. Previously struggling sectors, especially trade, services, and the creative industry, began to rebound and adapt to the post-pandemic situation.

In 2023, the poverty decline trend continued but at a slower pace. This shows ongoing economic recovery but highlights remaining structural challenges. Despite economic improvement, the long-term impacts of the pandemic remain, especially for those who lost jobs or steady incomes during the crisis. Additionally, inflation and rising prices of basic necessities, potentially due to external factors such as global geopolitical conflicts, could hinder faster poverty alleviation efforts (Abdullah et al., 2024).

Overall, the poverty trend from 2014 to 2023 reflects dynamics influenced by both domestic and global factors. Significant reductions occurred before the pandemic, driven by government programs and economic stability. However, the COVID-19 pandemic was the main factor behind the poverty surge mid-period, with recovery starting after 2021. Poverty alleviation efforts must continue focusing on employment growth and economic stability to sustain downward trends in the future.

After discussing poverty, it is important to address open unemployment, which is one of the main contributing factors to poverty. Open unemployment is defined as the condition where individuals actively seeking work cannot find suitable employment, despite having the ability and willingness to work (Gustriansyah et al., 2022). In Indonesia, the open unemployment situation is concerning, especially in certain regions. According to data from the Central Bureau of Statistics (Badan Pusat Statistik), the open unemployment rate in August 2021 reached around 6.26%, with significant numbers of unemployed people, especially among youth and higher education graduates. Regions like East Nusa Tenggara and Papua show higher unemployment rates compared to other areas, reflecting unequal employment opportunities. Furthermore, the impact of the COVID-19 pandemic worsened this situation, causing many economic sectors to decline and resulting in job losses. Thus, open unemployment is not only an economic issue but also contributes to increasing poverty, creating a difficult cycle to break (Marpaung et al., 2023).

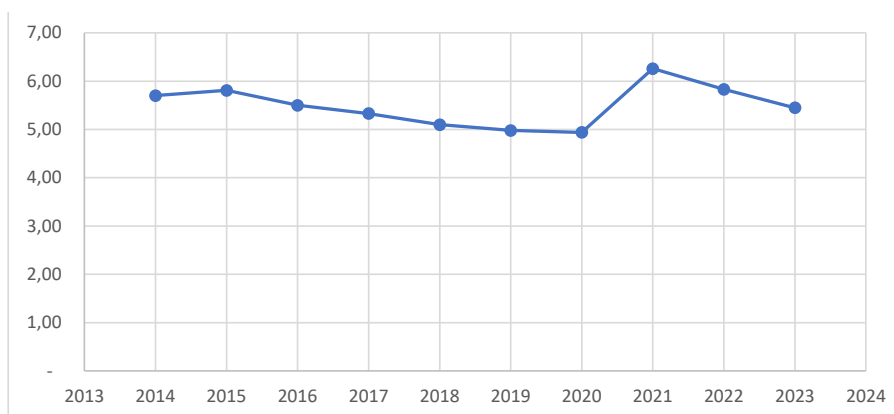


Figure 3. *Indonesia's Open Unemployment Rate*
Sources: Badan Pusat Statistik (2022)

Figure 3 shows the open unemployment rate in Indonesia from 2014 to 2023, highlighting notable fluctuations. Overall, there was a steady decline in unemployment from 2014 to 2019. In 2014, the unemployment rate was approximately 5%, indicating a relatively stable economy despite global economic challenges. During this period, the government implemented policies to reduce unemployment by increasing formal sector employment, especially in industry, agriculture, and services (Lu, 2019). Moderate economic growth supported job creation, particularly in rapidly urbanizing areas (Brunt & García-Peñalosa, 2021).

From 2015 to 2019, there was a gradual decline in unemployment, with TPT dropping to about 5%. This decline indicates success in job creation and national economic improvement. The TPT decrease can be linked to increased investment in strategic sectors such as infrastructure, manufacturing, and tourism, which absorbed many workers, particularly those with low to medium education levels (De Vita et al., 2021). Large-scale infrastructure projects by the government, such as highways, ports, and airports, positively impacted new job creation, both directly and indirectly (Lewis, 2023). During this period, Indonesia's economy enjoyed relative stability, supporting increased purchasing power and fostering growth in productive sectors.

However, this trend changed in 2020, when TPT surged sharply to over 6%, the largest increase on the figure. The unemployment rise in 2020 was heavily influenced by the COVID-19 pandemic's impact. The pandemic triggered an economic crisis causing many businesses to halt operations, especially in tourism, hospitality, restaurants, and retail sectors. Social restrictions and lockdowns implemented to contain the virus spread led to temporary and permanent closures of many small and medium enterprises, forcing large companies to lay off employees. Consequently, unemployment soared as many workers, especially in the informal sector, lost their livelihoods.

This peak continued into 2021, with unemployment exceeding 6.5%. Despite some easing of social restrictions and government efforts to revive the economy, recovery did not immediately improve employment conditions. Many businesses had not fully recovered and faced challenges in increasing production or meeting consumer demand. Therefore, unemployment remained high, especially among informal sector workers and those in sectors hardest hit by the pandemic.

In 2022, the trend began to improve, with TPT dropping slightly to about 5.8%. This reduction reflects signs of better economic recovery post-pandemic. As economic activities gradually resumed, many companies reopened and started hiring new workers. Moreover, government recovery programs such as social assistance for affected sectors, job training, and support for small and medium enterprises (SMEs) indirectly helped increase employment. The recovery of tourism and international trade also contributed to the unemployment improvement.

By 2023, TPT further decreased to around 5.5%, indicating more stable economic recovery. Nevertheless, the pace of decline was slower than hoped due to structural challenges in creating broader employment opportunities. The informal sector still dominates employment in Indonesia, meaning many workers lack job security or social protection. Additionally, inflation and global uncertainties due to geopolitical conflicts may slow overall economic recovery, limiting job growth (Eydam & Leupold, 2024).

Overall, Indonesia's TPT trend from 2014 to 2023 shows clear fluctuations. The stable decline from 2014 to 2019 reflects improved economic conditions and effective government employment policies. However, the 2020-2021 unemployment spike illustrates the COVID-19 pandemic's economic crisis effects, causing business collapses and rising unemployment. Signs of recovery appear in 2022 and 2023, though challenges remain in creating quality jobs. To accelerate unemployment reduction, the government must continue promoting investment in strategic sectors, improving access to education and skills training, and strengthening social protection for informal workers.

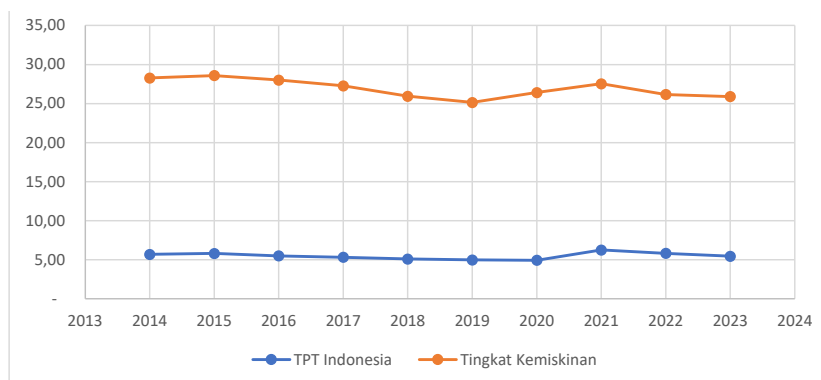


Figure 4. *Relationship between Poverty Rate and Open Unemployment Rate*
Sources: Badan Pusat Statistik (2021)

Figure 4 illustrates the likely strong correlation between the poverty rate and the open unemployment rate in Indonesia, as both indicators are closely linked within the country's economic context. This correlation occurs because unemployment is often a primary cause of poverty (Harry et al., 2023). When unemployment rises, more people lose their jobs, causing many families to lose their main income source. As a result, these families may fall into poverty due to difficulties in meeting basic needs such as food, education, and healthcare. Vulnerable groups, particularly informal workers without social security or adequate protection, are especially affected (Mohapatra & Sahoo, 2025).

This is evidenced by the figure showing the relationship between poverty rates and TPT, which display a fairly strong positive correlation, especially in parallel trends of increases and decreases over the same periods. Rising unemployment tends to directly increase poverty, while falling unemployment often coincides with poverty reduction (Hakam & Hanri, 2021).

For example, the spike in unemployment from 2020 to 2021 caused by the COVID-19 pandemic, as seen in the TPT figure, coincided with an increase in poverty during the same period. As many people lost jobs due to social restrictions and business closures, community purchasing power declined, particularly among informal sector workers and those without savings or social protection (Stephens, 2003). This caused more people to fall into poverty. When someone loses a job, household income drastically decreases, making it difficult to afford basic needs such as food, education, and healthcare.

Conversely, when unemployment started to decline in 2022 and 2023, as shown in the TPT figure, poverty rates also showed a downward trend. This reflects improving economic conditions allowing people to return to work and earn income. Increased job opportunities, both formal and informal, help lift people out of poverty. Economic recovery programs focused on job creation, such as investments in labor-intensive sectors, contributed to poverty reduction alongside falling unemployment.

Overall, the relationship between unemployment and poverty is clear from the trends in these two figure: higher TPT drives more people into poverty, while lower TPT helps reduce poverty. This relationship demonstrates that unemployment is a key factor influencing poverty levels in Indonesia.

DISCUSSION

Indonesia's economic condition and development are deeply affected by the dynamics of the labor market, especially the open unemployment, which significantly contributes to poverty levels. High unemployment not only reflects economic underutilization but also exacerbates income inequality, social instability, and reduced productivity. Numerous empirical studies have consistently demonstrated a positive correlation between unemployment and poverty, indicating that as more individuals are unemployed, the number of people living below the poverty line also increases.

According to a study by Muhammad Hafiz Fadhilah, Masruri Muchtar, and Pardomuan Robinson Sihombing (2023), variables such as total population, unemployment rate, education level, and income inequality (measured by the Gini ratio) simultaneously have a significant influence on the number of poor people in Indonesia. This suggests that poverty is a multidimensional issue, but unemployment plays a central role in its persistence. The study emphasizes the importance of macroeconomic stability and labor market improvements as part of a comprehensive poverty reduction strategy (Fadhilah et al., 2023).

Furthermore, research by Rega Saukani and Ima Amaliah (2023) supports this view by highlighting that although development index and economic growth are often assumed to alleviate poverty, these factors alone do not guarantee a reduction in poverty levels. Their study found that the open unemployment rate is the only variable among those tested that has a partial and statistically significant effect on poverty. This finding underlines that job creation has a more immediate and tangible impact on improving people's living standards than aggregate economic growth that may not be equitably distributed (Saukani & Amaliah, 2023).

Complementing this, a World Bank report (2022) underscores that labor market recovery post-pandemic remains sluggish in Indonesia, particularly in the informal sector that employs more than 58% of the workforce. Many workers are trapped in low-productivity, low-wage jobs without access to social protection, making them vulnerable to falling into poverty when shocks occur. This structural vulnerability indicates that the relationship between unemployment and poverty is not only linear but also influenced by the quality of employment available.

Moreover, a report from the Asian Development Bank (ADB, 2021) asserts that youth unemployment is a growing concern in Indonesia, particularly among graduates from higher education institutions. The mismatch between educational outcomes and labor market demands exacerbates structural unemployment and reduces the potential demographic dividend. This not only increases dependency ratios but also contributes to intergenerational poverty, particularly in rural areas with limited employment opportunities.

Given these findings, it is crucial for Indonesia to adopt a multifaceted approach in tackling both unemployment and poverty. Such an approach includes:

1. Job Creation and Investment in Labor-Intensive Sectors: Strengthening sectors that absorb large numbers of workers, such as agriculture, manufacturing, and infrastructure, can directly reduce open unemployment.
2. Vocational Training and Education Reform: Aligning education systems with labor market needs ensures that graduates possess relevant skills, reducing youth unemployment and boosting employability.
3. Strengthening Social Protection Systems: Ensuring informal sector workers have access to social insurance, healthcare, and unemployment benefits can mitigate the impact of economic shocks and prevent them from falling into poverty.
4. Inclusive Economic Growth Policies: Economic growth must be inclusive, targeting remote and underdeveloped areas to reduce regional disparities in unemployment and poverty rates.
5. Support for Small and Medium Enterprises (SMEs): SMEs are key drivers of employment in Indonesia. Access to credit, digital infrastructure, and business training can boost their capacity to create jobs.

Addressing unemployment as a strategic entry point to poverty reduction not only offers a pathway to improve individual livelihoods but also enhances social cohesion and promotes long-term sustainable development. Policymakers must, therefore, prioritize active labor market policies (ALMPs) and ensure economic recovery strategies are pro-employment and pro-poor.

CONCLUSION

Poverty remains a pressing socio-economic issue with far-reaching implications for individual well-being and national stability. Its persistence undermines public health, education quality, and social cohesion, while exacerbating crime and societal unrest (World Bank, 2023). If left unaddressed, poverty not only limits individual potential but also impedes broader economic progress and sustainable development.

A critical determinant of poverty is the open unemployment rate, which reflects the proportion of the labour force actively seeking but unable to obtain employment. Numerous studies underscore the strong correlation between rising unemployment and increased poverty levels. Agustina, Suparman, and Lestari (2018), for instance, found that a 1% rise in the TPT corresponds to a statistically significant increase in the number of individuals living below the poverty line. This relationship is intuitive, as unemployment reduces household income and limits access to essential services, thereby deepening vulnerability and exclusion.

Addressing poverty, therefore, requires a comprehensive and multidimensional approach. Effective strategies must include expanding access to quality education and vocational training, fostering job creation in both formal and informal sectors, and strengthening social protection mechanisms. Programmes that enhance workforce skills—offered by both governmental bodies and private

institutions—are particularly valuable. They equip individuals with the competencies necessary to participate productively in an increasingly dynamic and competitive labour market (OECD, 2022).

Nevertheless, simply expanding job opportunities is insufficient if the available human resources lack relevant expertise. It is imperative that government policies not only create employment but also invest in developing a competent and adaptive workforce. As Indonesia and other emerging economies navigate the demands of the digital and green transitions, human capital development must become a national priority (UNDP, 2021). Technical training, digital literacy, and continuous professional development must be embedded within national education and labour agendas.

Ultimately, the alleviation of poverty contributes not only to improved individual livelihoods but also to a more inclusive and resilient economic system. A society that effectively addresses poverty is more likely to enjoy social harmony, lower inequality, and sustained economic growth. For these reasons, poverty eradication should remain at the core of national development planning and public policy formulation.

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