

ANALYSIS OF FACTORS INFLUENCING WELFARE IN EASTERN INDONESIA

Popy Ragilia Margashella¹, Arfida Boedirochminarni², Sri Budi Cantika Yuli³

¹²³Development Economics, Faculty of Economics and Business, University of Muhammadiyah Malang

popyragiliamargasela@gmail.com¹, arfida@umm.ac.id²

Corresponding email: popyragiliamargasela@gmail.com

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ABSTRACT

Economic development aims to improve the welfare of society through transformation in the political, economic, and socio-cultural sectors. The stages of development can be carried out by developing the economic sector and addressing various challenges faced. In 2023, most provinces in the Eastern Indonesia region have an HDI below the national average. Thus, the researchers aim to identify and analyze the impact of Years of Schooling Expectation, Open Unemployment Rate, Poverty Rate, and Gross Domestic Product on the Human Development Index as an indicator of Welfare in the Eastern Indonesia Region. This research uses secondary data obtained from the Central Statistics Agency with a time frame of 2015-2023 and employs the panel data regression analysis method. The research results indicate that the expected years of schooling and GDP have a significant positive impact on the Human Development Index (HDI) in the Eastern Indonesia region, while the open unemployment rate and the number of poor residents have a significant negative impact on the HDI in the Eastern Indonesia region. Simultaneously, all variables significantly affect the HDI in the Eastern Indonesia region, with an R-squared model value of 0.826543, indicating that approximately 82.65% of the variation in HDI can be explained by the independent variables in this model.

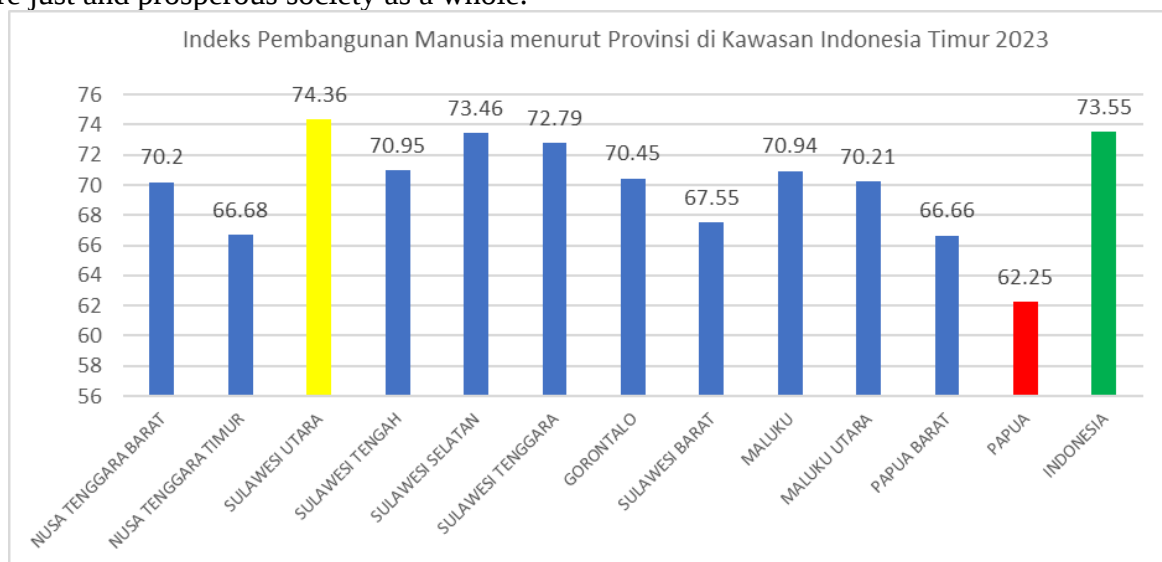
INTRODUCTION

Economic development aims to improve people's welfare through transformation in the political, economic, and socio-cultural sectors. The stages of development can be

implemented by developing the economic sector and resolving various challenges faced. Therefore, the success of development can be achieved through effective planning to overcome problems and stimulate economic growth, which will then improve the level of people's welfare.(Indrayanti, 2020). Community welfare is one of the targets of the Sustainable Development Goals and reflects the development achievements carried out by the government, which is measured through the Human Development Index.(Wiriana & Kartika, 2020).

The main objective of the government in encouraging these development efforts is to support economic growth and community empowerment, which is reflected in the Human Development Index. To achieve prosperity and progress, human development needs to be a priority. There are three general criteria used to measure the level of achievement of population development: longevity and good health, education, and a decent standard of living for the community.(Azfirmawarman et al., 2023). UNDP specifically identifies four key components in human resource development, which include efficiency (productivity), equity, sustainability, and capacity building (empowerment).(Setiawan & Hakim, 2023).

The development of welfare in Indonesia until now is still not evenly distributed, especially in the Eastern Indonesia Region. The welfare conditions in eastern Indonesia are part of Indonesia that has the lowest level of welfare compared to other parts of Indonesia. Many people in eastern Indonesia are still lagging behind in terms of conditions, one of which is in the world of education.(Wardhana et al., 2022). Equalizing welfare in eastern Indonesia is very important to overcome the economic and social disparities that exist between the eastern and western regions. Thus, equalizing welfare in eastern Indonesia is not only important to reduce economic disparities but also to create a more just and prosperous society as a whole.



Picture1 Human Development Index by Province in Eastern Indonesia Region 2023

Source: Central Bureau of Statistics of the Republic of Indonesia

Based on data from BPS RI, it shows the Human Development Index in various provinces in the Eastern Indonesia region in 2023. In general, it can be seen that North

Sulawesi province has the highest HDI with a value of 74.36. Conversely, Papua province shows the lowest HDI with a value of 62.25. The data shows that almost all provinces in the Eastern Indonesia Region are below the National HDI, except for North Sulawesi province. This variation reflects the disparity in development between regions, where factors such as education, health, and income contribute significantly to the differences in HDI values. This data highlights the need for more attention in efforts to improve the quality of life in the Eastern Indonesia region to achieve development equality throughout Indonesia.

Expected years of schooling and average years of schooling are indicators that describe the knowledge dimension.(Tuasela, 2023). Expected Years of Schooling (HLS) is used to describe the level of equality in educational development in a region. HLS assesses the possibility of individuals to access education starting at the age of 7 years.(Herdiansyah & Kurniati, 2020). Simply put, HLS can be understood as the school participation rate at a certain age. This indicator describes the number of years of education that a child at a certain age is expected to undergo in the future.(Ginting & Lubis, 2023). HLS plays a significant role in individual well-being, as longer education often opens up better job opportunities, increases income, and expands social networks and skills that support a higher quality of life.

Furthermore, the unemployment rate also affects the HDI. Development in the employment sector is a crucial aspect in efforts to improve the quality of human resources. High unemployment rates can hinder the prosperity of society, which should be the main goal of development. When unemployment is high in an area, it will hinder the achievement of the desired economic goals. People's income will decrease, which will have an impact on decreasing purchasing power and disrupting access to education and health services, which are basic needs that are important for improving welfare.(Shavira et al., 2021).

Poverty is often understood as a condition of financial and material deprivation needed to meet basic living needs, and is a major problem faced by many developing countries. In addition, poverty is also an economic indicator used to assess the level of community welfare in an area. This phenomenon has various dimensions, as do the causal factors. There is no single cause that can explain poverty, but rather involves various aspects, such as economic, social, and political. Therefore, efforts to reduce the number of poor people must be understood as efforts to overcome economic, social, and political poverty simultaneously.(Noble & Princess, 2022).

Economic growth is part of an effort to improve people's welfare, which is measured by an increase in GRDP/capita. GDP at the national level and GRDP at the provincial/district level illustrate the ability of a region to increase added value in a certain period. GRDP is one of the benchmarks for evaluating the economic performance of a region over a certain period of time. In more depth, GRDP illustrates the total added value generated by all businesses in the region, as well as the total value of final goods & services produced by all economic units in the region(Imsar et al., 2023; Siregar et al., 2023).

Based on the background, the study intends to identify and analyze the impact of Expected Years of Schooling, Open Unemployment Rate, Poverty Rate, and Gross Domestic Product on the Human Development Index as an indicator of Welfare in the

Eastern Indonesia Region. This study is expected to be able to apply development economics regarding the influence of unemployment, expected years of schooling, the number of poor people, and GRDP on welfare in the Eastern Indonesia Region. This study is expected to be a consideration in formulating policies aimed at increasing the level of welfare in the Eastern Indonesia Region, in order to encourage economic equality throughout Indonesia.

LITERATURE REVIEW

Human Development Index

The welfare and quality of life of people in an area can be calculated using the Human Development Index. (Rahmanto et al., 2024). Human development reflected in the HDI is divided into three categories based on the scores obtained. First, if the HDI value is <50 , then it is in the low category. Second, an HDI below 80 is categorized as medium. Third, if the HDI value reaches 80 or more, then it is classified as high. (Ningrum et al., 2020).

HDI describes the extent to which society can feel the benefits of development, including financial, health, education, and other factors. As a primary indicator, HDI is used to assess the extent to which human quality of life can be improved, both at the community and individual levels. In addition, HDI serves to determine the level of progress of a region or country. In Indonesia, HDI is crucial data for evaluating government performance and also serves as a basis for determining the allocation of general funds. (Almuzani & Purnomo, 2022).

Old School Expectations

Expected Years of Schooling (HLS) refers to the expected duration of education that children of a given age will undergo in the future, measured in years. The HLS figure describes the likelihood that children aged 7 and above will access formal education within a given period, and serves as a tool to assess the progress of the education system at all levels. (Sabrina et al., 2022).

RLS and HLS describe the level of educational attainment achieved by residents in a region. In other words, the higher the number, the higher the level of education achieved, which has implications for improving the quality of individuals in thinking and acting. (Rahminawati, 2023). The longer the level of formal education is given, the higher the quality of human resources. This means that they will work better to produce more output. In addition, with increasing output, income will also increase, which in turn increases purchasing power and encourages economic growth.

Open Unemployment Rate

Open unemployment refers to elements of the workforce who are unemployed or are still actively looking for work, both for individuals who have not worked and those who have work experience. And includes those who are preparing a business, people who are not looking for work because they feel there is no opportunity, and individuals who have received a job offer but have not started. This condition causes the unemployed population to have difficulty achieving prosperity. The unemployment rate is calculated as a percentage of the number of openly unemployed compared to the total workforce. (Noble & Saputra, 2020).

Unemployment is still seen as one of the causes of poverty, due to the inability to

obtain adequate employment to meet the needs of life. Sadono Sukirno (2004) stated that unemployment can have a negative impact in the form of a decrease in community income, which in turn reduces individual welfare. The decrease in welfare caused by unemployment will increase the possibility of individuals being trapped in poverty due to the loss of sources of income.(Wandita & Fithriani, 2021).

Poverty

Poverty can be defined as the inability to meet their basic needs such as clothing and food, as well as adequate education and health. This reflects the failure of individuals to meet their basic needs, especially those related to income & consumption. Supriatna (1997) explains that a person is categorized as poor if they have a low level of education, low organizational efficiency, minimal income, and inadequate health and nutrition, which together create a cycle of helplessness. Therefore, poverty occurs due to inadequate minimum wages, people's living standards remain low, while unemployment rates continue to increase every year without any expansion of employment opportunities.(Triwulandari et al., 2023).

Nugroho (1995) stated that a person's poverty status can be measured from their ability to meet basic living costs. The quality of life of the community is not only seen from the availability of food, but also includes aspects of health and education. Faturachman and Marcelinus M. (1994) define poverty as the failure of individuals/families to realize their basic needs. The inability of the community to realize basic needs is often caused by a lack of skills or expertise to work. Suryawati (2004) added that poverty is the inability of a person to meet basic needs, which causes difficulties in survival. This inability affects the low ability to achieve a decent standard of quality of life(Sintia Bolung et al., 2022).

Economic growth

The economy is said to experience growth or development if economic activity in a period exceeds the results achieved in the previous period. Economic growth is a key indicator in analyzing the economic conditions of a region. A large and sustainable level of economic growth is essential to ensure the continuation of economic development and improving the welfare of society. Development itself is a stage of transformation towards a better state in people's lives.

Economic development according to Todaro is a process that includes various dimensions, including changes in structure, lifestyle, and institutional systems, and focuses on increasing economic growth, reducing income inequality, and alleviating poverty. Human development aims to provide more choices for individuals, especially in terms of income, health, and education. This development process aims to bring about changes in social, political, economic, and cultural aspects. Thus, development is an essential factor in ensuring the sustainability of a region.(Bustamam et al., 2021).

RESEARCH METHOD

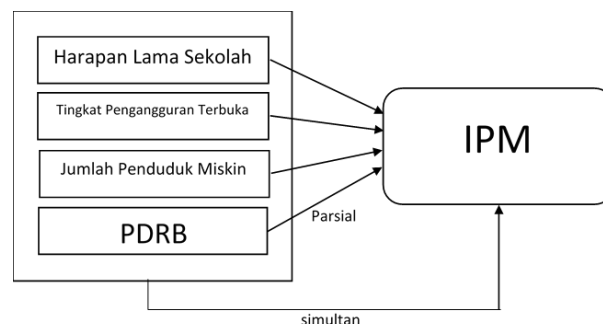
The research object took 12 provinces in the Eastern Indonesia Region, namely: South Sulawesi, North Sulawesi, Central Sulawesi, Southeast Sulawesi, West Sulawesi, Gorontalo, Maluku, North Maluku, NTT, NTB, Papua, and West Papua. The research variables used in this study use secondary data consisting of expected length of schooling, open unemployment rate, poverty rate, and GRDP as independent variables.

Then, HDI as a dependent variable with a time span of 2015-2023. All variables in this study are taken from data presented by the Central Statistics Agency.

To obtain reliable data in this study, the documentation method or documentation study is used. Research conducted systematically on archives or documents used as data sources is called documentation. The purpose of content or document analysis is to collect and analyze official documents, including policies, regulations, research findings, and other materials, by ensuring the validity and legitimacy of the information.(Amruddin et al., 2022).

Table1Operational Definition of Variables

NO	VARIABLES	DEFINITION	UNIT
1	Human Development Index	Summary indicators of average achievement in the main dimensions of human development including a long and healthy life, a high level of knowledge, and an adequate standard of living. The HDI is calculated as the average of the normalized indices for these three dimensions.(Hickel, 2020).	Composite index
2	Old School Expectations	The number of years a child of school entry age is expected to spend at school, or university, including years spent repeating(Martinez, 2024)	Year
3	Open Unemployment Rate	The open unemployment rate is calculated by dividing the total unemployed by the total workforce, then multiplying by one hundred.(Gheorghe & Roman, 2024).	Percent (%)
4	Number of Poor People	The total number of residents whose average expenditure/capita is less than the specified poverty line.	Soul (log)
5	Gross Regional Domestic Product	Economic data tools that can be used to evaluate the performance of a region's economic development(Saleh et al., 2020)	Rupiah (log)



Picture2Analysis Framework

To model the welfare of society with the HDI indicator in the Eastern Indonesia Region using panel data regression, the analysis was carried out using the Eviews 13 application through the following steps: 1) Building a Common Effect Model, Fixed Effect Model, and Random Effect Model, 2) Choosing the best model from the three

models, 3) Interpreting the final model according to the analysis framework shown in Figure 2.(Lasdiyanti et al., 2019).

RESEARCH RESULTS AND DISCUSSION

a) Results

In conducting panel data regression, the first thing to do is to conduct a regression of the 3 models to be selected, consisting of CEM, FEM, and REM. The Chow, Hausman, and LM tests are three different testing models. The LM test is to select CEM or REM; The Chow test selects CEM/FEM; The Hausman test selects REM/FEM. When the results of the Chow and Hausman tests disagree, the final test is used. The model test hypothesis is provided below:

1. Chow test with h_0 : CEM and h_a : FEM is the first model.
2. Tests with h_0 : REM and h_a : FEM form the second model.
3. The Lagrange multiplier test with h_0 :CEM and h_a :REM forms the third model.
4. Reject h_0 if $P < 0.05$ and accept if $P > 0.05$ (Mahdi & Sulistyono, 2023).

Table2 Best Model Selection Test Results

NO	TEST	PROBABILITY	DECISION
1	Chow Test	0.0000	Selecting FEM
2	Hausman test	0.2410	Selecting REM
3	LM Test	0.0000	Selecting REM

Source: Data processing

From Table 2, it can be seen that in the Chow test, the probability value is 0.0000 means less than 0.05. So reject h_0 and choose FEM. Furthermore, in the Hausman Test, the probability value is 0.2410 which means greater than 0.05. So it was decided to choose REM. Finally, the Breusch and Pagan LM test obtained a probability value of 0.0000. This means less than 0.05, so in the model selection it was decided to choose REM.

Table3 Best Model Regression Results (REM)

VARIABLES	COEFFICIENT	PROBABILITY	INFORMATION
Old school expectations	3.795341	0.0000	Significant Positive
Open Unemployment Rate	-0.273508	0.0030	Significant Negative
Number of Poor People	-2.004272	0.0063	Significant Negative
GRDP	1.840960	0.0000	Significant Positive
F TEST (SIMULTANEOUS)	0.000000		Significant
R-SQUARE	0.826543		Contribution of influence of 82.65% to HDI

Source: Data processing

This regression model involves four independent variables: Expected Years of Schooling, Open Unemployment Rate, Number of Poor People, and Gross Regional Domestic Product. The results of the analysis show that all of these variables have a significant effect on the HDI, as measured by the probability value obtained from the t-test.

The variable Expected Years of Schooling has a coefficient of 3.795341 with a probability value of 0.0000, indicating that its influence is very significant. This means that every one-year increase in expected years of schooling contributes positively to an increase in the HDI by around 3.80 points. This indicates that higher education is directly related to a better quality of life.

Furthermore, the Open Unemployment Rate produces a negative coefficient of -0.273508 with a probability of 0.0030. This means that an increase in the open unemployment rate is negatively related to the HDI. Every one percent increase in the unemployment rate can lower the HDI by about 0.27 points, indicating that high unemployment has a negative impact on human development.

The variable Number of Poor People also has a negative coefficient of -2.004272 and a probability of 0.0063, indicating statistical significance. This means that every additional number of poor people contributes to a decrease in the HDI by around 2.00 points. This shows that poverty is an important factor affecting people's quality of life.

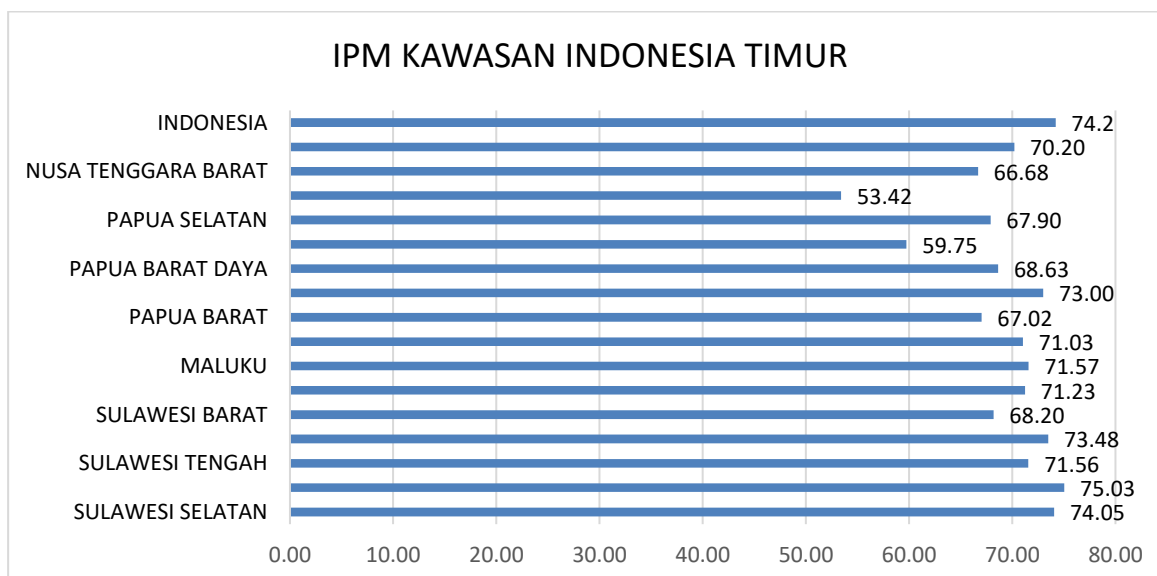
The coefficient for GRDP is 1.840960 with Probability 0.0000, indicating a significant positive relationship between economic growth and HDI. Every one unit increase in GRDP contributes to an increase in HDI by about 1.84 points, indicating that better economic growth contributes to an increase in the quality of life of the community.

The R-squared value of the model is 0.826543, indicating that about 82.65% of the variation in HDI can be explained by all independent variables in this model. This is a strong indication that this regression model has good predictive power for changes in HDI based on the variables analyzed.

The F test shows an F-statistic value of 122.7015 with a very small probability (Prob(F-statistic) = 0.000000), indicating that overall this regression model is significant and can be used to predict HDI accurately.

Overall, all independent variables have a significant effect on HDI, with education as the most dominant factor affecting human development, followed by economic conditions and social factors such as unemployment and poverty. The results of this study offer significant insights for policy makers in designing strategies to improve the quality of life of the community, with a focus on education and efforts to reduce poverty and unemployment.

b) Discussion



Picture3 Human Development Index of Eastern Indonesia Region

Source: Body Center Statistics Republic of Indonesia

The Human Development Index is an important measure for assessing the quality of life, well-being and human development in a region. In 2024, Indonesia's overall HDI was recorded at 74.20, showing a significant increase from the previous year, which was at 73.55. However, when looking more specifically at the Eastern Indonesia region, there is quite a striking variation in the HDI value between provinces.

In Eastern Indonesia, North Sulawesi recorded the highest HDI at 75.03, exceeding the national average. The province performed well in education and health, which are key components in calculating the HDI. On the other hand, Papua Highlands recorded the lowest HDI in Indonesia at only 53.42. This figure reflects the major challenges in improving the quality of life of the population in the region, which is often hampered by geographical factors and accessibility of basic services.

Other provinces in the region also show significant differences. For example, South Sulawesi has an HDI of 74.05, indicating that although not as high as North Sulawesi, this province is still below the national average. On the other hand, Central Papua with an HDI of only 59.75 illustrates a very concerning condition and requires more attention from the government to improve health and education services.

From the available data, it can be seen that provinces in Papua generally have lower HDI values than provinces in Sulawesi. NTB and NTT each have HDI of 66.68 and 70.20, which are also lower than South Sulawesi and North Sulawesi. This shows a disparity in development between eastern Indonesia and other regions.

This inequality in HDI achievement can be linked to various factors such as access to quality education, adequate health services, and a good standard of living. For example, the RLS in Papua tends to be lower compared to other provinces such as North Sulawesi and South Sulawesi. This contributes to the low quality of human resources in the region.

Overall, although Indonesia has achieved a high category in the HDI nationally by 2024, major challenges remain in the eastern region. Improvement efforts should be focused on provinces with low HDI to ensure that all Indonesian citizens can enjoy a

more decent quality of life. An integrated approach between the central and regional governments is needed to address this issue effectively.

1. T-Test (Partial Test)

The significant positive effect of HLS on HDI shows the importance of access to quality education in human development in Eastern Indonesia. With increasing schooling, individuals tend to have better skills and knowledge, which in turn can increase productivity and welfare. This also reflects that education is not just about academic achievement, but also plays a role in shaping the character and ability of individuals to contribute to society.

In addition, these results underline the need for more attention from the government and stakeholders to improve the education system in Eastern Indonesia. Investment in educational infrastructure, teacher training, and programs that support access to education for all levels of society are crucial. Thus, efforts to increase the expected length of schooling can be an effective strategy in achieving better and more sustainable human development goals. These results differ from the research conducted by Erly Nofriyanty M. and Francis H. (2021) which stated that the HLS rate has a significant effect on the HDI in Indonesia. The negative findings indicate that an increase in the HLS rate in Indonesia is associated with a decrease in the human development index.(Manurung & Hutabarat, 2021).

The significant negative impact of the open unemployment rate on the HDI in Eastern Indonesia can be explained through several mechanisms. As the unemployment rate rises, more people lose their source of income, which directly affects the ability to meet basic needs such as food, education, and health. High unemployment can also lead to social and psychological instability, which in turn affects individual participation in economic and social activities, thereby contributing to a decline in the HDI.

These findings highlight the importance of economic policies that focus on job creation and unemployment reduction as a strategy to improve the quality of life of people in Eastern Indonesia. The government needs to implement relevant training and education programs to increase the skill level of the workforce, and also create a stable investment climate to attract more job opportunities. Thus, efforts to reduce the unemployment rate will contribute positively to increasing the HDI and overall human development. These results are in line with research by Jahtu W. Ningrum, Aziza Hanifa K., and Nurul Huda (2020) which states that the results of the analysis show a significant influence between the unemployment rate and fluctuations in the Human Development Index. They argue that high unemployment rates can reduce people's welfare, because reduced individual income is the main factor influencing the progress of human development(Ningrum et al., 2020).

The significant negative impact of poverty on the HDI can be understood through the direct impact of poverty on individuals' access to education, health, and other basic services. Poor people often do not have adequate resources to meet their basic needs, thus hindering their ability to actively participate in social and economic development. This can lead to a prolonged cycle of poverty, where the next generation is also trapped in similar conditions, thus affecting the development of society as a whole.

These findings suggest the need for stronger policy interventions to reduce the number of poor people as part of the human development strategy in Eastern Indonesia.

Programs that focus on improving community welfare, such as social assistance, skills training, and better access to education, are essential to improving the quality of life in areas with high poverty rates. By reducing the number of poor people, it is hoped that the HDI can increase significantly, creating a more prosperous and competitive society. These results are not in line with research by Emilia, Sirilus, and Hendriana (2021) which states that poverty has no effect on the HDI in Belu Regency. This can be seen from the significant value reaching 0.553, which is greater than 0.05 (Kiha et al., 2021).

The positive effect of GRDP on HDI can be explained through several mechanisms. First, strong economic growth usually creates more jobs, increases income/capita, and provides better access to basic education and health services. When people have higher incomes, they can invest in their children's education and get better health care, which in turn improves the overall quality of life.

In addition, the increase in GRDP also reflects the success of economic policies and infrastructure investment that support social development. Therefore, it is important for the government to continue to encourage economic growth through policies that support investment and innovation in the Eastern Indonesia Region. By focusing on inclusive and sustainable economic development, it is hoped that the HDI can increase along with the growth of GRDP, creating a more prosperous and competitive society in the future. These results are in line with research by Lintang, M. Balafif, and N. Imamah (2021) which states that GRDP has a significant influence on HDI, which can be seen from the coefficient value of 3.380970 and a probability of 0.0003 at a significance level of 0.05. Meaning that GRDP significantly affects HDI (Sania et al., 2021).

2. F Test (simultaneous) and Coefficient of Determination

The results of the simultaneous F test in the panel regression analysis show an F-statistic value of 122.7015 with a very small probability (0.000000), which indicates that the overall regression model is significant in explaining the variation in HDI. With an R-squared value of 0.826543, around 82.65% of the variation in HDI can be explained by the independent variables used, namely expected years of schooling, open unemployment rate, number of poor people, & Gross Regional Domestic Product. This finding confirms that all independent variables simultaneously contribute significantly to HDI, thus indicating the importance of these factors in efforts to improve the quality of life of people in the Eastern Indonesia Region.

CONCLUSION

From this study, it is concluded that the majority of provinces in the Eastern Indonesia Region still have a Human Development Index below the national average. This indicates that there is inequality between regions in Indonesia so that there needs to be an increase in more comprehensive equalization policies in the future. Based on the results of the regression test in this study, it is stated that the expected length of schooling and GRDP have a significant positive effect on the Human Development Index in the Eastern Indonesia Region, while the open unemployment rate and the number of poor people have a significant negative effect on the Human Development Index in the Eastern Indonesia Region. Simultaneously, all variables have a significant effect on the Human Development Index in the Eastern Indonesia Region with an R-squared model value of 0.826543, indicating that around 82.65% of the variation in the Human Development

Index can be explained by the independent variables in this model.

Based on the research results showing a significant influence of independent variables on the Human Development Index, here are some suggestions for the government and further researchers. 1) The government needs to improve access and quality of education at all levels. This includes investment in educational infrastructure, teacher training, and scholarship programs for students from low-income families. 2) The government should design programs that focus on job creation. This can include skills training, support for small and medium enterprises, and incentives for companies that invest in areas with high unemployment rates. 3) It is important for the government to strengthen social programs aimed at reducing poverty. This can be done through direct cash assistance, community empowerment programs, and better access to health and education services for vulnerable groups. 4) The government must create a conducive investment climate, support innovation, and strengthen strategic economic sectors to increase productivity and community welfare.

Future researchers are advised to: 1) explore other factors that may influence the HDI, such as public health, political participation, or access to technology. This will provide a more comprehensive picture of the determinants of human development. 2) Conducting case studies in different regions with different social and economic characteristics can help understand how local contexts influence the relationship between these variables and the HDI. 3) Using diverse research methodologies, such as qualitative or mixed approaches, can provide a deeper understanding of people's experiences with education, employment, and poverty.

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