Determinants of Poverty: The Role of Unemployment and Labor Force Participation in South Sulawesi

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Info Article	Abstract
	This study examines the impact of the open unemployment rate (TPT) and labor force participation rate (Labor Force Participation Rate) on poverty in South Sulawesi from 2005 to 2024. Using quantitative methods and secondary data from the Central Bureau of Statistics (BPS), the analysis employs multiple linear regression. The results indicate that TPT has a significant positive effect on poverty, with a coefficient of 0.736 ($p < 0.05$), meaning that a 1% increase in TPT results in a 0.736% decrease in poverty. In contrast, the Labor Force Participation Rate has no significant influence on poverty (coefficient = -0.031, $p > 0.05$). Collectively, both variables explain 92.7% of the variation in poverty ($R^2 = 0.927$). The findings suggest that reducing unemployment through quality job creation is crucial for poverty alleviation, while merely increasing labor force participation is insufficient without supportive labor market conditions.

INTRODUCTION

Poverty in South Sulawesi Province remains a critical issue despite economic growth, with fluctuating unemployment rates and labor force participation (Shinta, 2021). This phenomenon suggests that the labor absorption mechanism has not been optimal in driving poverty reduction, underscoring the need for a comprehensive analysis of the relationship between employment variables and poverty. This study aims to examine the influence of these two factors in order to provide evidence-based policy recommendations, addressing a gap in the literature that has traditionally focused more on macroeconomic impacts such as GDP growth or inflation.

Theoretically, this study draws on Okun's Law, which links unemployment to economic output, Mankiw's theory of labor productivity, and Todaro's theory concerning regional development imbalances. This theoretical framework strengthens the analysis of how labor market dynamics—particularly open unemployment and labor force participation—contribute to poverty at the regional level. Previous empirical findings, such as those by Afzal et al. (2022), indicate that unemployment has a significant impact on poverty. However, variations in geographic and institutional contexts necessitate context-specific studies, as exemplified in South Sulawesi.

The significance of this research lies in its approach, which integrates advanced quantitative analysis with practical policy implications. For example, increasing labor force participation is only effective in reducing poverty when accompanied by the creation of quality employment opportunities (Rachman, 2018). Thus, the findings of this research not only enrich the development economics

literature but may also serve as a reference for local governments in designing effective employment interventions (Rodríguez-Pose & Muštra, 2022), such as vocational training or incentives for labor-intensive sector investments.

According to Mankiw (2013), unemployment is one of the major macroeconomic issues that directly affects societal welfare (Karo & Yusnida, 2024). He classifies unemployment into three types: frictional unemployment (the time required to search for a job), structural unemployment (a mismatch between skills and market demands, as well as wage rigidity), and cyclical unemployment (caused by economic fluctuations). High unemployment leads to a decline in household income, thereby increasing poverty. Therefore, job creation and improving human resource quality are key strategies for addressing both unemployment and poverty (Muanas & Milhani, 2021).

Several studies in South Sulawesi and its surrounding areas have shown that the labor force participation rate (LFPR) does not always have a significant impact on poverty (Yurina & Misla, 2023). An increase in the labor force participation rate (LFPR) without a corresponding improvement in skills and job availability may lead to higher poverty levels. However, other studies in North and South Sulawesi show that both male and female labor force participation rates (LFPR) significantly contribute to reducing poverty, in line with the theory that increased labor force participation can enhance household income. Todaro emphasizes that rapid labor force growth, if not accompanied by adequate job creation, will increase both unemployment and poverty (Nattrass & Seekings, 2018). An increase in the labor force participation rate (LFPR) must be accompanied by sufficient employment opportunities to prevent hidden unemployment. The quality of human capital also plays a crucial role in enabling the labor force to be absorbed into the job market, thus reducing poverty (Anand & Ravallion, 1993). When economic growth exceeds its potential trend, unemployment tends to decline, which in turn can reduce poverty. Economic growth that effectively absorbs labor in South Sulawesi is expected to lower both unemployment and poverty rate (Mutmainna, 2022).

From an Islamic perspective, poverty transcends mere economic deprivation; it is a divine test (Qur'an 2:177) that demands holistic solutions grounded in justice and social responsibility. Islamic teachings emphasize wealth redistribution through *Zakat, Infaq, and Sadaqah* (Qur'an 9:60) as institutional mechanisms to alleviate inequality and empower marginalized communities. Furthermore, the Prophetic tradition (Hadith Bukhari) underscores the dignity of labor (*al-'amal*), aligning with the need for quality employment opportunities to ensure that increased labor force participation translates into sustainable poverty reduction.

Okun's Law states that economic growth above its potential level reduces the unemployment rate, which ultimately can decrease poverty (Akeju & Olanipekun, 2015). This occurs because increased economic growth generates more jobs, enabling previously unemployed individuals to earn an income that meets their basic needs. Conversely, when economic growth slows or falls below its potential, unemployment rises, leading more people into poverty due to insufficient income (Pasaribu, 2022). Between 2005 and 2024 in South Sulawesi, the application of Okun's Law suggests that fluctuations in economic growth have a significant impact on both unemployment and poverty levels. An imbalance between job creation and labor force growth can exacerbate poverty, particularly when unemployment persists at high levels despite positive economic growth.

The following is the conceptual framework:
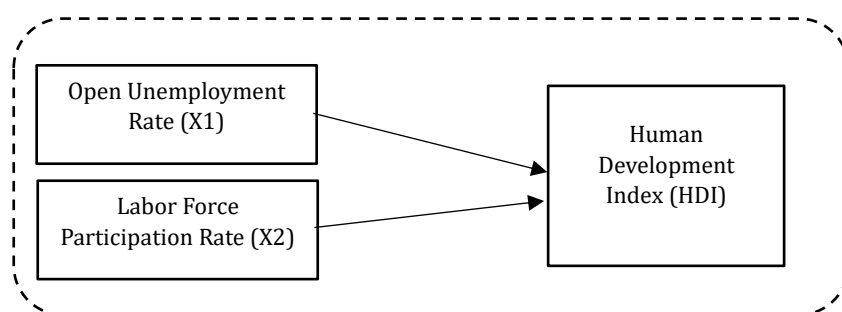
Figure 1. Framework

METHOD

This research was conducted in South Sulawesi Province between 2005 and 2024 using a quantitative approach. The primary objective is to examine the relationship between poverty, as the dependent variable, and open unemployment and labor force participation, as the independent variables. The data used in this study are secondary time series data obtained from Statistics Indonesia. The data used are presented in Table 1.

Table 1. Research Data

Year	Unemployment Rate	Labor Force Participation Rate	Poverty Rate
2005	13,58%	54,20%	14,98%
2006	12,32%	57,17%	14,57%
2007	11,30%	61,10%	14,11%
2008	9,00%	62,00%	13,41%
2009	8,90%	62,50%	11,93%
2010	8,37%	64,10%	11,40%
2011	6,56%	64,32%	10,27%
2012	5,87%	62,82%	9,82%
2013	5,10%	60,49%	10,32%
2014	5,10%	62,00%	9,54%
2015	5,95%	60,94%	9,39%
2016	5,78%	60,96%	9,40%
2017	5,61%	60,98%	9,38%
2018	5,34%	63,02%	9,06%
2019	4,62%	63,80%	8,69%
2020	6,31%	63,40%	8,72%
2021	5,72%	64,73%	8,78%
2022	4,51%	66,18%	8,63%
2023	4,33%	65,66%	8,70%
2024	4,19%	67,38%	8,06%

Source: Statistics Indonesia (2025).

Data analysis was carried out using multiple regression with SPSS software version 27. The multiple linear regression method was chosen to predict poverty based on open unemployment and labor force participation. The regression equation used is:

$$Yt = \beta_0 + \beta_1 X_1 t + \beta_2 X_2 t + \beta_3 X_3 t + et.$$

Explanation:
Y = unemployment rate
X_1 = education level
X_2 = economic growth
X_3 = population size
β_0 = constant
β_1 = regression coefficient

Classical assumption tests, including normality, autocorrelation, multicollinearity, and heteroscedasticity tests, are essential prior to further analysis to ensure the optimal performance of the regression model. The t-test is used to examine the significance of each independent variable, while the F-test assesses the collective effect of the independent variables on the dependent variable. The coefficient of determination measures the extent to which the independent variables collectively influence the dependent variable.

RESULTS

The purpose of the normality test is to determine whether the residual values/disturbance variations are normally distributed. The results of the normality test using the One-Sample Kolmogorov-Smirnov test in SPSS are presented in the table below:

Table 2. Normality Test

One-Sample Kolmogorov-Smirnov Test			Unstandardized Residual
N			20
Normal Parameters[a,b]	Mean		0
	Std. Deviation		0.58862018
Most Extreme Differences	Absolute		0.149
	Positive		0.149
	Negative		-0.129
Test Statistic			0.149
Asymp. Sig. (2-tailed)[c]			.200[d]
Monte Carlo Sig. (2-tailed)[e]	Sig.		0.279
	99% Confidence Interval	Lower Bound	0.268
		Upper Bound	0.291
a. Test distribution is Normal.			
b. Calculated from data.			

c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.
e. Lilliefors' method based on 10000 Monte Carlo samples with starting seed 2000000.

Source: SPSS Version 27 (Data processed, 2025).

From Table 2 above, it can be seen that the significance value of the asymptotic test is Sig (2-tailed) = 0.200, which is greater than 0.05. Therefore, based on the decision rule for the Kolmogorov-Smirnov normality test, it can be concluded that the data are normally distributed, and the normality assumption required for the regression model is fulfilled.

The autocorrelation test is used to determine whether there is a correlation between the residuals of one observation and another within the regression model. The required assumption is that no autocorrelation exists in the regression model. The testing method used is the Durbin-Watson (DW) test. The results of the autocorrelation test, as presented in Table 3, were obtained using the Statistical Package for the Social Sciences (SPSS).

Table 3. Autocorrelation Test

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.963[a]	0.927	0.919	0.6223	1.29

a. Predictors: (Constant), Labor Force Participation Rate, Unemployment
b. Dependent Variable: Poverty

Source: SPSS Version 27 (Data processed, 2025).

Based on the table above, the results of the autocorrelation test using the Durbin-Watson (DW) test show that the d-value is 1.290. At a 5% significance level with a total of 20 observations (n) and two independent variables (k), the upper bound (dU) is 1.41073, and the lower bound (dL) is 1.20149. Meanwhile, the values for 4-dU and 4-dL are 2.58927 and 2.79851, respectively. The analysis results indicate that the d-statistic value (1.290) falls within the interval between dL (1.20149) and dU (1.41073), or dL < dW < dU. This position suggests that the Durbin-Watson test does not provide a definitive conclusion regarding the presence or absence of positive autocorrelation in the model. However, it should be noted that the d-value being closer to dL than to dU provides a preliminary indication of the potential presence of positive autocorrelation, although it is not statistically significant. When testing for negative autocorrelation using the calculation 4 – d (2.710), the result also falls within the inconclusive zone between 4 – dU (2.58927) and 4 – dL (2.79851). This further reinforces the uncertainty in drawing a definitive conclusion regarding the presence of autocorrelation in this research model.

Since no conclusive evidence can be drawn regarding either positive or negative autocorrelation, a correction is necessary by introducing LAG_Y. By including LAG_Y, the model implicitly captures the temporal dependency patterns in the data. This can reduce residual correlation, as some autocorrelation patterns are "absorbed" by the lag variable. The results of the autocorrelation test using LAG_Y are presented in the table 4. Based on Table 4, the result of the autocorrelation test using LAG_Y shows that the Durbin-Watson (DW) value increased to 2.305. According to the Durbin-Watson (DW) table at the 5% significance level, the upper bound (dU) is 1.41073, and the lower bound (dL) is 1.20149. Based on the calculation, the Durbin-Watson value lies

between dU and 4–dU, or dU < d < 4–dU (1.41073 < 2.305 < 2.58927). Therefore, it can be concluded that autocorrelation is no longer present.

Table 4. Autocorrelation Test using LAG_Y

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.988[a]	0.977	0.972	0.3253	2.305

a. Predictors: (Constant), LAG_Y, Labor Force Participation Rate, Unemployment
b. Dependent Variable: Poverty
Source: SPSS Version 27 (Data processed, 2025).

Based on Table 4, the result of the autocorrelation test using LAG_Y shows that the Durbin-Watson (DW) value increased to 2.305. According to the Durbin-Watson (DW) table at the 5% significance level, the upper bound (dU) is 1.41073, and the lower bound (dL) is 1.20149. Based on the calculation, the Durbin-Watson value lies between dU and 4–dU, or dU < d < 4–dU (1.41073 < 2.305 < 2.58927). Therefore, it can be concluded that autocorrelation is no longer present. The multicollinearity test is conducted by examining the Variance Inflation Factor (VIF) or the tolerance value, as this method is considered the most straightforward. If the VIF value is less than 10 or the tolerance value is greater than 0.10, there is no indication of multicollinearity. However, if the VIF value exceeds 10 or the tolerance value is less than 0.10, multicollinearity exists among the independent variables. The results of the multicollinearity test, as generated by SPSS, are presented in Table 5 below.

Table 5. Multicollinearity Test

	Unstandardized Coefficients		Coefficients[a] Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	7.266	4.865		1.494	0.154		
Unemployment	0.736	0.078	0.931	9.468	0	0.444	2.255
Labor Force Participation Rate	-0.031	0.071	-0.042	-0.428	0.674	0.444	2.255

a. Dependent Variable: Poverty
Source: SPSS Version 27 (Data processed, 2025).

Based on the table above, it is known that the VIF value for the Unemployment Rate variable (X1) and the Labor Force Participation Rate variable (X2) is 2.255 < 10, and the tolerance value is 0.444 > 0.1. Therefore, it can be concluded that the data do not exhibit multicollinearity; thus, the null hypothesis (H0) is rejected. The heteroscedasticity test is conducted to ensure whether the variance of the residuals in the regression model is constant (homoscedasticity) or not (heteroscedasticity). If the variance of the residuals remains consistent across observations, it is referred to as homoscedasticity. A good regression model does not exhibit heteroscedasticity. This study employs

the Glejser test method. The results of the heteroscedasticity test, using the Glejser method from SPSS, are shown in Table 6 below.

Table 6. Heteroscedasticity Test Using the Glejser Method

	Unstandardized Coefficients		Coefficients[a] Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.665	3.445		0.774	0.45
Unemployment	-0.017	0.055	-0.108	-0.302	0.767
Labor Force Participation Rate	-0.034	0.05	-0.245	-0.683	0.504

a. Dependent Variable: Abs_RES

Source: SPSS Version 27 (Data processed, 2025).

Based on the table above, the results of the heteroscedasticity test using the Glejser method indicate that the Unemployment Rate variable has a significance value of 0.767, which is greater than 0.05, and the Labor Force Participation Rate variable has a significance value of 0.504, which is also greater than 0.05. Therefore, it can be concluded that neither variable exhibits symptoms of heteroscedasticity.

Table 7. Multiple Linear Regression Test

	Unstandardized Coefficients		Coefficients[a] Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	7.266	4.865		1.494	0.154
Unemployment	0.736	0.078	0.931	9.468	0
Labor Force Participation Rate	-0.031	0.071	-0.042	-0.428	0.674

a. Dependent Variable: Poverty

Source: SPSS Version 27 (Data processed, 2025).

The multiple linear regression model equation is used to determine the nature of the relationship between the Unemployment Rate and the labor force participation rate in South Sulawesi, specifically about poverty. The SPSS regression calculation results are presented in Table 7. Based on Table 7 above and by referring to the values under the Unstandardized Coefficients Beta column, the multiple linear regression equation is obtained as follows:

$Y = a + b_1x_1 + b_2x_2 + e$

$Y = 7.266 + 0.736 - 0.031 + 4.865$

From the multiple linear regression equation above, the following conclusions can be drawn: (1.) The constant (intercept) is 7.266. This means that if the Unemployment Rate (X1) and Labor Force Participation Rate (X2) are assumed to be zero, the poverty rate is estimated to be 7.266. (2.) The coefficient for the Unemployment Rate is 0.736. This implies that a 1% increase in the unemployment rate is expected to raise the poverty rate by 0.736 percentage points. The significance value (Sig. =

0.000) indicates that this effect is statistically significant (since Sig. < 0.05). With a Beta value of 0.931, this variable also has the strongest influence on poverty within the model. (3.) The coefficient for the Labor Force Participation Rate is -0.031. This indicates that a 1% increase in the participation rate is expected to reduce poverty by 0.031%. However, the significance value (Sig. = 0.674) is far above 0.05, indicating that the effect is not statistically significant. In other words, although the direction of the relationship between the participation rate and poverty is negative, the participation rate does not have a proven significant impact on poverty in this model.

The t-test is used to examine the individual effect of each independent variable on the dependent variable. The decision is made by comparing the t-statistic with the t-table value. If the t-statistic > t-table, then the null hypothesis (Ho) is rejected (indicating a significant effect); if the t-statistic < t-table, then Ho is accepted (indicating no significant effect). The t-test results, calculated using SPSS, are presented in Table 8 below.

Table 8. t-Test (Partial Test)

	Coefficients[a]				
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	7.266	4.865		1.494	0.154
Unemployment	0.736	0.078	0.931	9.468	0
Labor Force Participation Rate	-0.031	0.071	-0.042	-0.428	0.674

a. Dependent Variable: Poverty

Source: SPSS Version 27 (Data processed, 2025).

Based on Table 8 above, the results of the t-test analysis for the Unemployment Rate variable show that the t-statistic > t-table (9.468 > 2.110), with a significance value of 0.000 < 0.05. Therefore, the null hypothesis (H_0) is rejected, and the alternative hypothesis (H_a) is accepted. It can be concluded that the Unemployment Rate has a positive and statistically significant effect on poverty in South Sulawesi. According to the Unstandardized Coefficients Beta (β), the coefficient for Unemployment (X1) is 9.468, indicating a positive value.

Meanwhile, the results of the t-test analysis for the Labor Force Participation Rate variable show that the t-statistic < t-table (–0.428 < 2.110), with a significance value of 0.674 > 0.05. Therefore, the null hypothesis (H_0) is accepted, and the alternative hypothesis (H_a) is rejected. It can be concluded that the Labor Force Participation Rate has no statistically significant effect on poverty in South Sulawesi. According to the Unstandardized Coefficients Beta (β), the coefficient for the Labor Force Participation Rate (X2) is –0.428, indicating a negative value.

The simultaneous test, also known as the F-test, is used to determine the joint effect of all independent variables on the dependent variable. If the F-statistic is greater than the F-table, then the independent variables simultaneously affect the dependent variable. Conversely, if the F-statistic < F-table, then the independent variables do not simultaneously affect the dependent variable. The F-test results, calculated using SPSS, are shown in Table 9 below.

Table 9. 1. F-Test (Simultaneous Test)

	ANOVA[a]				
	Sum of Squares	df	Mean Square	F	Sig.
Regression	83.705	2	41.852	108.08	.000[b]
Residual	6.583	17	0.387		
Total	90.288	19			

a. Dependent Variable: Poverty

b. Predictors: (Constant), Labor Force Participation Rate, Unemployment

Source: SPSS Version 27 (Data processed, 2025).

Based on Table 9, the results of the simultaneous (F) test show that the F-statistic > F-table (108.080 > 3.5915), with a significance value of 0.000 < 0.05. Therefore, the null hypothesis (H_0) is rejected, and the alternative hypothesis (H_a) is accepted, meaning that there is a simultaneous effect of the Unemployment Rate and the Labor Force Participation Rate on poverty in South Sulawesi. The coefficient of determination test is used to express the percentage of variation in the dependent variable that is explained by the independent variables. The results of the coefficient of determination test are as follows in Table 10.

Table 10. Coefficient of Determination Test

	Model Summary[b]			
R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
0.963[a]	0.927	0.919	0.62228	1.29

a. Predictors: (Constant), Labor Force Participation Rate, Unemployment

b. Dependent Variable: Poverty

Source: SPSS Version 27 (Data processed, 2025).

Based on the table above, the results of the regression analysis indicate that the constructed model has a powerful ability to predict variations in the poverty rate. The R-squared value of 0.927 suggests that 92.7% of the variation in the poverty rate can be effectively explained by the unemployment rate and labor force participation rate variables included in the model. Meanwhile, the remaining 7.3% is influenced by other factors not included in the model.

DISCUSSION

The research findings demonstrate a significant positive relationship between the unemployment rate and poverty in South Sulawesi (Fahrika et al., 2020). Regression analysis reveals that a 1% increase in the unemployment rate results in a 0.736% rise in the poverty rate. A significance value of 0.000 (<0.05) and a beta coefficient of 0.931 confirm that unemployment is a strong determinant influencing poverty. This phenomenon occurs because unemployment directly reduces household income, limits access to basic needs, and ultimately worsens the community's economic condition. The impact of unemployment on poverty can also be understood from a multiplier effect perspective (Cardoso et al., 2023). When unemployment is high, purchasing power declines, which weakens local economic activity. This situation creates a vicious cycle where lower demand further reduces business opportunities and job creation. Moreover, prolonged

unemployment can lead to a decline in human capital quality due to skill depreciation, making it increasingly difficult for individuals to escape poverty.

These findings align with classical theories of unemployment and poverty, such as those proposed by Keynes (Schumpeter & Keynes, 1936), who argued that unemployment not only decreases individual income but also triggers a multiplier effect that slows down economic growth. Additionally, labor market segmentation theory explains that unemployment often concentrates among groups with limited skills, making it difficult for them to escape poverty. The results of this study support these theories, as unemployment in South Sulawesi exhibits a strong correlation with poverty ($\beta = 0.931$), suggesting that the lack of decent employment exacerbates economic inequality. Thus, this research not only confirms existing theories but also provides an empirical basis for designing more effective policies to address unemployment and poverty in South Sulawesi.

The findings suggest that the LFPR has no significant impact on poverty in South Sulawesi between 2005 and 2024. The regression coefficient of LFPR is -0.031, indicating that a 1% increase in LFPR is associated with only a 0.031% reduction in poverty. However, the significance value of 0.674 (>0.05) suggests that this effect is not statistically meaningful. This implies that an increase in labor force participation does not automatically reduce poverty unless accompanied by the creation of adequate employment opportunities or improvements in labor quality. These findings are consistent with labor market segmentation theory, which posits that labor market participation effectively reduces poverty only when supported by access to formal employment with decent wages.

Structurally, the weak influence of LFPR on poverty can be explained by the characteristics of the labor market in South Sulawesi, which is dominated by the informal sector with low productivity. Although the LFPR is high, most workers are absorbed into subsistence economic activities such as traditional agriculture or small-scale trading, which do not significantly increase household income. Data from BPS shows that 58.7% of workers in South Sulawesi are employed in the informal sector with wages below the minimum standard (Safitri & Susilo, 2023). This condition is exacerbated by the mismatch between workforce skills and industry needs, meaning that an increase in LFPR does not necessarily correlate with poverty reduction. This case study reinforces Adolph's argument that labor participation must be integrated with a capability approach to achieve sustainable poverty alleviation.

The policy implications of these findings underscore the need for multidimensional interventions that extend beyond merely increasing the LFPR. The government must prioritize vocational training aligned with labor market demands, promote local-based industrialization, and strengthen social protection for informal workers (Moon, 2020). Furthermore, the synergy between increasing LFPR and strengthening the productive sector through community-based entrepreneurship programs may serve as a long-term solution. These findings challenge the simplistic assumption that a rising LFPR directly leads to poverty reduction, emphasizing the importance of a holistic approach in formulating labor and poverty alleviation policies in South Sulawesi.

The study reveals that the unemployment rate and LFPR together have a significant effect on poverty in South Sulawesi, although the contribution of each variable differs. Multiple regression analysis reveals that the overall model accounts for 92.7% of the variation in the poverty rate ($R^2 = 0.927$), with the F-test value of 108.080, which is significant at the 0.000 level. These findings suggest that employment dynamics—specifically, unemployment and labor force participation—play a significant role in determining poverty levels in the region. However, unemployment has a statistically significant impact individually ($\beta = 0.736$; $p < 0.05$), while the LFPR does not show a meaningful effect.

The dominant effect of unemployment on poverty can be explained through the mechanism of household income loss and reduced purchasing power (Davis & Sanchez-Martinez, 2014). Keynesian theory suggests that unemployment not only decreases individual consumption but also

creates a multiplier effect that slows regional economic growth. In South Sulawesi, high unemployment has led to a decline in local economic activity, thereby worsening poverty. Meanwhile, the non-significant effect of LFPR reflects the labor market's inability to absorb the additional workforce productively. This aligns with labor market segmentation theory, which states that increased labor participation without the creation of decent employment opportunities is ineffective in reducing poverty.

The policy implications of these findings underscore the need for an integrated approach to addressing poverty by tackling unemployment and optimizing the LFPR (Mamo & Ayele, 2024). Strategic steps such as industry-aligned skills training, development of productive sectors, and expanding access to formal employment are key to maximizing the positive impact of LFPR. On the other hand, unemployment reduction programs through labor-intensive investments and microenterprise incentives can help break the cycle of poverty. Therefore, employment policy in South Sulawesi must be designed holistically, considering not only the quantity of labor participation but also the quality and alignment with the region's economic structure.

CONCLUSION

This study aims to analyze the influence of two key employment variables—Open Unemployment Rate (OUR) and LFPR—on poverty in South Sulawesi Province from 2005 to 2024, using a quantitative approach based on multiple linear regression. Based on the data analysis derived from the Central Bureau of Statistics and tested through statistical models (classical assumption test, t-test, F-test, and coefficient of determination), the following conclusions are down: The Open Unemployment Rate (OUR) has a positive and significant effect on poverty. A regression coefficient of 0.736 indicates that a 1% increase in OUR results in a 0.736% increase in the poverty rate. The significance value of 0.000 (<0.05) confirms that this effect is statistically significant. This finding supports Keynesian and labor market segmentation theories, which assert that unemployment reduces household income and triggers a domino effect, weakening the local economy and thereby exacerbating poverty. The LFPR has no significant partial effect on poverty. A regression coefficient of -0.031 indicates that a 1% increase in LFPR results in a 0.031% reduction in poverty. However, the significance value of 0.674 (>0.05) indicates that this influence is not statistically significant. This implies that a high level of labor force participation does not automatically correspond with poverty reduction, especially if the creation of productive and formal employment opportunities does not accompany it. Simultaneously, OUR and LFPR have a significant impact on poverty. An F-statistic of 108.080 and a significance value of 0.000 (<0.05) indicate that, collectively, these two variables have a statistically significant impact on the poverty rate in South Sulawesi. An R^2 value of 0.927 indicates that 92.7% of the variation in poverty can be explained by the OUR and LFPR variables in this model. In comparison, the remaining 7.3% is attributed to other factors not included in the model. Policy implications: The primary focus of poverty alleviation policies in South Sulawesi should be directed at reducing unemployment by creating productive and quality employment opportunities. Simply increasing the LFPR is insufficient; it must be accompanied by efforts to enhance workforce capabilities through vocational training and education, as well as the development of the formal economic sector. Labor-intensive programs, MSME investment, and inter-agency government collaboration in workforce absorption must be optimized as sustainable solutions to address these challenges.

These findings align with Islamic principles that promote poverty eradication through systemic equity and human empowerment. The Qur'anic mandate to establish social justice in Qur'an 28 (77) aligns with the imperative to create productive employment, while Prophetic teachings (Hadith, Tirmidhi) caution against dependency and endorse self-reliance through dignified labor.

Integrating faith-based solutions—such as institutionalizing zakat for targeted welfare programs—with evidence-based policies could amplify the impact of poverty alleviation efforts in South Sulawesi, bridging spiritual values with socioeconomic development.

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