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Economic Growth, Islamic Human Development Index, and Poverty: The Role of the Open Unemployment Rate as an Intervening Variable in the Special Region of Yogyakarta

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ABSTRACT

Poverty is a development issue that cannot be adequately explained solely by changes in aggregate income. The Special Region of Yogyakarta (DIY) presents a development paradox, while economic growth has been relatively positive for most of the period, poverty rates remain the highest on the island of Java, and there are significant disparities between regencies and cities. This study aims to analyze the impact of economic growth and the Islamic Human Development Index (I-HDI) on poverty rates, using the Open Unemployment Rate (TPT) as an intervening variable across five regencies/cities in DIY from 2015 to 2024. A quantitative approach was employed, utilizing secondary data from Statistics Indonesia (BPS) and I-HDI calculations. Fifty panel observations were analyzed using Fixed Effect Model (FEM) panel data regression, path analysis, t-tests, the coefficient of determination, and the Sobel test. The results indicate that economic growth has a significant negative effect on TPT (coefficient -0.147647; p=0.0012), whereas I-HDI has a negative but insignificant effect on TPT (coefficient -0.010259; p=0.6401). Regarding poverty, economic growth has a negative but insignificant effect (coefficient -0.066020; p=0.3854), while I-HDI has a significant negative effect (coefficient -0.146224; p=0.0001). TPT has a positive but insignificant effect on poverty (coefficient 0.106110; p=0.6592). The Sobel test reveals that TPT does not significantly mediate the impact of either economic growth or I-HDI on poverty. The main contribution of this study lies in demonstrating that poverty reduction in DIY is more closely associated with Islamic human development than aggregate economic growth or open unemployment, while the insignificant mediation results indicate that changes in unemployment do not constitute the primary pathway through which development factors affect poverty. These findings underscore the importance of Islamic human development and inclusive economic growth that prioritizes job quality within the poverty alleviation agenda in DIY.

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Introduction

Fundamentally, economic development does not stop at merely achieving output growth; rather, it is directed toward sustainably improving public welfare. Development literature identifies poverty as a crucial indicator for assessing whether the benefits of development truly reach the community (Arsyad, 2015). Contemporary approaches view poverty through a multidimensional lens, acknowledging that the deprivations or limitations experienced by people relate not only to income but also to access to education, healthcare, decent work, and economic opportunities, as well as the ability to lead a dignified life (Ardi Adji Taufik Hidayat Hendratno Tuhiman Sandra Kurniawati Achmad Maulana, 2020). This perspective aligns with Amartya Sen's concept of "capability deprivation", a condition in which individuals lack the capacity and opportunities to achieve basic life functions (Amartya, 1999). Consequently, high economic growth does not automatically translate into reduced poverty if the benefits are not distributed inclusively.

In the Indonesian context, poverty remains a critical development agenda, even though the percentage of the poor population has tended to decline over the long term (Sumadi, 2022). A more complex issue arises in the form of regional disparities. Factors such as the concentration of economic activity, variations in production structures, the quality of human resources, access to infrastructure, and labor market characteristics result in uneven development outcomes (Husin & Setiawati, 2024). Java, as the hub of national economic activity, also exhibits these inequalities. Among the provinces in Java, the Special Region of Yogyakarta (DIY) presents an interesting case; despite being widely recognized as a center for education, culture, tourism, and the creative economy, its poverty rate remains relatively high.

Table 1. Data on Provincial Poverty Rates in Java (2020–2024)

Year	Banten	DKI Jakarta	West Java	Central Java	DIY	East Java
2020	5,92	4,53	7,88	11,41	12,28	11,09
2021	6,66	4,72	8,4	11,79	12,8	11,4
2022	6,16	4,69	8,06	10,93	11,34	10,38
2023	6,17	4,44	7,62	10,77	11,04	10,35
2024	5,84	4,3	7,46	10,47	10,83	9,79

Source: Statistics Indonesia (BPS) data (https://www.bps.go.id/)

Table 1 shows that the poverty rate in the Special Region of Yogyakarta (DIY) remained above 10 percent between 2020 and 2024. In 2024, DIY's poverty rate was recorded at 10.83 percent higher than that of DKI Jakarta (4.30 percent), West Java (7.46 percent), Banten (5.84 percent), Central Java (10.47 percent), and East Java (9.79 percent). Disparities are even more pronounced at the regency/city level. In 2024, Kulon Progo and Gunung Kidul recorded rates of 15.62 percent and 15.18 percent, respectively, whereas Sleman and Yogyakarta City recorded 7.46 percent and 6.26 percent. These differences indicate that poverty alleviation strategies cannot rely solely on an aggregate, province-level approach.

Economic growth is theoretically expected to reduce poverty by boosting output, investment, labor demand, income, and purchasing power (Dartanto, 2014). However, previous studies reveal an inconsistent relationship; some find that economic growth has a significant negative impact on poverty, while others show a negative but insignificant effect (Muthia, 2019). These varying results suggest that factors such as the quality of growth, sectoral structure, income distribution, and the capacity of the poor to benefit from economic activities must be taken into account (Irawan et al., 2018).

From an Islamic economic perspective, economic development encompasses more than just an increase in material output. Growth must be equitable, paying due regard to distribution, morality, and the common good. The Qur'an admonishes against wealth circulating solely among the wealthy (Anggraini et al., 2022). This framework provides a rationale for linking the analysis of economic growth with human development metrics that

incorporate spiritual and social dimensions. The Islamic Human Development Index (I-HDI) was developed based on the principles of *Maqashid Sharia* and the five fundamental protections: religion (Hifdz ad-Din), life (Hifdz an-Nafs), intellect (Hifdz al-'Aql), lineage (Hifdz an-Nasl), and wealth (Hifdz al-Mal) (Rafsanjani, 2014). The I-HDI is relevant because conventional development metrics tend to emphasize material aspects, whereas well-being in Islam is holistic (Anto, 2009). Improvements in education, health, economic capacity, and spiritual dimensions theoretically enhance an individual's ability to secure employment, boost productivity, and escape poverty. Previous research cited in the thesis indicates an inverse relationship between the I-HDI and poverty (Putri, 2019). However, the relationship between the I-HDI and unemployment is not always statistically significant, necessitating further empirical testing.

Beyond economic growth and human development, the labor market serves as a crucial mechanism for the transmission of development outcomes. The Open Unemployment Rate (TPT) reflects the proportion of the labor force that is unemployed but actively seeking work or preparing to start a business. Theoretically, rising economic growth increases labor demand and reduces unemployment, as described by Okun's Law. However, a low TPT does not necessarily equate to high well-being (Pasaribu, 2022). In regions dominated by the informal and agricultural sectors, individuals may quickly enter low-productivity informal jobs; while statistically no longer classified as unemployed, they remain in vulnerable conditions or among the "working poor." (Salim et al., 2024).

The situation in the Special Region of Yogyakarta (DIY) illustrates this paradox. Regencies such as Gunung Kidul and Kulon Progo tend to have lower TPTs yet exhibit high poverty rates. Conversely, Sleman and the City of Yogyakarta have relatively higher TPTs but lower poverty levels. These disparities demonstrate that employment status alone is insufficient to explain poverty; factors such as job quality, wage levels, productivity, and the alignment of skills with market demands play critical roles (Pratama, 2015).

Previous studies have examined the relationship between economic growth, human development, unemployment, and poverty from various perspectives. Economic growth is generally associated with poverty reduction through increased economic activity and employment opportunities, while human development is expected to improve individual capabilities and welfare (Elma et al., 2025). In the context of Islamic economics, the Islamic Human Development Index (I-HDI) provides a broader perspective by incorporating dimensions of human development based on Islamic values and the objectives of Maqashid Syariah (Nurlayli, 2022). Meanwhile, unemployment is also frequently discussed as one of the factors associated with poverty because limited employment opportunities can reduce household income and economic welfare.

However, previous studies have generally focused on the direct relationship between economic growth, human development, unemployment, and poverty, while the mechanism through which these variables are related remains less explicitly examined. In particular, the role of the Open Unemployment Rate (TPT) as an intervening variable in the relationship between economic growth and I-HDI and poverty has not been sufficiently addressed in the context of regional disparities within the Special Region of Yogyakarta (DIY) (Haya, 2024). This is important because economic growth does not necessarily translate directly into improved welfare, and improvements in human development may not immediately reduce poverty without being accompanied by adequate employment opportunities. Therefore, examining TPT as an intervening variable can provide a more comprehensive understanding of whether changes in economic growth and Islamic human development affect poverty through changes in unemployment (Harahap & Hasibuan, 2024).

The research gap addressed by this study therefore lies in examining the mediating role of TPT in the relationship between economic growth and I-HDI and poverty, particularly at the regency/city level in DIY. This study uses panel data from five regencies/cities in DIY Kulon Progo, Bantul, Gunung Kidul, Sleman, and Yogyakarta City, over the 2015–2024 period. By

incorporating TPT as an intervening variable, this study does not only examine the direct effects of economic growth and I-HDI on poverty, but also tests whether unemployment serves as a pathway through which these development factors influence poverty (Bonitta & Primandari, 2024). This approach is expected to contribute empirical evidence regarding the mechanism of poverty reduction in a region characterized by differences in economic growth, human development, unemployment, and poverty across regencies and cities.

Based on this background and research gap, this study aims to analyze the effects of economic growth and the Islamic Human Development Index (I-HDI) on poverty, with the Open Unemployment Rate (TPT) as an intervening variable in five regencies/cities in the Special Region of Yogyakarta during 2015–2024.

Method

This study employs a quantitative approach using secondary panel data that combines time-series and cross-sectional dimensions. The analysis covers four regencies and one city in the Special Region of Yogyakarta (DIY), namely Kulon Progo, Bantul, Gunung Kidul, Sleman, and Yogyakarta City, over the period 2015–2024, resulting in a balanced panel dataset of 50 observations. Data on poverty, economic growth, and the Open Unemployment Rate (TPT) were obtained from Statistics Indonesia (BPS) publications, while the Islamic Human Development Index (I-HDI) was calculated based on the indicators used in the study and integrates five dimensions of Maqashid Sharia. Data collection was conducted through documentation of BPS publications and a literature study.

The study consists of economic growth (X1) and I-HDI (X2) as independent variables, poverty (Y) as the dependent variable, and the Open Unemployment Rate (TPT) (Z) as the intervening variable. Economic growth is measured by the annual economic growth rate of each regency/city, expressed as a percentage. I-HDI is measured using an index constructed from indicators representing the five dimensions of Maqashid Sharia, namely the protection of religion (Hifdz al-Din), life (Hifdz al-Nafs), intellect (Hifdz al-'Aql), progeny (Hifdz al-Nasl), and wealth (Hifdz al-Mal). TPT is measured as the percentage of the labor force that is unemployed, while the poverty variable is measured by the percentage of the population living below the poverty line, as reported by BPS. Thus, all variables are measured at the regency/city level and consistently cover the 2015–2024 observation period.

Model Specification

The analytical framework consists of two structural models. The first structural model examines the effects of economic growth and I-HDI on the Open Unemployment Rate (TPT), with TPT serving as the intervening variable:

$$Z_{it} = \alpha_1 + \beta_1 X_{1it} + \beta_2 X_{2it} + e_{it}$$

Where Z represents the Open Unemployment Rate (TPT), X1 represents economic growth, X2 represents I-HDI, α represents the individual fixed effect for each regency/city, and ε represents the error term. The second structural model examines the effects of economic growth, I-HDI, and TPT on poverty:

$$Y_{it} = \alpha_2 + \beta_3 X_{1it} + \beta_4 X_{2it} + \beta_5 Z_{it} + e_{it}$$

Where Y represents the poverty rate, X1 represents economic growth, X2 represents I-HDI, Z represents TPT, α_i represents the individual fixed effect, and ε represents the error term. These two structural models allow the study to distinguish between direct effects and indirect effects through TPT.

Panel Data Model Selection

To determine the appropriate panel-data estimation model, model selection was conducted

sequentially using the Chow test and the Hausman test. The Chow test was used to compare the Common Effect Model (CEM) with the Fixed Effect Model (FEM). A probability value below 0.05 indicates that the individual fixed effects are statistically relevant and that FEM is preferred to CEM. After FEM was indicated by the Chow test, the Hausman test was conducted to compare FEM with the Random Effect Model (REM). A probability value below 0.05 indicates that the null hypothesis favoring the random-effects specification is rejected, leading to the selection of FEM.

For both structural models, the Chow test produced a probability value of 0.0000. The Hausman test also produced a probability value of 0.0000 for both structural models. Therefore, the FEM was selected for both equations. This selection allows the analysis to account for time-invariant differences across the five regencies/cities in the study.

Path Analysis and Sobel Test

Path analysis was used to examine the direct and indirect relationships among the variables based on the two structural models. The first structural equation estimates the effects of economic growth (X1) and I-HDI (X2) on TPT (Z), while the second structural equation estimates the effects of economic growth (X1), I-HDI (X2), and TPT (Z) on poverty (Y). The estimated path coefficients from the two equations were then used to assess whether TPT functions as an intervening variable between the independent variables and poverty.

The mediation effect was tested using the Sobel test by examining the indirect effect of each independent variable through TPT. For the mediation of economic growth, the indirect pathway was represented by the product of the path coefficient from economic growth to TPT and the path coefficient from TPT to poverty. Similarly, the mediation of I-HDI was assessed through the product of the path coefficient from I-HDI to TPT and the path coefficient from TPT to poverty. The significance of each indirect effect was evaluated using the Sobel test at a 5% significance level. An indirect effect was considered statistically significant when the resulting p-value was below 0.05.

The Sobel procedure was applied separately to the two mediation pathways: economic growth → TPT → poverty and I-HDI → TPT → poverty. The resulting test statistics and p-values were used to determine whether TPT significantly mediates each relationship.

Results and Discussion

1. Overview of Research Data

Table 2. Poverty Rate Data by Regency/City in DIY Province

Year	Kulon Progo	Bantul	Gunung Kidul	Sleman	Yogyakarta
2015	21,4	16,33	21,73	9,46	8,75
2016	20,3	14,55	19,34	8,21	7,7
2017	20,03	14,07	18,65	8,13	7,64
2018	18,3	13,43	17,12	7,65	6,98
2019	17,39	12,92	16,61	7,41	6,84
2020	18,01	13,5	17,07	8,12	7,27
2021	18,38	14,04	17,69	8,64	7,69
2022	16,39	12,27	15,86	7,74	6,62
2023	15,64	11,96	15,6	7,52	6,49
2024	15,62	11,66	15,18	7,46	6,26

Source: Statistics Indonesia (BPS) data (https://www.bps.go.id/)

Data from Statistics Indonesia (BPS) indicates a downward trend in poverty within the Special Region of Yogyakarta (DIY), however, significant disparities persist among its

regencies and cities, reflecting uneven development. While Sleman and the City of Yogyakarta have poverty rates below 10%, Kulon Progo, Bantul, and Gunung Kidul continue to face higher poverty levels. These conditions are influenced by geographical differences, economic structures, and variations in accessibility and infrastructure. Gunung Kidul and Kulon Progo face limitations regarding land, water resources, and agricultural productivity, whereas the benefits of the Yogyakarta International Airport (YIA) development have yet to be fully realized by the rural poor. In 2024, poverty rates in Kulon Progo and Gunung Kidul stood at 15.62% and 15.18%, respectively figures far higher than the 6.26% recorded in the City of Yogyakarta and the 7.46% in Sleman. Conversely, the more advanced infrastructure and accessibility in Sleman and the City of Yogyakarta have fostered investment, enhanced human resource quality, and driven growth in the services, trade, and creative industry sectors.

Table 3. Economic Growth Data by Regency/City in DIY Province

Year	Kulon Progo	Bantul	Gunung Kidul	Sleman	Yogyakarta
2015	5,3	4,97	4,82	5,28	5,09
2016	5,39	5,06	4,89	5,27	5,11
2017	5,97	5,1	5	5,35	5,24
2018	10,84	5,24	5,16	5,2	5,2
2019	13,49	5,53	5,34	6,45	5,96
2020	-3,45	-1,66	-0,68	-4,05	-2,2
2021	4,37	5	5,31	5,61	5,16
2022	6,57	5,19	5,37	5,15	5,12
2023	5,65	5,06	5,04	5,09	5,08
2024	4,77	5,04	4,81	5,19	5,05

Source: Statistics Indonesia (BPS) data (https://www.bps.go.id/)

Data from BPS reveals varying economic growth rates across the regencies and the city within the Special Region of Yogyakarta (DIY), reflecting differences in characteristics and developmental disparities. Sleman and Yogyakarta City showed relative stability with growth rates of 6.45% and 5.96% in 2019, though they contracted to -4.05% and -2.20% in 2020 due to COVID-19. Kulon Progo experienced a surge in growth 10.84% in 2018 and 13.49% in 2019 driven by the construction of the Yogyakarta International Airport (YIA), but saw a decline to -3.45% in 2020. Meanwhile, Bantul and Gunung Kidul proved more resilient to the pandemic, supported by agriculture, small-scale industries, and tourism; they recorded contractions of -1.66% and -0.68% respectively in 2020, with Gunung Kidul rebounding to 5.31% growth in 2021. These divergent patterns highlight the importance of economic diversification and equitable development across the region.

Table 4. I-HDI Data by Regency/City in DIY Province

Year	Kulon Progo	Bantul	Gunung Kidul	Sleman	Yogyakarta
2015	42,69	43,97	35,58	49,5	51,52
2016	43,77	44,32	38,5	51,87	52,87
2017	44,36	44,79	38,76	48,84	51,44
2018	45,44	46,06	38,63	52,14	54,97
2019	45,59	46,66	42,12	52,63	56,7
2020	44,91	50,55	43,66	62,82	63,81
2021	35,68	41,97	31,57	53,01	56,38
2022	39,55	44,43	34,02	54,92	59,7
2023	54,29	53,35	51,14	58,15	67,42

2024	54,33	53,64	53,21	58,39	69,06

Source: Data Processed by The Author.

I-HDI data from 2015 to 2024 reveals a significant regional disparity within the Special Region of Yogyakarta (DIY), Yogyakarta City consistently recorded the highest score reaching 69.06 in 2024 while Gunung Kidul saw its score rise from 35.58 in 2015 to 53.21 in 2024, although the gap between urban and rural areas remains evident. I-HDI trends also show a sharp decline in 2021 particularly in Gunung Kidul (31.57) and Kulon Progo (35.68) indicating pressure on the dimensions of the protection of life (nafs) and property (mal) due to the global health crisis. Following the pandemic, I-HDI scores rebounded during the 2023–2024 period; Kulon Progo and Bantul surpassed the 53-point mark in 2024, while Yogyakarta City maintained the highest score at 69.06.

Table 5. Open Unemployment Rate Data by Regency/City in DIY Province

Year	Kulon Progo	Bantul	Gunung Kidul	Sleman	Yogyakarta
2015	3,72	3	2,9	5,37	5,52
2016	2,4	3,07	1,77	5,44	5,12
2017	1,99	3,12	1,65	3,51	5,08
2018	1,51	2,76	2,11	4,41	6,24
2019	1,8	3,07	1,96	3,98	4,95
2020	3,71	4,06	2,16	5,09	9,16
2021	3,69	4,04	2,2	5,17	9,13
2022	2,8	3,97	2,08	4,78	7,18
2023	2,4	3,78	2,09	4,47	6,07
2024	2,01	3,62	2,16	4,13	5,8

Source: Statistics Indonesia (BPS) data (https://www.bps.go.id/)

Sleman and Yogyakarta City consistently record relatively high Open Unemployment Rates (TPT) within the Special Region of Yogyakarta (DIY), standing at 4.13% and 5.8% respectively in 2024 compared to Gunung Kidul's 2.16%. The high TPT in these two areas is linked to the large number of university students and graduates entering the labor market; the availability of formal jobs matching their qualifications has not kept pace with this surge in job seekers, giving rise to the phenomenon of "educated unemployment." Conversely, Gunung Kidul and Kulon Progo exhibit low TPT figures 2.16% and 2.01% respectively reflecting a dominance of the informal sector, agriculture, small-scale industry, and micro-enterprises rather than the availability of high-quality formal employment. Thus, a low TPT does not necessarily indicate superior economic well-being; instead, it may actually reflect disparities in the employment structure and access to formal education.

2. Model Selection and Assumption Testing

Table 6. Panel Regression Model Selection Results

Testing	Sub-struktur 1	Sub-struktur 2	Keputusan
Chow (Cross-section F)	20,616822; p=0,0000	34,548004; p=0,0000	FEM
Hausman	43,205910; p=0,0000	138,128613; p=0,0000	FEM

The Chow test for both sub-structures yielded a probability of 0.0000; consequently,

the Common Effect Model was rejected in favor of the Fixed Effect Model. Furthermore, the Hausman test also produced a probability of 0.0000 for both sub-structures, leading to the selection of the Fixed Effect Model over the Random Effect Model. Thus, the FEM was adopted as the estimation model for this study.

3. Panel Data Regression Results

Table 7. Fixed Effect Model Estimation and Partial Test

Variabel	Coefficient	Std. Error	t-Statistic	Prob.
Constant (sub 1)	5,049784	1,137734	4,438456	0,0001
Economic Growth → Unemployment Rate	-0,147647	0,042444	-3,478624	0,0012
I-HDI → Unemployment Rate	-0,010259	0,021786	-0,470901	0,6401
Constant (sub 2)	19,954290	2,152230	9,271452	0,0000
Economic Growth → Poverty	-0,066020	0,075268	-0,877128	0,3854
I-HDI → Poverty	-0,146224	0,034218	-4,273359	0,0001
Unemployment Rate → Poverty	0,106110	0,238899	0,444161	0,6592

In the first sub-structure, the resulting equation is Z = 5.049784 – 0.147647X1 – 0.010259X2. The economic growth coefficient of -0.147647 indicates a significant negative relationship with the Open Unemployment Rate (TPT). This implies that an increase in economic growth is associated with a decrease in TPT after accounting for regional fixed effects. Substantively, rising production and investment activities boost labor demand, allowing previously unabsorbed segments of the workforce to secure employment. These findings support the mechanism described by Okun's Law and align with research identifying a negative relationship between economic growth and unemployment (Khairunnisa, 2022).

Conversely, the I-HDI has a coefficient of -0.010259 with a probability of 0.6401. While the direction of the relationship aligns with theoretical expectations where an increase in Islamic human development tends to be accompanied by a decline in TPT—the relationship is not statistically significant. This result suggests that improvements in human quality, as reflected by the I-HDI, do not automatically translate into formal labor absorption. Factors such as labor market structure, specific skill requirements, and the alignment of education with industrial demand may contribute to the lack of statistical strength in this relationship.

In the second sub-structure, the resulting equation is Y = 19.954293 – 0.066020X1 – 0.146224X2 + 0.106110Z. Economic growth shows a negative relationship with poverty, though it is not significant. The I-HDI has a significant negative effect on poverty, whereas the TPT shows a positive but non-significant relationship. The second sub-structure model yields an R-squared of 0.941763 and an adjusted R-squared of 0.932057; thus, the variation in poverty within the model is strongly explained by the included variables alongside regional fixed effects.

4. Discussion

4.1. The Impact of Economic Growth on the Open Unemployment Rate

Research results indicate that economic growth had a significant negative impact on the Open Unemployment Rate (TPT) in the Special Region of Yogyakarta

(DIY) during the 2015–2024 period. A coefficient of -0.147647 and a probability of 0.0012 suggest that an increase in economic growth is associated with a decrease in the TPT. These findings reinforce the argument that rising regional output can stimulate labor demand; as activities in production, trade, investment, and services expand, the need for labor tends to rise as well.

This finding aligns with Okun's Law, which describes an inverse relationship between output and unemployment. In the context of DIY, this relationship is particularly evident during the economic recovery following the pandemic-induced contraction. However, the negative relationship between growth and the TPT must be distinguished from growth's capacity to reduce poverty. The study reveals that the growth to TPT pathway does not necessarily translate into a significant TPT to poverty pathway.

This distinction is crucial because low unemployment can coexist with poor job quality. DIY's economic structure heavily reliant on services, tourism, MSMEs, agriculture, and the informal sector allows for the statistical absorption of the workforce without necessarily providing the income levels required to escape poverty. (Rosyidah, 2022). Consequently, the TPT indicator is best interpreted as a measure of the quantity of labor absorption, whereas poverty alleviation agendas require a focus on job quality, productivity, and wages.

4.2. The Impact of I-HDI on the Open Unemployment Rate

The I-HDI exhibits a negative coefficient regarding the Open Unemployment Rate (TPT), though this relationship is not statistically significant at the five percent level. These results suggest a tendency for higher levels of Islamic Human Development (I-HDI) to be accompanied by a decline in unemployment, yet the statistical evidence remains inconclusive. Conceptually, improvements in education, health, ethics, and economic capacity should enhance productivity and employment opportunities.

This lack of a significant relationship can be understood in the context of the Special Region of Yogyakarta (DIY) serving as a major educational hub. High educational quality does not necessarily guarantee a direct alignment with labor market demand (Mulyawati & Sasana, 2022). The phenomenon of skill mismatch means that individuals possessing relatively strong human capital may still require time to secure suitable formal employment. Furthermore, the I-HDI encompasses spiritual and social dimensions, the impacts of which on the formal labor market may not be immediate or short-term.

The implication is that improvements in I-HDI must be accompanied by policies that align education and human development with labor market needs. Vocational training, competency certification, the strengthening of entrepreneurship, and the development of productive MSMEs can serve as pathways to translate enhanced human capacity into better employment outcomes.

4.3. The Impact of Economic Growth on Poverty

Economic growth has a negative but statistically insignificant impact on poverty, with a coefficient of -0.066020 and a probability of 0.3854. The negative direction aligns with development theory which posits that increased output should ultimately improve welfare yet the lack of statistical significance indicates that aggregate growth alone is insufficient to explain the reduction of poverty in the Special Region of Yogyakarta (DIY).

One explanation consistent with the research data is the existence of a gap in the distribution of growth benefits. Kulon Progo experienced a surge in growth between 2018 and 2019, yet poverty levels remained high; as of 2024, the region still records a poverty rate of 15.62 percent. This phenomenon demonstrates that

growth can be concentrated in specific sectors or locations without proportionately raising the incomes of the poor.

These results align with the "pro-poor growth" argument that the quality of growth determines development's capacity to alleviate poverty (Nansadiqa, 2024). Growth driven by investment, tourism, education, and services may generate high output but does not automatically create jobs offering sufficient wages and productivity for poor households. Therefore, growth policies must focus on creating decent formal employment, strengthening MSMEs, boosting agricultural productivity, and ensuring equitable access to capital and technology.

4.4. The Impact of I-HDI on Poverty

The I-HDI has a significant negative impact on poverty. A coefficient of -0.146224 with a probability of 0.0001 indicates that an increase in the I-HDI is associated with a decrease in poverty levels. This is the study's most robust finding, demonstrating that human development when approached holistically is directly linked to poverty reduction.

Theoretically, this result can be explained through the five dimensions of *Maqashid Sharia*. *Hifdz ad-Din* (preservation of religion), *Hifdz an-Nafs* (preservation of life), *Hifdz al-'Aql* (preservation of intellect), *Hifdz an-Nasl* (preservation of lineage), and *Hifdz al-Mal* (preservation of wealth) constitute a welfare framework encompassing spiritual, health, educational, familial, and economic aspects. As these dimensions improve, individuals' ability to access economic opportunities and meet basic needs increases.

These findings align with previous research such as studies by Anggraini et al. and Nurlayli, demonstrating a negative relationship between the I-HDI and poverty. The I-HDI's superiority over economic growth in explaining poverty stems from the fact that poverty is determined not merely by output volume, but also by human quality and a society's capacity to convert resources into well-being (Nurlayli, 2022).

From a policy perspective, these results underscore the importance of integrating programs related to education, health, economic empowerment, and Islamic philanthropy. *Zakat, infaq, sadaqah*, and *waqf* (ZISWAF) can be directed not only toward consumption-based aid but also toward strengthening productive assets, providing training and business capital, and enhancing the capacity of poor households (Wibowo, n.d.). Consequently, the dimensions of the I-HDI can be translated into interventions that directly benefit vulnerable groups.

4.5. The Impact of the Open Unemployment Rate on Poverty

The Open Unemployment Rate (TPT) exhibits a positive coefficient of 0.106110 with a probability of 0.6592. This positive direction suggests a tendency for rising unemployment to be accompanied by rising poverty; however, the relationship is not statistically significant. Consequently, the hypothesis predicting a positive and significant impact is not supported.

These findings can be explained by the labor market structure of the Special Region of Yogyakarta (DIY). Areas with low TPT such as Gunung Kidul and Kulon Progo, actually experience high poverty rates (Putra, 2023). Many residents work in the agricultural or informal sectors, meaning they are not statistically classified as unemployed, despite having low productivity and income. Phenomena such as the "working poor" and underemployment mean that the TPT fails to capture the full extent of economic vulnerability among poor households.

The policy implication of these results is that reducing the TPT should not be the sole objective. Employment policies must prioritize the creation of decent work, productivity improvements, strengthened worker protections, and the formalization of informal businesses with growth potential. In this way, a

reduction in unemployment can lead to improved well-being, rather than merely a shift in status from unemployed to low-wage worker.

5. The Role of the Open Unemployment Rate as as Intervening Variable

Table 8. Mediation Test Results (Sobel Test)

Mediation Path	Coefficient/Path	Sobel Test	p-value	Conclusion
Economic Growth → TPT → Poverty	(-0,147647) × (0,106110)	-0,4405	0,659	No Significant mediation
I-HDI → TPT → Poverty	(-0,010259) × (0,106110)	-0,3231	0,746	No Significant mediation

The Sobel test indicates that the Open Unemployment Rate (TPT) does not mediate the effect of economic growth on poverty. The test statistic value of -0.4405, with a p-value of 0.659, exceeds the 0.05 threshold. This implies that although economic growth significantly reduces the TPT, this reduction is not strong enough to serve as the mechanism explaining the decline in poverty. These results reveal a disconnect between job creation and improvements in welfare.

The TPT also fails to mediate the effect of the Islamic Human Development Index (I-HDI) on poverty. The Sobel test yielded a test statistic of -0.3231 and a p-value of 0.746. This finding is noteworthy because, while the I-HDI has a significant direct impact on poverty, this influence is not channeled through the TPT. In other words, the benefits of Islamic human development regarding poverty reduction likely operate through enhancements in human capacity, health, education, productivity, and economic empowerment mechanisms, rather than through changes in open unemployment status. These findings align with previous research by Najib, Putri, and Yuliana, which also found that the Open Unemployment Rate variable did not mediate the effect of economic growth on poverty levels (Murobbi, 2021).

Conclusion

This study concludes that the relationship between economic growth, Islamic human development (I-HDI), unemployment, and poverty in the Special Region of Yogyakarta (DIY) is complex. Economic growth was found to have a significant negative impact on the Open Unemployment Rate (TPT), indicating that increased economic activity correlates with a reduction in open unemployment. However, I-HDI showed only a negative but insignificant effect on TPT. Regarding poverty, economic growth had a negative but insignificant impact, whereas I-HDI had a significant negative impact. TPT showed a positive but insignificant effect on poverty.

Sobel test results indicate that TPT does not significantly mediate the impact of either economic growth or I-HDI on poverty. Thus, a reduction in open unemployment is not the primary mechanism explaining poverty reduction in DIY. Poverty alleviation policies need to place greater emphasis on job quality, the equitable distribution of growth benefits, skills enhancement, and human development integrated with *Maqashid Sharia* values.

For the local government, the findings point to three priorities. First, strengthening I-HDI dimensions through education, health, empowerment, and the reinforcement of socio-spiritual aspects. Second, ensuring that economic growth generates decent and productive employment for the poor. Third, strengthening the integration of ZISWAF (*Zakat, Infaq, Sadaqah*, and *Waqf*) with poverty alleviation programs so that social support can evolve into productive economic empowerment. Future research could examine mediators such as income inequality, the

poverty gap, wages, job quality, and productivity to gain a more robust understanding of the transmission mechanisms linking development to poverty.

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