The Influence of Islamic Human Development Index (I-HDI), Employment and Economic Growth on The Poverty Rate in The Province of North Sumatra

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Abstract: North Sumatra is the 4th province with the most poor people in Indonesia. There are a total of 1.2 million poor people in 2023. This study aims to analyze the effect of *Islamic Human Development Index* (I-HDI), employment and economic growth on poverty in 33 districts / cities of North Sumatra in 2018-2023. The method used is panel data regression with *random effect model* estimation. The regression results show that the *Islamic Human Development Index* (I-HDI) has a negative and significant effect on the poverty rate in North Sumatra in 2018-2023. Labor absorption has a positive and significant effect on the poverty rate in North Sumatra in 2018-2023. While economic growth has a negative influence, but not significant. Simultaneously, the *Islamic Human Development Index* (I-HDI), labor absorption and economic growth have an influence on the poverty rate in North Sumatra in 2018-2023. One of the policy implications that can be done by the North Sumatra government to minimize the poverty rate is to improve the quality of human welfare and development not only seen from indicators of material achievement but also but also the achievement of non-material welfare, namely the existence of moral and spiritual values. In addition, the potential of unique resources must be improved and developed. This potential must be balanced with the quality and productivity of a good workforce in order to increase employment so that the people of North Sumatra can increase their income and get out of the poverty cycle.

Keywords: IHDI, Labor, GRDP, North Sumatra

INTRODUCTION
        Community welfare is the main goal of development in a region. A problem concerning community welfare is the problem of poverty, which limits people's ability to fulfill their needs. Therefore, community welfare is closely related to the problem of poverty. Poverty is defined as a condition in which people (individuals and groups) cannot fulfill their

basic needs in terms of maintaining themselves economically and improving their standard of living (Syawie, 2011).

Poverty is indeed a complex issue, because it is not only related to the problem of low levels of income and consumption. However, it is also related to low levels of education, health and the powerlessness to participate in development as well as various issues related to human development. These dimensions of poverty are manifested in the form of lack of nutrition, water, healthy housing, poor health care, and low levels of education (Suhandi, 2018).

The prosperity or welfare of society can be determined by the level of community income. Community income reaches a maximum if the level of full use of labor can be realized with good human resources, so that if they do not work or are unemployed it will reduce income, this will reduce the level of prosperity they achieve and can lead to poor community welfare (Sukirno, 2001).People suffering from poverty in March 2023 in Indonesia were 25.9 million more people with a poverty line (BPS). Regionally, in Indonesia there are five provinces with the highest number of poor people, namely East Java, Central Java, West Java, North Sumatra, and East Nusa Tenggara (BPS).

A strategic problem in the government of North Sumatra Province is the high poverty rate. North Sumatra Province is one of the provinces outside Java Island that has the largest number of poor people. There were 1.23 million poor people in March 2022 (BPS). Thus, North Sumatra province occupies the 4th position of the largest number of poor people in Indonesia. In addition, North Sumatra is one of the provinces on the island of Sumatra with the largest population when compared to other provinces. Maltkus' theory in Skuosen (2009: 85) states that the resources on earth cannot meet the demands of a growing population, and since human needs are far greater than the amount of natural resources that can be used to satisfy them, this will push people to live in poverty because there will be a lot of competition for the fulfillment of their basic needs. This is one of the reasons why the province has a high percentage of poverty every year.

The poverty rate in North Sumatra Province tends to fluctuate, this shows that in North Sumatra people living in poverty are still high. In 2018, the poverty rate in North Sumatra was 1,291.99 thousand people or 8.94 percent. In 2019, the poverty rate was 1,260.50 thousand people or 8.63 percent, down 0.31 percent from the previous year. The poverty rate in North Sumatra increased to 1,356.72 thousand people or 9.14 percent, up 0.51 percent from the previous year due to the emergence of the covid-19 outbreak in 2020. In 2021 the poverty rate was 1,273.07 thousand people or 8.49% or in other words, a decrease of 0.65%. The impact of the increasingly severe covid-19 pandemic is that many economic activities are hampered, causing an increase in the number of poor people, decreasing people's salaries and even forcing some people to lose their jobs due to layoffs. This indicates that government efforts in North Sumatra have not proven effective in reducing poverty.

Islam is a religion that has a broad and comprehensive view of human development, especially Islam always emphasizes the achievement of falah by using Maqashid Sharia. Maqashid Sharia also focuses on 3 aspects of development from an Islamic perspective, namely education, social justice and welfare, of course Maqashid Sharia is not just a regulation that must be obeyed, but a framework of human life guidelines based on the concept of maslahah (Amin & et al, 2015).

Some Muslim scholars such as Al-Ghazali, Al-Syatibi, Umer Chapra, Choudury, etc. put forward the theory of human development with the Maqashid Sharia approach (Amin & et al, 2015). The measurement of the Islamic Human Development Index uses the concept of Maqashid Sharia which consists of 5 things: religion (hifdz ad-dien), soul (hifdz an-nafs), intellectual (hifdz al- 'aql), offspring (hifdz an-nasl), and property (hifdz al-maal). These five things are basic needs for humans, if one is not fulfilled then automatically Maqashid Sharia

is not fulfilled. With the existence of the Islamic Human Development Index, it can be a measuring tool for how Islamic human development is, especially in countries where the majority of people are Muslim, especially since the I-HDI itself measures the material welfare and non-material welfare aspects. With the I-HDI, we can find out whether Islam affects human development and economic growth of a country (Amin & et al, 2015).

Septiarini and Herianingrum's research (2017) used descriptive qualitative methods. In the calculation, human development in the entire East Java region in 2010-2014 was calculated with IHDI indicators on an international scale and showed that most regions in East Java had low to moderate IHDI scores. However, IHDI scores differ significantly from HDI scores. Regions with high HDI scores have low IHDI scores.

In addition to the factors above, there is also another indicator used to measure the poverty rate in North Sumatra, namely how much labor is absorbed in the labor market. Labor absorption is a major problem in Indonesia's development, both in the past and in the future. The population explosion from year to year continues to increase, while the employment opportunities to accommodate them are inadequate (Yuliani, 2022).

The problem of employment is not just the number of jobs available or low productivity, but much more serious, namely the failure to create new jobs at a rate comparable to the growth rate of output produced (Todaro, 2006). So that the government responds by creating jobs to absorb labor supported by good economic growth. However, in creating new jobs in larger numbers, it is felt that it cannot absorb all the labor and unemployment in a region.

A regional economy can be said to be stable if the unemployment rate is below 4 percent of the total job seekers (Budhi & Kembar, 2008). Thus, labor absorption is closely related to unemployment. One way to see labor absorption according to Kuncoro (2002) can be seen from the number of jobs that have been filled which is reflected through the number of people working in a region.

Table 1. Labor Absorption in North Sumatra Province

Year	Working (Soul)	Number of Unemployed (People)	Labor Force Participation Rate (Percent)	Open Unemployment Rate (Percent)
2017	6.743.277	377.288	68.88	
2018	7.124.458	396.027	71.82	5.56
2019	7.063.662	382.438	70.19	5.41
2020	7.350.057	507.805	68.67	6.91
2021	7.511.006	475.156	69.10	6.33
2022	7.734.006	423.657	69.53	6.16
2023	7.870.006	413.657	71.06	5.89

Source: sumut.bps.go.id

Table 3 shows that North Sumatra's labor absorption in terms of the number of people working often experiences growth and decline every year, where labor absorption in 2019 decreased compared to 2018, in 2023 the absorption of labor in North Sumatra has reached 7.8 million people working. Judging from the participation rate, it also varies, in 2017 North Sumatra's TPAK was 68 percent and varied every year, in 2020 North Sumatra's TPAK fell to 68.67 percent and continued to rise every year until at the end of 2023 North Sumatra's TPAK was 71 percent. If you look at the number of unemployed people in North Sumatra, it has decreased, but when viewed from the open unemployment rate it is still in the range of 6 percent from 2020 to 2022 and to 5.89 percent in 2023.

In general, the level of labor absorption increased so that the unemployment rate decreased to 5.89 percent, but this number is still relatively high, as seen from the small percentage of poverty reduction. This condition illustrates that labor absorption in North Sumatra Province has not been able to alleviate poverty well. Research on the relationship of labor to poverty conducted (Salsabilla et al., 2022) found that labor absorption has a considerable adverse impact on poverty (significant negative). While research by Purnomo & Kusreni (2019) found that labor on the poverty rate found a significant positive impact.

In addition to the factors above, economic growth is also an important factor in measuring welfare. Economic growth is the key to reducing poverty in a region. Increased economic growth in each province means that the government is able to improve the welfare of the community, thereby reducing the poverty rate. An increase in economic growth also implies an increase in the number of products or services produced. As a result, more employees are required to produce these goods or services, reducing poverty and ensuring that poverty continues to fall (Yacoub, 2013).

GRDP is an indicator of the economic growth of a region, GRDP is the net value of final goods and services produced by various economic activities in a region within a period. The higher the GRDP of a region, the greater the pattern of potential sources of regional revenue.

The rate of Economic Growth of North Sumatra from 2017 to 2023, in 2017 North Sumatra's GRDP was Rp. 487531.23 billion increasing to Rp. 512762.63 billion in 2018 which has an average growth above 5 percent, this amount is above the average amount of national economic growth. However, in 2020 there was a decrease of -1.07 percent (IDR 533,746.36 billion) due to the impact of the covid-19 pandemic in Indonesia and began to experience growth of 2.61 percent (IDR 547651.82 billion) in 2021. In 2022 it continues to gradually increase to 4.73 percent. The peak was an increase in 2023 of 5.01 percent (IDR 602235.95 billion). Thus there is a significant increase in GRDP, although it has not been able to exceed the normal pre-pandemic figure.

Poverty can only be reduced on a limited scale, if the poor only receive a small portion of the distribution of economic growth. The findings of economic growth on poverty carried out by Usman & Diramita (2018) and Savitri et al. (2022) found that economic growth has a significant positive effect on the poverty rate. Purnomo & Kusreni researchers, (2019) found that economic growth had a significant negative effect on the poverty rate.

By looking at the data above, it turns out that North Sumatra Province still has problems with poverty. For this reason, it is necessary to conduct a comprehensive study related to the factors that influence poverty, where researchers use three independent variables (X), namely the I-HDI Variable (X1), the Labor Absorption Variable (X2) and Economic Growth (X3); one dependent variable (Y), namely the Poverty Level, it is intended that the findings of this study will strengthen and clarify previously existing theories.

With what has been described above, the authors are interested in conducting research with the title "The Effect of Islamic Human Development Index (I-HDI), Labor Absorption and Economic Growth on Poverty Levels in North Sumatra Province".

METHOD

The type of research used in this research is quantitative research, where the research data in it is in the form of numbers. The data source used in the study is secondary data obtained by researchers from various sources, namely the Central Bureau of Statistics through the page www.bps.go.id. The population in this study consists of annual data on *islamic human development index* (I-HDI) variables, employment, economic growth, poverty, after the population is determined, some data is used as a research sample consisting of annual data on *islamic human development index* (I-HDI) variables, employment, economic

growth, poverty in North Sumatra from 2018 to 2023. While the data analysis method of this study uses multiple regression model analysis with panel data. Panel data is a combination of *time-series* data and *cross-section* data. In processing data, *Microsoft Excel* and *Eviews 13* applications are used. to support research results The equation model used in this study is as follows:

$$Y = \beta 0it + \beta 1X1it + \beta 2X2it + \beta 3X3it + eit$$

Where:

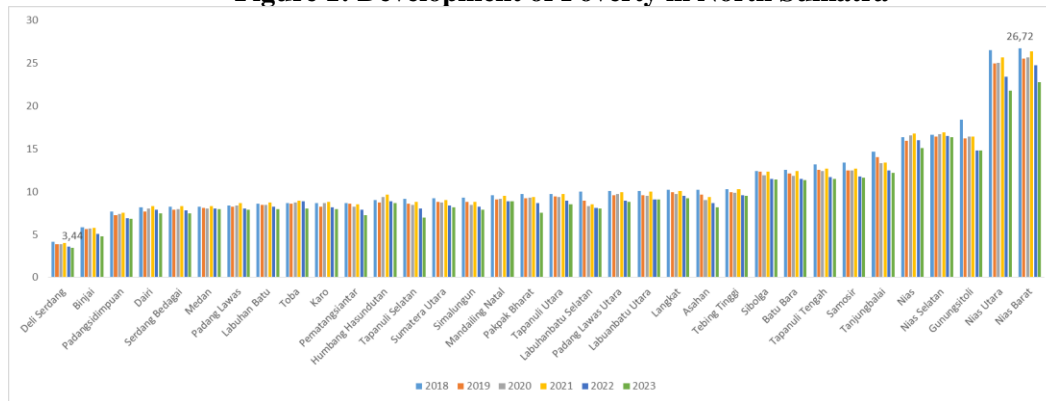|		
Y = Poverty Level	i =	*cross section* data
X1= IHDI		(33 districts/cities)
X2= Labor Absorption	β	Regression Coefficient
X3= Economic Growth	=1,2,3	amount of time
β0 = Constant	t =	*Error terms*
	e =	

RESULTS AND DISCUSSION

Poverty Development

In absolute terms, the number of poor people in the 2018-2023 period decreased by 85,270 people, from 1,324,980 people in 2018 to 1,239.71 thousand people in 2023. Relatively, there was also a slight decrease in the percentage of poor people from 9.22 percent in 2018 to 8.15 percent in 2023.

The following data is presented on the poverty rate by district/city in North Sumatra for 2018-2023.

Figure 1: Development of Poverty in North Sumatra

Source: sumut.bps.go.id, data processed

Based on the figure above, it shows that the poverty rate in 33 regencies/cities in North Sumatra Province fluctuated from 2018-2023. The highest poverty rates in North Sumatra are dominated by districts/cities located in the Nias Islands such as West Nias, North Nias, Nias and Gunungsitoli. While the lowest poverty rate is in Deli Serdang and followed by Binjai City.

Development of the Islamic Human Development Index (IHDI)

Measurement of the achievement of I-HDI in this study uses indicators of crime rate, life expectancy, school expectancy, average length of schooling, population growth rate, per capita expenditure and poverty depth index reflected in five dimensional indices in the form of preservation of religion (*Hifdz Dien*), preservation of the soul (Hifdz *Nafs), preservation of*

the mind (Hifdz *'Aql)*, preservation of offspring (Hifdz *Nasl),* and preservation of property (Hifdz *Maal)* proposed by Al-Ghazali and Ash-Syatibi.

The results of the calculation of I-HDI in 33 districts / cities in North Sumatra province for the period 2018-2024 which became the object of research can be seen in Table 3.

Table 2. Results of I-HDI Calculation 33 Regency / City Period 2018-2024

District/City	Year					
	2018	2019	2020	2021	2022	2023
North Sumatra	79,71	76,62	73,26	73,12	76,45	71,12
Nias	62,24	60,09	69,90	61,08	56,94	63,64
Mandailing Natal	75,24	73,70	87,26	63,55	76,04	79,76
South Tapanuli	72,92	44,69	67,20	66,78	72,97	80,21
Central Tapanuli	56,65	56,47	43,66	83,10	72,30	75,88
North Tapanuli	88,46	78,90	88,41	79,95	79,18	67,42
Toba	66,59	57,80	72,37	68,90	72,95	84,28
Labuhan Batu	66,87	70,86	57,40	64,52	61,49	58,33
Asahan	76,91	50,18	73,07	58,52	70,78	65,88
Simalungun	58,13	79,72	70,44	71,17	75,81	70,87
Dairi	65,61	83,47	53,08	76,16	49,43	43,77
Karo	60,16	85,17	64,22	71,23	75,04	72,11
Deli Serdang	56,41	68,45	57,49	47,62	67,65	52,99
Langkat	74,67	51,36	77,83	64,20	61,50	80,46
South Nias	76,30	58,59	54,63	57,14	65,96	45,70
Humbang Hasundutan	62,91	72,62	62,29	56,79	56,74	50,02
Pakpak Bharat	67,68	54,63	56,56	52,68	50,06	74,83
Samosir	60,47	62,34	66,72	64,00	67,90	58,55
Serdang Bedagai	63,34	75,04	66,78	69,76	62,25	78,69
Coal	83,42	62,12	65,70	63,57	68,29	60,69
North Padang Lawas	60,28	51,94	64,52	62,51	59,69	67,73
Padang Lawas	81,37	77,67	61,83	63,81	58,41	55,63
Labuhanbatu Selatan	58,66	69,45	52,77	67,08	67,52	50,50
Labuanbatu Utara	53,95	68,67	67,06	72,78	61,15	67,03
North Nias	79,23	59,82	66,80	42,67	50,35	57,45
West Nias	58,87	51,53	78,20	56,77	65,90	54,87
Sibolga	67,67	61,84	55,43	73,42	83,34	72,96
Tanjungbalai	47,19	62,99	47,38	46,80	55,94	51,24
Pematangsiantar	60,59	72,01	68,40	67,97	66,13	56,66
Tebing Tinggi	74,01	63,19	51,35	58,15	54,37	65,32
Medan	64,30	53,21	70,17	52,42	54,57	50,08
Binjai	58,79	56,65	52,28	55,38	64,62	61,30
Padangsidimpuan	76,59	68,23	54,73	47,77	67,64	66,50
Gunungsitoli	58,93	49,02	51,97	55,15	58,33	56,89

Source: Data processed 2024

From the results of the IHDI calculation in North Sumatra from 2018 to 2023, it can be seen that the *Islamic Human Development Index of* 33 regencies / cities in North Sumatra

is the highest in North Tapanuli Regency with an average value of 80.39. While the lowest IHDI value is in Tanjungbalai City with an average value of 51.92. In table 3 above, the rankings can be summarized as follows:

Table 3. Summary of District/City I-HDI rankings in North Sumatra

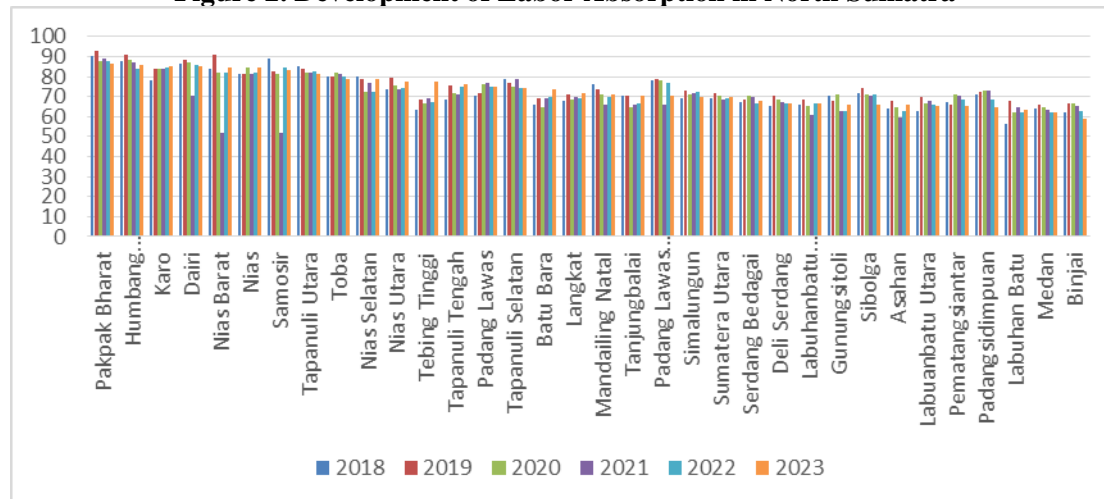| No.	Development Status	Number of Provinces Year					
		2018	2019	2020	2021	2022	2023
1	0 ≤ HDI ≤ 59.99	9	13	13	13	11	14
2	60.00 ≤ HDI ≤ 69.99	13	10	12	13	13	9
3	70.00 ≤ HDI ≤ 79.99	8	8	6	6	8	7
4	80 ≤ HDI ≤100	3	2	2	1	1	3
		33	33	33	33	33	33

Source of data processed

From the development of the I-HDI Regency / City in North Sumatra, it can be seen that the regions that are in the middle I-HDI rank tend to be stable and only a few districts / cities in certain years experience changes in the index from middle to low rank and from very high to high rank. Observations from 2018 to 2024 North Tapanuli and Mandailing Natal are the two districts with the highest *Islamic Human Development Index*.

Development of Labor Absorption

The development of the labor force participation rate in North Sumatra tends to fluctuate. Although in aggregate it continues to increase, as shown in the following figure:

Figure 2. Development of Labor Absorption in North Sumatra

Source: sumut.bps.go.id, data processed

From the figure 2 above, it can be seen that the absorption of labor in 33 regencies / cities in North Sumatra, can be observed from 2018 to 2023 on average around 65.00 to 70.00, this is in line with North Sumatra Province, which is around this figure. From 2018 to 2023 employment in the Province is highest in the range of 71.82. The presence of the covid 19 virus in 2019 necessitated work restrictions and led to a narrowing of employment opportunities in some areas. This was caused by both temporary and permanent business closures and labor reductions to reduce operational costs. Although the impact is not so significant for regions that have economic strength in the agricultural sector, where the sector

is considered to be able to attract a lot of labor and reduce the spike in unemployment during the COVID-19 pandemic (Sebayang, 2019).

Development of Economic Growth

Economic growth proxied by GRDP per capita is one of the important components for a region that can be a reference for the government in measuring development performance. Regency / City economic growth in North Sumatra during 2018 to 2023 can be seen as follows:

Table 4. Regency / City GRDP growth rates in North Sumatra from 2018 to 2023

District/City	Year					
	2018	2019	2020	2021	2022	2023
North Sumatra	5,18	5,22	-1,07	2,61	4,73	5,01
Nias	4,95	5,04	1,8	2,21	3,06	3,82
Mandailing Natal	5,79	5,3	-0,94	3,2	4,34	4,93
South Tapanuli	5,19	5,23	0,39	3,24	4,78	5,11
Central Tapanuli	5,2	5,18	-0,76	2,56	4,18	4,23
North Tapanuli	4,35	4,62	1,5	3,54	4,25	4,75
Toba	4,96	4,88	-0,27	2,92	4,24	4,93
Labuhan Batu	5,06	5,07	0,09	3,85	4,8	5,03
Asahan	5,61	5,64	0,21	3,73	4,66	4,87
Simalungun	5,18	5,2	1,01	3,7	4,68	5,07
Dairi	5,01	4,82	-0,94	2,05	4,21	5,04
Karo	4,55	4,6	-0,8	2,25	4,22	5,06
Deli Serdang	5,15	5,18	-1,78	2,23	4,7	5,34
Langkat	5,02	5,07	-0,86	3,08	4,69	4,93
South Nias	5,02	5,03	0,61	2,02	3,08	3,65
Humbang Hasundutan	5,04	4,94	-0,13	2,02	4,21	4,38
Pakpak Bharat	5,85	5,87	-0,18	2,54	4,27	5,1
Samosir	5,58	5,7	-0,59	2,65	4,48	5,03
Serdang Bedagai	5,17	5,28	-0,44	2,87	4,46	5,03
Coal	4,38	4,35	-0,31	2,35	4,07	4,08
North Padang Lawas	5,58	5,61	1,14	3,26	4,12	4,92
Padang Lawas	5,96	5,64	1,18	3,83	4,61	5,14
Labuhanbatu Selatan	5,27	5,35	0,8	3,82	4,74	4,94
Labuanbatu Utara	5,2	5,15	0,27	3,83	4,62	4,76
North Nias	4,42	4,65	1,58	2,02	3,03	3,79
West Nias	4,77	4,82	1,66	2,26	3,01	3,72
Sibolga	5,25	5,2	-1,36	2,1	4,15	4,2
Tanjungbalai	5,77	5,79	-0,47	2,35	3,94	4,86
Pematangsiantar	4,8	4,82	-1,89	1,25	3,47	4,22
Tebing Tinggi	5,17	5,15	-0,7	2,51	4,01	3,98
Medan	5,92	5,93	-1,98	2,62	4,71	5,04
Binjai	5,46	5,51	-1,83	2,23	4,18	4,75
Padangsidimpuan	5,45	5,51	-0,73	2,75	4,77	5,09

| Gunungsitoli | 6,03 | 6,05 | 0,38 | 2,25 | 3,11 | 3,69 |

Source: www. bps.go.id

From the table above, it can be seen that the development of the GRDP rate in North Sumatra, can be observed from 2020, there was a significant decline from 5.22 in 2019 to -1.07 in 2020. This was due to the covid 19 virus. The spread of the corona virus disrupts export performance and includes investment and tourist visits which are the drivers of the North Sumatra economy. Although from 2018-2020 North Sumatra is still higher than national economic growth. Until 2023, the rate of economic growth in North Sumatra has been quite stable reaching 5.01. this is in line with Indonesia's economic growth, which is around this figure.

Regression Analysis

In this study, the Random Effect Model (REM) was chosen for the panel data linear regression equation. The following are the regression results with the *Random Effect* model:

Table 5. Random Effect Model Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	8.984356	3.220449	2.789783	0.0058
X1	-0.075830	0.032443	-2.337356	0.0204
X2	0.096163	0.037351	2.574577	0.0108
X3	-0.115723	0.161323	-0.717335	0.4740

Source: Data processed with Eviews 13, 2024

The results of panel data estimation with *random effect model* can be written in the following equation:

$$Y = β0 + β1X1it + β2X2it + β3X3it + β4X4it + eit$$

The Effect of IHDI on Poverty Level

Based on the statistical calculations carried out, negative results were obtained from the test between the *Islamic Human Development Index* (I-HDI) on the Poverty Level in North Sumatra Province. This can be seen from the probability value obtained of 0.0244 <0.05 with a regression coefficient value of -0.075830. The value is negative which indicates that the *Islamic Human Development Index* (I-HDI) and the Poverty Level have an opposite relationship, thus, the *Islamic Human Development Index* (I-HDI) has a negative effect on the poverty rate in North Sumatra Province. so, if the *Islamic Human Development Index* (I-HDI) is increased by 1% it will reduce the poverty rate by 7.58%.

The Islamic Human Development Index is a very complex index covering all aspects of life. The 9 components that make up the IHDI indicator adequately illustrate how it relates to poverty reduction. The statistical achievements above indicate that the index can increase labor productivity, resulting in increased income and a better life so as to reduce the number of poor people.

As explained above, almost all of the indicator components used in constructing the I-HDI are the same as those used in constructing the HDI. What is different is that some of the indicators show religious values, whose theories and concepts are based on the Islamic perspective. The concept is used to assess the achievement of human development with reference to *masqashid sharia*.

This finding is in accordance with research conducted by Sri Nurlaeli (2022) and Amara Fardany Nasyitha (2020), in the study it was concluded that the *Islamic Human Development Index* (I-HDI) has a negative relationship with Poverty, which means that when the *Islamic Human Development Index* (I-HDI) increases, poverty will decrease and vice versa.

Based on the *ad-dien* dimension, which is one of the IHDI measurements, the number of crimes in North Sumatra is quite high and increases from year to year. This is a big question, because the region that is predominantly Muslim has a high crime rate. The highest crime rate occurred in Medan city with an average of 8,229 cases throughout 2018-2023. Crime rate is an indicator data that is used as a reflection of one of the most important worship in the pillars of Islam, namely prayer.

With a high crime rate in North Sumatra, this indicates the low awareness of the people of North Sumatra in carrying out Allah's commands. Thus, there needs to be special attention for the government and related *stakeholders* to improve the quality of human development, not only from the fulfillment of material needs but also the spiritual dimension, so that the problem of poverty can be overcome and the achievement of the goals of *Maqasidh Sharia in the* form of *maslahah* world and hereafter.

The Effect of Labor Absorption on the Poverty Rate

Based on the statistical calculations carried out, significant results were obtained from the test between Labor Absorption and Poverty Level in North Sumatra Province. This can be seen from the probability value obtained of $0.0108 < 0.05$ with a regression coefficient value of 0.096163. The value is positive which shows that Labor Absorption and Poverty Level have a directly proportional relationship, thus, Labor Absorption has a significant positive effect on the poverty rate in North Sumatra Province. so, if Labor Absorption is increased by 1%, it will increase the poverty rate by 0.108%.

This finding contradicts the theory that the poverty rate will fall with an increase in employment. In Arsyad (2010:133), Okun (1962) analyzed that reducing the unemployment rate through investment in labor is one way to overcome poverty. According to Nallari and Griffith (2011:269), employment is a way out of poverty. As well as the results of research conducted by Robiansyah which states that the reduction in the poverty rate is also influenced by labor absorption.

The findings above indicate a positive and directly proportional relationship, although the percentage is very small. Previous studies, especially those conducted by Agus Budi Purnomo and Sri Kusreni (2019), found that labor absorption affects the poverty rate in a directly proportional manner. This means that if employment is higher, poverty will also increase, and vice versa.

This does not mean that labor absorption leads to poverty. There are at least two possible factors that cause labor absorption to be directly proportional to poverty. *First*, the absorbed labor is not from the poor population. This is consistent with Messkoub's (2008) research, which found that if the available jobs require high skills that are not possessed by the poor, then of course they will not benefit from the available jobs.

Second, the number of workers did increase, but the income received by workers was not able to raise their economic level above the poverty line. This is because labor absorption is greater in poor regions whose economic structure is dominated by the agricultural sector (See Table 4.18). Based on the results of the National Labor Force Survey (Sakernas) in August 2023, as many as 2,559 thousand people (33.90 percent) of the workforce were absorbed in the agriculture, forestry and fisheries sectors in North Sumatra province (BPS, 2023b). Meanwhile, the wage level in the agricultural sector is the lowest compared to the other two main sectors, namely the manufacturing sector and the trade, hotel and restaurant sector.

The level of education is a factor that affects the absorption of labor where education is now the main requirement when applying for a job. If you look at the high number of children who dropped out of school in 2023, North Sumatra occupies the second position of dropouts, with a total of 7.6 thousand children (Ministry of Education and Culture data,

2023), the economic factor is the main factor. This means that poor people are not able to fulfill their educational needs, which will have an impact on losing competition in the world of work with people who have a better economy so that they can fulfill their educational needs. This is the reason why poverty continues to increase even though a lot of labor is absorbed. In addition, the poor who cannot compete will work according to their abilities, but many of them still find it difficult to fulfill their daily needs, and this will continue to increase the poverty rate.

From the explanation above, it is necessary to know that it is not always the absorption of labor (work) that makes a person free from poverty and not always people who do not work (unemployed) are poor people. In line with this, Godfrey (1993) and Arsyad (1997) argue that poverty does not stop at the issue of employment alone. So, the assumption that people who work are rich and those who do not work are poor is a false assumption because many people choose not to work to find a job that suits their passion but they have financial resources that can sustain their lives.

Currently, what is needed in the economy is a qualified potential workforce in order to increase economic growth and community welfare. Thus, there needs to be special attention for the government and related *stakeholders* to improve the level of education in North Sumatra. A good education will improve the quality of workers and be absorbed in the labor market maximally, so that it can increase income and can reduce the poverty rate.

The Effect of Economic Growth on the Poverty Rate
Based on the statistical calculations carried out, the coefficient value is -0.115723 and has a negative sign, stating that the form of the GRDP relationship to poverty is inversely proportional, which means that an increase in the GRDP factor of 1 billion rupiah will reduce poverty by 0.115723 thousand people. But in this study, the effect test is not significant, meaning that GRDP does not really affect poverty. This can be seen from the probability value obtained of $0.4740 > 0.05$.

It is found that although many countries are growing at a high rate, a large proportion of their people remain in poverty. Poverty is accompanied by unequal income distribution and also high unemployment rates, in some countries even followed by deaths due to severe hunger (Hakim, 2002: 210). This result is different from the research conducted by Rusdarti (2013) which states that GRDP has a significant effect on the Poverty Level in Central Java Province.

This result is also not in accordance with the hypothesis in this study which states that GRDP has a significant effect on poverty in the Regency / City in North Sumatra. GRDP has an insignificant effect on poverty. This is because the economic growth of North Sumatra still relies heavily on capital-intensive sectors, causing the absorption of labor to be reduced, the impact is that unemployment increases. In addition, the concentration of the economy and industry in the east coast region encourages a lot of urbanization of the community, which if not balanced with adequate education and skills also exacerbates the level of open unemployment in North Sumatra.

The high income inequality between regions is due to the diversity of natural resource potential, geographical location, quality of human resources, ethnic or political ties. This development gap can be seen between the East Coast and West Coast regions, where the East Coast regions (Medan City and its surroundings) are more developed and grow faster than the regions on the West Coast (Padang Sidempuan City, Sibolga City and surrounding regencies/cities). Thus, it can be said, several National Priority Projects implemented in North Sumatra have not been able to minimize economic disparities between regions.

Economic growth without being followed by income equality will not be able to reduce the number of poor people (Suparmoko, 1997). This opinion is corroborated by

Boediono (2002), where economic growth can have a positive impact on poverty reduction if economic growth occurs in favor of the poor. That is, growth should be spread across all income groups, including the poor. Directly, this means that growth needs to be ensured in sectors where the poor work (agriculture or labor-intensive sectors). Indirectly, it means that the government needs to be effective enough to redistribute the benefits of growth so that it can bring prosperity to the community.

The Covid 19 pandemic that has hit all over the world is one of the causes of unstable economic growth, including in North Sumatra. There are interesting findings from research conducted by Amelia (2022) on the difference in the relationship between GRDP and poverty in rural and urban areas during the pandemic. According to him, the increase in GRDP in rural areas is accompanied by a reduction in poverty. This is because the PSBB government policy for daily activities, people in the village do not comply so that their activities at work remain as usual. Most villagers who are not literate in technology generally work using *hard skills* or work with their abilities directly. This is supported by government spending in the form of social assistance during the Covid-19 pandemic so that the level of public consumption continues to rise. Unlike in urban areas where the increase in GRDP can actually exacerbate poverty during the Covid-19 pandemic. At the time of PSBB, those who initially worked directly could use alternative ways by utilizing technology and causing the mobility of technology use during the pandemic to increase. When labor absorption decreases, GRDP will also decrease because income decreases along with the level of consumption decreases.

Meanwhile, based on its economic structure, during 2019-2023, the economic structure in North Sumatra did not experience significant changes. The Agriculture, Forestry and Fisheries category is still the main support with a total contribution of 22.99 percent (BPS, 2024). This shows that the contribution and absorption capacity of the agricultural sector has great potential in reducing the number of poor people. This finding is in accordance with research conducted by Pangiuk (2018), the implications of this finding require an increase in the application of technology that can increase the productivity of agricultural products on which most of the poor depend. Lack of mastery of technology causes the productivity and competitiveness of agricultural products to be low, which results in low farmer income. However, if the productivity and competitiveness of agricultural products increase, the selling price of agricultural products will increase, which in turn will increase farmers' income and help them escape poverty.

This finding is also in accordance with Astuti's research (2018) that GRDP has a negative influence on poverty but is not significant. This happens because GRDP growth is not always followed by a decrease in poverty. However, GRDP growth can still reduce the amount of poverty in the village if it is balanced with an increase in the total production of goods and services produced. The results of this study imply that the increase in GRDP in Indonesia has not been inclusive in reducing the number of poor people because GRDP is only dominated by government spending to increase one's income so that the level of consumption will increase and the absorption of labor has not been maximized.

It can be concluded that increasing GRDP is actually necessary and an option, but it is not enough to overcome the problem of poverty. The problem is not only how to increase GRDP growth, but what needs to be considered is how to distribute and equalize it, so that the results of growth itself can be felt by all levels of society.

The Effect of *Islamic Human Development Index* (I-HDI), Labor Absorption and Economic Growth on Poverty Levels

The test results were used to determine the effect of the *Islamic Human Development Index* (I-HDI), employment and economic growth on the poverty rate simultaneously in North Sumatra, getting a probability value (F-statistic) of 0.000000. The value obtained is

smaller than the error rate of 0.05, and that means there is a significant influence between the *Islamic Human Development Index* (I-HDI), employment and economic growth on the poverty rate simultaneously in North Sumatra in 2018-2023.

Based on the table above, the R number is 0.983069, this indicates that there is a very high relationship between I-HDI, labor absorption and economic growth on poverty. While the results of the R-squared value = 0.979410 which means 97.9% of the variation in the value of the poverty variable is influenced by I-HDI, Labor Absorption and economic growth, while the remaining 2.1% is influenced by other variables outside the research model.

CONCLUSION

Based on the problems in this study and referring to the results of the studies conducted, the conclusions that can be obtained in this study are as follows: The *Islamic Human Development Index* (I-HDI) variable partially has a probability value of 0.0204 which is smaller than the specified error rate of 0.05 (0.0204 <0.05). This means that the *Islamic Human Development Index* (I-HDI) has a significant influence on the Poverty Rate in North Sumatra with a negative direction of influence as seen from the coefficient value of -0.075830. The Labor Absorption variable partially has a probability value of 0.0108 which is smaller than the specified error rate of 0.05 (0.0108 < 0.05). This means that Labor Absorption has a significant influence on the Poverty Rate in North Sumatra with a positive direction of influence as seen from the coefficient value of 0.096163. The Economic Growth variable partially has a probability value of 0.4740 which is greater than the specified error rate of 0.05 (0.4740 > 0.05). This means that Labor Absorption has an influence but is not significant on the Poverty Rate in North Sumatra with a negative direction of influence seen from the coefficient value of -0.115723. The variable *Islamic human development index* (I-HDI), labor absorption and economic growth together (simultaneously) in North Sumatra obtained a probability value (F-statistic) of 0.00000. The resulting value is smaller than the error degree of 0.05, which means that there is a significant influence between the *Islamic Human Development Index* (I-HDI), employment and economic growth on the poverty rate simultaneously in North Sumatra. While the results of the R-squared value = 0.979410 which means 97.9% of the variation in the value of the poverty variable is influenced by I-HDI, Labor Absorption and economic growth, while the remaining 2.1% is influenced by other variables outside the research model.

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