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Analysis of the Effect of Government Spending in the Education and Health Sectors, as Well as the Minimum Wage, on Poverty in South Sulawesi Province

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Abstract

This quantitative research aims to analyze the influence of Government Expenditure in the Education Sector, Health Sector, and Minimum Wage (UM) on Poverty in five districts with the highest poverty rates in South Sulawesi Province (Pangkep, Jeneponto, Luwu, North Luwu, and Enrekang), utilizing annual panel data spanning the 2015 to 2024 period. Through a series of model tests, the Fixed Effect Model (FEM) estimated using the Least Square Dummy Variable (LSDV) approach was determined as the best method. The estimation results show that simultaneously, the three independent variables significantly affect poverty, with the model's explanatory power (Adjusted R-Squared) reaching 77.4%. However, the partial results (t-test) reveal that only the Minimum Wage variable has a negative and significant influence in reducing poverty (Prob. 0.0079). Conversely, although Government Expenditure in the Education Sector has a positive coefficient (Prob. 0.9123) and the Health Sector has a negative coefficient (Prob. 0.4973), both are not statistically significant in influencing poverty reduction. This study concludes that policy intervention through setting adequate wages is the most effective tool in poverty alleviation efforts in the research area, while the effectiveness of public spending in the education and health sectors requires further review to ensure its long-term impact.

Keywords: Govermnent Expenditure in Education Sector; Govermnent Expenditure in Health Sector, Minimum Wage, Panel Data, Poverty

1 Introduction

Poverty is a social disease that continues to be a major challenge in many regions of Indonesia, one of which is South Sulawesi Province, which faces a high level of poverty. Conceptually, poverty is understood as the inability to achieve a minimum standard of living, including low income, inadequate housing, poor access to health care, and low levels of education (Supriatna, 2000). Poverty is also seen as a lack of basic capabilities as essential requirements for a decent life. Poverty in South Sulawesi Province has fluctuated in recent years based on data from the Central Statistics Agency (BPS). There are five district with the highest prevalence of poor people throughout 2015-2024, including Pangkep, Jeneponto, Luwu, Luwu Utara, and Enrekang. Although there has been a decline in several areas such as Jeneponto and Pangkep, there is still a great opportunity to reduce poverty. This opportunity is due to several factors, namely economic

inequality, limited employment opportunities, and geographical factors. In addition to these factors, the low quality of education and health services also plays an important role in worsening the socio-economic conditions of the community. Lack of access to quality education can limit employment opportunities and productivity, which ultimately worsens poverty levels. Similarly, limited access to health services can reduce labor productivity and prolong the cycle of poverty. Therefore, improving access and quality in both sectors is a crucial longterm step in reducing poverty rates (Aini, 2020).

The theory of the vicious circle of poverty was proposed by Ragnar Nurkse. This theory explains that poverty is self-reinforcing, making it difficult to break. On the supply side, low incomes result in very limited purchasing power and savings, which in turn hamper investment and economic growth. From a demand-side perspective, inadequate access to education, healthcare, and nutrition results in low human capital and productivity, which, in turn, keeps wages down. This situation traps people in a multigenerational cycle of poverty (Nurjihadi & Dharmawan, 2016).

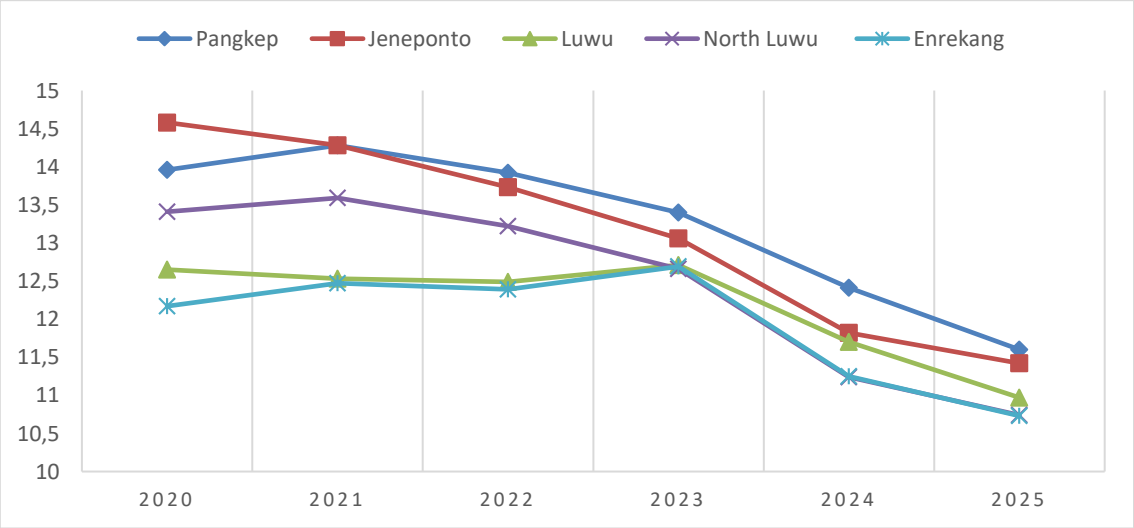

Figure 1: Number of Poor People in the 5 Poorest Districts

This data shows that poverty rates in the five regencies with the highest poverty rates—Pangkep, Jeneponto, Luwu, North Luwu, and Enrekang—have fluctuated between 2020 and 2025. The phenomenon of poverty fluctuations in these five districts cannot be separated from the empirical conditions in the fundamental sectors. The latest data indicates that, although there is a downward trend in poverty rates to below 11.5% by 2025, economic vulnerability remains high due to the suboptimal transmission of minimum wage policies to the real purchasing power of the lower income groups. Furthermore, inequalities in access to education and healthcare quality in the remote areas of South Sulawesi remain major obstacles to achieving sustainable poverty reduction. Consequently, this research is crucial for analysing the extent to which these variables are effective in addressing poverty amidst the post-pandemic economic dynamics.

To overcome this problem, local governments are trying to optimize education and health through budget allocation. Government spending is all forms of expenditure made by the government, both central and regional, to finance state administration and public services. This expenditure includes routine and development spending aimed at supporting economic growth, improving community welfare, and meeting basic needs such as education, health, infrastructure, and security. In other words, government spending is a fiscal instrument used to promote development and overcome various socio-economic problems, including poverty and unemployment.

Increased government spending in the education and health sectors is considered a key strategy for alleviating poverty and promoting inclusive economic growth (Pangke et al., 2018).

Local governments strive to optimize the quality of education and public health. Continuing education plays a crucial role in fostering better and more inclusive resource management for society. As highlighted in (Megayanti et al., 2025) study on educational management, the continuity of the learning process not only enhances technical knowledge but also serves as a strategic tool in the management of key sectors that impact public welfare. These efforts are carried out through the improvement of human resource development, which is realized in the form of budget allocations for the education and health sectors. In line with Sachs (2005) opinion, increasing public expenditure in these two sectors is a key strategy in alleviating poverty while promoting inclusive economic growth. public expenditure in education and health covers budgets to support programs, projects, and community services, such as the construction of schools and health facilities, the payment of salaries for educators and medical personnel, the provision of equipment, and training programs.

In this case, the government plays an important role in strengthening the quality of human resources. The allocation of the education budget is aimed at expanding access and improving the quality of education in order to create a more skilled and productive workforce. Meanwhile, spending in the health sector is directed at ensuring that the community has access to adequate health services, thereby increasing their productivity. Previous studies have shown that increased government spending in the education and health sectors is significantly correlated with a decrease in poverty rates (Todaro & Smith, 2020).

In addition, minimum wages also have a strong inverse correlation with poverty rates. Defined as the lowest permissible monthly salary, which includes a base wage and set allowances, the minimum wage is mandated by the governor and functions as a guaranteed baseline income for all workers. When people's incomes are stable and adequate, their ability to meet their basic needs increases, which directly reduces poverty rates. The minimum wage, mandated by the government, functions as a baseline assurance to ensure laborers earn a decent living wage (Sachs, 2005).

Thus, policies aimed at increasing the minimum wage are one of the main pillars of poverty alleviation strategies. Based on this background, this study will focus on analyzing the impact of public expenditure on education and health as well as the minimum wage on poverty in the five districts/cities with the highest poverty rates in South Sulawesi Province (Kusumadewi et al., 2024).

Specifically, the research questions in this study are grouped into four main questions. First, does public expenditure in the educational field partially affect poverty? Second, does public expenditure in the healthcare field partially affect poverty levels? Third, does the minimum wage partially affect poverty? Fourth, simultaneously, do these three variables, public expenditure in the education and health sectors, and the minimum wage, together affect poverty in the region? Based on this problem formulation, the objective of this study is to analyze in depth and evaluate how public spending on education and health, along with the minimum wage, influences poverty rates in the five districts/cities with the highest poverty levels in South Sulawesi Province (Wahyu, 2009).

2 Literature Review

2.1 Poverty

Poverty (Y) is the main variable that serves as the focus and target of analysis in this research. By definition, poverty refers to the condition of the inability of a significant portion of the population to meet decent basic needs, such as food, clothing, housing, education, and health. In the context of this thesis, this variable is measured using data on the Number of Poor People (in thousands) in several regencies/cities with the highest poverty rates in South Sulawesi Province. This variable acts as the one influenced by the independent variables (government expenditure and minimum wage) to test how effectively the implemented economic and social interventions are instrumental in poverty reduction.

2.2 Government Expenditure in the Education Field

Government Expenditure in the educational field (X1) is one of the independent variables hypothesized to influence the poverty rate. This variable reflects the total allocation of funds or budget spent by the government to finance all activities and programs related to educational services. This allocation covers the development and maintenance of school infrastructure, teacher salaries, and programs to improve access and quality of education, such as scholarships. The research logic assumes that greater investment in the educational field will enhance the quality of human resources, resulting in a more skilled workforce, and ultimately leading to higher employment opportunities and income, which directly correlates with a reduction in poverty (Nurjihadi & Dharmawan, 2016).

2.3 Government Expenditure in the Healthcare Field

Government Expenditure in the healthcare field (X2) is the independent variable used to measure the government budget dedicated to public health service availability and quality. These funds are allocated to finance the operations of health facilities, procurement of medicines, preventive health programs, and improving the quality of medical personnel. Good health is a primary asset for community productivity; healthy populations tend to have more working days and are more productive, thereby increasing household income. hence, investment in the healthcare field is expected to break the cycle of poverty often exacerbated by illness, which leads to income loss and increased expenditure costs.

2.4 Minimum Wage

Minimum Wage (X3) is an independent variable representing regional wage policy. This variable refers to the lowest mandatory wage standard set by the regional government for workers to ensure the fulfillment of Decent Living Needs (KHL). In the research context, this variable plays a crucial role as a social safety net protecting the purchasing power of low-wage workers. The purpose of the minimum wage is to ensure a decent standard of living for workers and to reduce income inequality. A higher minimum wage can increase workers' incomes, boost purchasing power and reduce poverty by increasing household income (Aidha et al., 2025).

3 Research Method

3.1 Types and Approaches of Research

This research is classified as quantitative research involving calculations of numbers or figures that can be measured objectively using standard tools. The writing technique begins with a broad description of the problem, then the data used as a starting point directs the research to a more specific problem. The approach used is a quantitative descriptive approach, which is research that only describes or explains situations, conditions, phenomena, or various variables that are observed. The population for this study—representing the entire generalization area with specific qualities defined by the researcher—includes all data on government spending in the education sector, government spending in the healthcare sector, poverty figures, and the minimum wage. Meanwhile, the sample, as part of the population that is the source of data, was taken using purposive sampling techniques. This sampling method was executed by considering specific criteria relevant to the study: the availability of data on poverty, government expenditure in the education and health sectors, and minimum wages across the five poorest districts in South Sulawesi Province from 2015 to 2024. Consequently, the final sample is a focused representation of the broader population, selected based on the study's precise objectives.

The data collected in this study is secondary data. Secondary data is primary data that has been further processed by the party that collected it or another party. The data sources are from government agency publications. Data on the poor population and minimum wages were obtained from the Central Statistics Agency (BPS), data regarding government spending in the education and health sectors were sourced from the Ministry of Finance.

3.2 Definition of Variables Operationally

Table 1: Operational research variables

No	Variable Name	Operational Definition	Unit
1	Poverty (Y)	The condition of the inability of a significant portion of the population	Percent
2	Government Expenditure in the Education Field (X1)	The total allocation of funds or budget spent by the government to finance all activities and programs related to educational services.	Rupiah
3	Government Expenditure in the Healthcare Field (X2)	The amount of budget the government allocates to ensure the availability and quality of public health services.	Rupiah
4	Minimum Wage (X3)	The lowest mandatory wage standard set by the regional government for workers to ensure the fulfillment of Decent Living Needs (KHL).	Rupiah

3.3 Data Analysis Methods

Data analysis was performed using econometric tools, namely classical assumption tests and the Least Square Dummy Variable method. Classical assumption tests included multicollinearity and autocorrelation tests. The multicollinearity test aims to ensure that there is no correlation between independent variables by examining the Variance Inflation Factor (VIF) value, where the model is considered valid if the VIF value is < 10. The autocorrelation test is conducted to detect relationships between residuals in different periods, and the model is considered free of autocorrelation if the Prob. Chi-Square (2) value is > 5%.

The Least Square Dummy Variable method is used to analyze the effect of each variable on poverty, with Pangkajene Islands set as the control variable. The research employed rigorous hypothesis testing, utilizing the F-test to determine the simultaneous or overall explanatory power

of the independent variables. Concurrently, the t-test was performed to isolate and evaluate the partial effect of each independent variable. Furthermore, the Adjusted R-squared coefficient was calculated to quantify the extent of the dependent variable's variance explained by the model.

Based on this, the Least Square Dummy Variable function can be used:

$$KMSSulsel = \beta 0 + \beta 1\, PPit + \beta 2PKit + \beta 3UMKit + D1Pkp + D2Jpt + D3Luwu + D4Luwut + eit \quad \ldots\ldots(1)$$

KMSSulsel	=	total number of poor people (pangkep, jeneponto, luwu, north luwu, and enrekang in thousands)
β0	=	intersection
β1, β2,β3	=	regression coefficient of independent variables
D1-D4	=	dummy variable regression coefficients
PP	=	government expenditure on education (billion rupiah)
PK	=	government expenditure on health (billion rupiah)
UMK	=	county minimum wage (rupiah)
Pkp	=	1 for pangkep regency, 0 for others
Jpt	=	1 for jeneponto regency, 0 for others
Luwu	=	1 for luwu regency, 0 for others
Luwut	=	1 for north luwu regency, 0 for others
e	=	error
i	=	cross-section
t	=	time-series

3.4 Theoretical Framework

Hypothesis testing in this study involves both the F-test (simultaneous) and the t-test (partial). The F-test assesses the combined influence of all independent variables (government spending on health, education, and the minimum wage) on poverty. The null hypothesis (H0) proposes that these factors have no influence on poverty, while the alternative hypothesis (H1) proposes the opposite. The decision rule is to reject H0 (and accept H1), indicating a significant overall effect, if the calculated F-value exceeds the F-table value. Otherwise, H0is accepted, suggesting no significant influence. A 5% significance level is used for this test. Following this, the t-test (partial) is performed to evaluate the individual influence of each variable government expenditure on education (PP), health spending (PK), and the minimum wage on poverty. This test involves comparing the calculated t-value against the critical t-table value at the 5% level of significance. Specifically, if the calculated t-value exceeds the critical value, the null hypothesis (H0) is rejected, signifying a statistically significant influence. Conversely, if the t-value is less than or equal to the critical value, H0 is accepted, indicating the absence of a significant influence.

To assess the goodness of fit, the Coefficient of Determination (R2) is employed. This statistic measures the extent to which the model successfully accounts for the variation observed in the dependent variable. Since the R2 ranges from zero to unity, an increase in its value directly indicates a greater influence and explanatory capability of the independent variables. However, R^2 has a limitation: its value tends to increase simply as more independent variables are added, even if those variables are not statistically significant. To overcome this weakness, Adjusted R^2 is used, which has been adjusted for the number of samples and variables. Adjusted R^2 provides a more accurate picture of the contribution of independent variables to the regression model.

4 Result and Discussion

4.1 Research Results

Table 2: Estimation results of factors affecting poverty in south Sulawesi

Variable	TH	β	Std. Error	$t_{statistic}$	t_{table}	Prob.	VIF
PP	+	1.41E-13^{ns}	1.27E-1	0.110	2.012	0.912	2.066
PK	-	-2.15E-12^{ns}	3.14E-1	-0.684	2.012	0.497	5.550
Minimum Wage	-	-1.48E-06	3.63E-0	-4.060	2.012	0.000	4.385
Dummy Pangkep		2.245	0.356	6.300		0.000	2.963
Dummy Jeneponto		1.883	0.361	5.207		0.000	3.051
Dummy Luwu		0.435^{ns}	0.314	1.382		0.174	2.312
Dummy Luwu Utara		0.818	0.293	0.293		0.007	2.005
Konstanta							1.721
Adjusted R-squared							0.774
F hitung							24.495
F tabel							2,802
Prob(F-statistic)							0.000
Prob. Chi-Square (2)							0.087
N							50

The Least Squares Dummy Variable model specification, determined by the estimation outcomes in Table 2, is expressed in a linear form as follows:

$$\mathrm{KMSSulSel} = 1.7212 + 1.41X1it - 2.15X2it - 1.48X3it + 2.2456Pkp + 1.8833Jpt + 0.4354Luwu + 0.8185Luwut + eit \ldots\ldots(2)$$

From the above equation, the constant value (1.7212) is obtained as the intercept or constant in the model. This constant value indicates that if all independent variables are zero and there is no regional difference, the poverty rate can be estimated at 1.72%. Independent Variable Coefficients: Coefficient X1 (1.41E-13): A coefficient value of 1.41 for government spending on education indicates that, assuming other variables remain constant, a one per cent increase in such spending will raise the poverty rate by 1.41%. Coefficient X2 (-2.15E-12): A coefficient value of -2.15 for government spending on health indicates that, assuming other variables remain constant, a one per cent increase in such spending will reduce the poverty rate by 2.15%. Coefficient X3 (-1.48E-06): A coefficient value of -1.48 for the minimum wage indicates that, assuming other variables remain constant, a one per cent increase in the minimum wage will cause a 1.48% decrease in the poverty rate.

Dummy Variable Coefficients, Pangkep (2.2456): This indicates that Pangkep has a significantly higher poverty rate than Enrekang. This difference is mainly due to an economic structure that is heavily concentrated in capital-intensive industries (cement) and large-scale fishing, which is also characterised by a high district minimum wage (UMK). These characteristics create a sharp income gap. Although the formal sector is strong, the high cost of living due to industrialisation and geographical proximity to the city of Makassar has failed to lift the informal sector, resulting in persistently high average poverty levels, Jeneponto (1.883): This indicates that the poverty rate

in Jeneponto Regency is significantly higher than in Enrekang. This area is characterised by its dependence on the agricultural and livestock sectors, but often faces more severe infrastructure and geographical challenges. This difference highlights acute structural vulnerability. Poverty in Jeneponto is not only a matter of income, but also poor access to markets and public services, placing households at greater risk of economic shocks than the relatively stable economy of Enrekang, Luwu (0.4354): Statistically, there is no significant difference in poverty levels between Luwu and Enrekang because both regions share characteristics as areas with a strong agrarian economic base and natural resource potential. The absence of significant differences implies that policy transmission mechanisms, such as government spending or minimum wages, work in a similar pattern in both regions. Poverty in Luwu has a pattern and level comparable to poverty in the control area of Enrekang, and North Luwu (3.3193): This indicates a significantly higher poverty rate compared to Enrekang. Economically, North Luwu is far from the centre of growth and is often prone to disasters. The dominant characteristic is non-economic risk. Poverty is driven by environmental vulnerability factors. Natural disasters such as recurring floods damage the physical assets and productive capital of the community, disrupting livelihood stability and thwarting poverty alleviation efforts, something that Enrekang has not experienced to the same extent.

The regression analysis summarized in Table 2 shows that several variables significantly affect poverty. Specifically, Education Sector Expenditure is stated to have no significant effect on poverty in South Sulawesi because of its probability value (0.2233), as well as Health Sector Expenditure is not significant (Prob. 0.4973), and Minimum Wage has a negative and significant effect (Prob. 0.0079) smaller than $\alpha = 0.05$. The dummy variables for several regional sub-districts, such as Pangkep, Jeneponto, and North Luwu, also show a very significant effect with probability values of 0.0000 (for Pangkep and Jeneponto) and 0.0079 (for North Luwu), while Luwu (0.1742) did not show a significant difference in poverty levels in these regions compared to the reference variable.

In addition, this regression model is generally very good at explaining the variation in the poverty variable. The model exhibits a high degree of explanatory power, confirmed by an Adjusted R-squared value of 0.774083. This statistic indicates that approximately 77.40% of the observed variation in poverty is accounted for by the independent variables within the regression model. The large F-value (24.49531) and the extremely small Prob(F-statistic) (0.000000) strongly confirm that the overall regression model is statistically significant for predicting poverty levels. Furthermore, the model is validated by the classical assumption tests: the multicollinearity test shows no issues, as every variable's VIF value is less than 10, and the autocorrelation test also shows no problems, as the Prob. Chi-Square (2) value (0.0879) exceeds the 0.05 threshold.

4.2 Discussion

The Impact of Government Expenditure on the Education Sector on Poverty in Five Districts in South Sulawesi Province

Based on the estimation results in Table 2, the Prob. value for government spending in the education sector is 0.9123 > 0.05, which indicates that government spending in the education sector does not have a significant effect on poverty. In this study, government spending in the education sector did not have a significant effect because the average number of poor people in 2020 increased by 61.870, while the average average government expenditure in the education sector in 2020 decreased by Rp357.294.145 from Rp385.392.552 in 2019 because government expenditure in the education sector was allocated to the health sector to finance communities affected by COVID-19. Furthermore, the distribution of the education budget is not yet evenly distributed across regions, as can be seen in the average government expenditure in the education sector in Pangkep Regency, which is Rp400.103.131, compared to North Luwu Regency, which

is Rp291.487.040. This difference shows that there is an uneven distribution of the budget between regions, which has implications for differences in the quality of education services between regions. This condition explains why education expenditure does not have a significant effect on poverty reduction, as its benefits are not felt evenly across all regions.

One theory relevant to explaining the relationship between government spending on education and poverty is the human capital theory, which views education and training as investments in individuals to improve their knowledge, skills, and competencies. Investment in human capital is believed to generate returns in the future in the form of increased productivity, higher incomes, and better quality of life for individuals. A person with a higher level of education will have greater access to jobs with more adequate salaries and better economic stability. However, the findings of this study are not in line with this theory because this study shows that the context of the five districts in South Sulawesi has no significant relationship with poverty.

This study's finding, which shows that government expenditure on education does not significantly impact poverty, is consistent with the results presented by (Lubis et al., 2024). Consequently, despite the theoretical expectation that high educational spending should aid poverty alleviation, the evidence suggests that this policy instrument is not always effective in achieving its intended outcome.

The Impact of Government Expenditure on the Health Sector on Poverty in Five Districts in South Sulawesi Province

Based on the estimation results in Table 2, the government expenditure variable in the health sector has a negative coefficient with a probability value of 0.4973 > 0.05, which means it has a negative but insignificant effect on the poverty rate in South Sulawesi Province. The negative direction indicates that an increase in health expenditure tends to reduce poverty levels, but because it is not statistically significant, it can be concluded that the effect is not strong enough to have a real impact on poverty reduction.

Empirical phenomena in South Sulawesi often show that health sector budget allocations, although large in nominal terms, suffer from structural misallocation. Funds tend to be absorbed by capital expenditure that has no direct impact, such as physical development that is not integrated with the needs of the poor, or focused on curative expenditure in urban centres, while access to and quality of primary services in isolated areas inhabited by poor populations remain stagnant. This failure results in high out-of-pocket health expenditure for poor households, thereby weakening the role of government health spending as a financial safety net and preventing it from breaking the cycle of poverty caused by disease.

The empirical results are consistent with the findings of research conducted by Hidayat & Azhar (2022), which concluded that although health sector expenditure has a negative trend, it is not statistically significant in reducing poverty in Indonesia. The similarity of these findings, namely that health sector expenditure is insignificant, shows that the failure to convert the health budget into measurable poverty reduction is not merely a local problem in South Sulawesi, but a structural problem and inefficiency in allocation at the national level. The consistency of these findings also reinforces the argument that in South Sulawesi, poverty is more influenced by structural factors and significant minimum wage interventions, so that the effectiveness of health sector spending requires fundamental improvements in budget distribution and oversight mechanisms in order to have a real and sustainable impact on improving human capital among the poorest groups.

In theory, findings that government spending on health is not significant in reducing poverty contradict the fundamental principles of social needs theory. This theoretical perspective defines

health as a holistic condition, extending beyond mere freedom from illness to encompass a state of complete physical, mental, and social well-being that is a basic right and an absolute prerequisite for every individual to participate and achieve optimal social and economic productivity. Communities living below the poverty line inherently have limited access to adequate health services, causing their health status to deteriorate and directly reducing their human capital, locking them in a cycle of poverty. Therefore, the failure of government spending in the health sector to show a significant impact indicates a systemic failure to meet these basic social needs, implying that budget allocation has not been effective as an important instrument for combating poverty through the expansion of access to preventive and curative services.

The Impact of the Minimum Wage on Poverty in Five Districts in South Sulawesi Province

The results of the estimation in Table 2, with a probability value of 0.0079 < 0.05, conclude that the minimum wage has a negative and significant effect on poverty. This negative effect means that a 1% increase in the minimum wage will reduce the poverty rate by 0.0061%. This finding is supported by data trends, where the average minimum wage in the sample area has jumped from 2 million rupiah (2015) to 3.4 million rupiah (2024). In essence, this underlines the role of the minimum wage in increasing the purchasing power and income of low-wage workers, which ultimately effectively reduces poverty rates.

The phenomenon in the field shows that the increase in the minimum wage in South Sulawesi plays an important role in improving workers' welfare and reducing poverty rates. In 2024, the South Sulawesi government implemented a minimum wage of Rp3.434.298, up from Rp3.165.876 in 2022. This increase can have a direct impact on formal workers, especially factory, service and trade workers, whose incomes have increased, enabling them to better meet basic household needs such as food, rent, transportation and children's education costs.

This increase is in line with the national policy of adjusting the UMP/UMK annually without any nominal decrease. It is an increase driven by a strict minimum wage policy. Increases at the beginning of the 2015–2019 period were based on a formula that took into account the Decent Living Needs (KHL), inflation, and economic growth, ensuring that wage increases were in line with rising living costs and economic progress. Despite being hit by the COVID-19 pandemic in 2020 and 2021, the government continued to implement policies to maintain workers' purchasing power, which, although resulting in a relatively small increase, succeeded in preventing a nominal decline in wages. The increase in the late 2022–2024 period was then formulated based on a new Government Regulation (PP), which explicitly regulates the increase formula by taking into account inflation and economic growth as an income protection policy to guarantee the certainty of an annual minimum wage increase. On the other hand, the labour demonstrations held in November 2023 to demand an increase in the UMK in Makassar show that the minimum wage is still an issue because it greatly affects workers' purchasing power. This fact shows that even though there are still demands for a larger increase, the minimum wage policy remains a real instrument that can help increase the income of low-income communities and reduce poverty rates in South Sulawesi.

In theory, this is also linked to the role of compensation in driving labour productivity. As highlighted in studies of the manufacturing sector, the provision of adequate compensation (including wages) is directly correlated with worker productivity, which ultimately contributes to household economic stability and poverty alleviation (Nurhasan, 2016). The outcomes observed here are similar to those found in the study by Oktaviana et al. (2021), found that the district minimum wage had a partially negative and significant effect on poverty in Madiun District between 2002 and 2019. This explains that the minimum wage plays a role in reducing poverty, because the minimum wage can increase workers' income, especially for those in the poor

category. With increased income, the community's opportunities to meet their basic needs also increase, so that their welfare can be better guaranteed.

5 Conclusion and Suggestion

5.1 Conclusion

This study concludes that collectively, government interventions through Expenditure in the Education Sector, Health Sector, and Minimum Wage (UM) play a significant role in explaining the variation in poverty levels across the five highest-poverty districts in South Sulawesi Province, with the model accounting for 77.4% of the poverty change. However, the most crucial finding is that only the Minimum Wage proved to have a negative and significant influence on poverty reduction. This indicates that increasing community purchasing power through adequate minimum wage policy is the most effective and direct fiscal tool in poverty alleviation efforts within the researched areas. Conversely, while Government Expenditure in the Education and Health Sectors are essential public expenditures, they have not shown a statistically significant partial impact on reducing poverty. Therefore, a reorientation and efficiency improvement in public spending in the education and health sectors are needed to ensure that the fund allocation delivers tangible results in the short and medium term, thereby focusing not only on capability enhancement (Education and Health) but also on simultaneous fundamental economic welfare improvement (Minimum Wage).

5.2 Suggestion

For the Government: Local governments are advised to not only increase budget allocations, but also revolutionize the way the budget is implemented. Strict and transparent evaluation is needed to ensure that the allocated funds actually reach those in need and create sustainable change. The goal is for investments in education, health, and community welfare to not only be reported, but also become success stories for every family. For Future Researchers: The present study is expected to initiate more extensive investigation into. Future researchers are encouraged to not only use descriptive data, but also perform robust quantitative analyses, such as hypothesis testing and coefficient of determination calculations, to uncover hidden correlations. Thus, future research can provide more incisive recommendations and become a catalyst for real social change. References that are citations from the literature are marked with the last name/family of the author. For statements with references made at the beginning of the sentence, they are made in the following manner:

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