

***IMPACT ECONOMIC GROWTH, HUMAN CAPITAL, EMPLOYMENT RATE ON
POVERTY IN INDONESIA***

**PENGARUH PERTUMBUHAN EKONOMI, MODAL MANUSIA, DAN TINGKAT
KETENAGAKERJAAN TERHADAP KEMISKINAN DI INDONESIA**

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ABSTRACT

This study aims to examine the impact of economic growth, human capital, and employment levels on poverty in Indonesia during the period (2014-2023) to evaluate the Indonesian government led by President Joko Widodo over the past 10 years. The testing of the research variables uses Time series regression with Eviews 10. It was found that GDP has a positive but insignificant impact on poverty, Human Capital has a negative and significant impact on poverty, and the employment rate has a negative but insignificant impact on poverty. The results of the study show that human capital plays an important role in reducing poverty in Indonesia.

Keywords: Poverty; Economic Growth; Human Capital; Employment Rate; Government Policy.

ABSTRAK

Penelitian ini bertujuan untuk menganalisis dampak pertumbuhan ekonomi, modal manusia, dan tingkat pengangguran terhadap kemiskinan di Indonesia selama periode (2014-2023) guna mengevaluasi kinerja pemerintah Indonesia di bawah kepemimpinan Presiden Joko Widodo selama 10 tahun terakhir. Pengujian variabel penelitian menggunakan regresi time series dengan Eviews 10. Ditemukan bahwa PDB memiliki dampak positif namun tidak signifikan terhadap kemiskinan, modal manusia memiliki dampak negatif dan signifikan terhadap kemiskinan, dan tingkat pengangguran memiliki dampak negatif namun tidak signifikan terhadap kemiskinan. Hasil penelitian menunjukkan bahwa modal manusia memainkan peran penting dalam mengurangi kemiskinan di Indonesia.

Kata Kunci: Kemiskinan, Pertumbuhan Ekonomi, Modal Manusia, Tingkat Pengangguran, Kebijakan Pemerintah.

INTRODUCTION

Poverty remains a major global challenge despite many countries experiencing significant economic growth in recent decades. In developing countries, including Indonesia, development policies have focused on economic growth as the primary strategy to reduce poverty. However, empirical evidence shows that economic growth does not always automatically contribute to poverty reduction, especially when income inequality and unemployment remain high (Bourguignon, 2004; Dollar et al., 2021).

However, the effectiveness of economic growth in reducing poverty still depends heavily on economic structure, income distribution, access to

human capital, and employment opportunities (Bourguignon, 2004; Cerra et al., 2021). Marrero & Serven (2018) also show that poverty itself can hinder growth, with a 10 percentage point reduction in poverty accompanied by per capita growth of 0.5%–1.2%. Ochi (2023) threshold panel study on Sub-Saharan Africa concluded that economic growth is only effective in reducing extreme poverty if the Gini coefficient is below a certain threshold (35–45); above that, the impact is insignificant. On the other hand, an IMF meta-analysis by Cerra, et.al. (2021) found that growth can indeed reduce poverty, but the variability of its effects depends heavily on the sources of growth and government policies. Chhibber and Nayyar (2008)

show that ‘growth elasticity’ varies across countries; countries with inclusive financial systems, pro-poor policies, and high literacy rates tend to experience greater poverty reduction from economic growth.

A study by Fields & Bagg (2003) in Asian and Latin American countries shows that economic growth that creates quality jobs has successfully reduced poverty rates through increases in real wages and shifts in the structure of employment toward productive sectors. However, cross-country research also reveals the phenomenon of jobless growth, where GDP growth is not accompanied by job creation. Fofana et al. (2023) found that the elasticity of employment with respect to GDP is very low in developing countries (around 0.11–0.15) compared to developed countries (0.43–0.48), thereby limiting the poverty-reduction effect. In Europe, a longitudinal study based on EU-SILC by Hallerod, et. al. (2015) shows that even if someone works full-time, the risk of poverty remains, especially in unstable or informal jobs. Stable jobs (core employment) have a very low risk of poverty.

Human capital, especially through education and health, is believed to play a crucial role in strengthening individuals' ability to break free from the cycle of poverty. Research by Sultan and Waheed (2013) and Khan and Chaudhry (2021) shows that increasing human capital significantly accelerates growth and reduces poverty rates, particularly in low- and middle-income countries. In addition, the quality and quantity of job opportunities also serve as important determinants in linking growth with the welfare of marginalized communities. Studies by Sehnbruch (2024) and Vaalavuo & Sirniö (2022) confirm that the employment rate and job quality play critical roles in bridging economic

growth and the reduction of multidimensional poverty. Increases in human capital (education) strengthen the impact of growth on poverty reduction (Attanasio, et.al., 2017). Education, work experience, labor migration, and health significantly reduce household vulnerability to relative poverty, particularly in eastern regions (Su & Guo, 2022). Students cognitive scores have a strong correlation with long-term poverty alleviation (Hanushek & Woessmann, 2012). A fixed effects panel study in 30 European countries (EU SILC 2010–2017) found that obtaining a job increases the chances of exiting poverty by about 30–33%, with part-time or temporary jobs being less effective. Higher education strengthens this positive effect (Jianu, 2020).

One of the main determinants often mentioned in poverty alleviation literature is the labor force participation rate or employment rate. However, the relationship between increased job opportunities and reduced poverty is not always linear or automatic—it depends on the quality of jobs, wages, and the connectivity between the formal and informal sectors (Sehnbruch, 2024; Struffolino & van Winkle, 2023). Various studies indicate that an increase in the employment rate can positively impact poverty reduction by strengthening the purchasing power of poor households and enhancing economic mobility (Vaalavuo & Sirniö, 2022; Hallerod et al., 2015). However, this effect heavily relies on the quality and sustainability of available jobs. In many developing countries, the proportion of informal workers remains high, meaning that a high employment rate does not necessarily lead to an improvement in welfare.

Although literature has shown the relationship between economic growth, human capital, and employment with

poverty, most previous studies still focus on the partial relationship of only two variables, such as between GDP and poverty or between human capital and growth. Studies that integrate all three determinants simultaneously and examine their impact on poverty are relatively limited, especially in the context of developing countries like Indonesia in the post-pandemic period (2014–2023).

LITERATURE REVIEW

Classical and Neoclassical Economic Growth Theory, which argues that increased output and capital accumulation will reduce poverty (Solow, 1956). The modified Solow model incorporates human capital (H) as a crucial factor in production: $Y = K^\alpha H^\beta (AL)^{1-\alpha-\beta}$, where human capital accumulation increases output and sustainable growth. The Capability Approach by Amartya Sen (1999) emphasizes that human development is not just about income, but about increasing capacity and opportunities for a dignified life. Human capital (education & health) expands the ‘capabilities’ of the population, which contributes directly to the eradication of structural poverty. The Growth Elasticity of Poverty (GEP) theory states that every 1% increase in per capita income can reduce the poverty rate by 1.5%–5%, depending on the initial income distribution structure of a country (Ravallion & Chen, 1997; Balasubramanian et al., 2023). However, the effectiveness of growth in reducing poverty is greatly influenced by the capacity of human capital and an inclusive labor market (Sen, 1999; Baldacci et al., 2008). Economic growth is indeed effective in reducing multidimensional poverty, but its effects are limited to a smaller impact range compared to income-based poverty

(Balasubramanian, et.al., 2023). The importance of the quality and intensity of work in modern poverty theory: it is not just about the employment rate, but the type of job and duration have a substantial impact on individual poverty. The quality of work, including income, job stability, and working conditions, are critical dimensions in analyzing multidimensional poverty, which are often overlooked if the focus is solely on employment levels or low wages (Sehnbruch, et.al., 2024). Policy focus should not only be on creating jobs, but also on improving vulnerable groups' access to long-term and quality employment (Vaalavuo & Sirnio, 2022).

Within the framework of Structural Theory, poverty is understood as a result of imbalanced social and economic structures, including an unfair labor market, unequal access to work, and job segregation based on social class, region, or gender. The employment rate serves as a direct reflection of how social structures provide or limit access to decent and productive jobs. Thus, a low employment rate or high informal employment reflects structural inequalities in the distribution of economic opportunities, which in turn causes or perpetuates poverty. In other words, the relationship between employment and poverty is not merely a statistical relationship, but a reflection of systemic social and economic exclusion that is at the core of structural grand theory (Bradshaw, 2007). Human capital improvement related to GDP acceleration, poverty alleviation policies must emphasize investment in quality education and health as well as inclusive benefit distribution. Social protection needs to be optimized to more effectively support human capital (Jerry, et.al., 2025). Temporary jobs reduce the risk of poverty compared to being unemployed or not working. However, temporary

status is riskier compared to permanent jobs: temporary workers tend to remain in poverty longer than their permanent counterparts (Mussida & Sciulli, 2024).

Poverty hinders investment because the poor do not save, thus reducing capital accumulation; this effect is stronger in countries with low investment levels or underdeveloped financial sectors (Lopez & Serven, 2009). The Growth Inequality Poverty Triangle explains that poverty reduction depends not only on economic growth, but also on income distribution. The effectiveness of growth in reducing poverty is determined by the level of inequality and income redistribution (Bourguignon, 2004). Economic growth is often considered the main engine of poverty reduction through job creation and increased community income. Dollar, et.al. (2016) conducted a study using a cross-sectional panel of approximately 118 countries over a four-decade period (approximately 1970–2010), covering both developed and developing countries. The findings of the study are that the income of the poor, in aggregate, tends to rise in line with average growth, as indicated by the initial pooled regression results: the elasticity is close to 1. Economic growth is still considered the main mechanism for poverty alleviation, but its level of inclusiveness varies greatly between countries.

Anand, Mishra & Peiris (2013) conducted research using panel regression with a fixed effect model, incorporating determining variables such as: share of labor in agriculture, unemployment rate, fiscal redistribution (difference between market and net Gini), inflation, GDP volatility, productivity, and trade openness. The study found that the unemployment rate has a negative and significant impact on the inclusive growth proxy, with high dependence on agriculture indicating fragility in the

inclusivity of growth. Additionally, the study found that macroeconomic instability reduces the redistributive aspects of growth, while trade openness and increased productive efficiency support more inclusive growth. Fiscal redistribution (the difference in Gini before and after taxes/transfers) has a positive impact, indicating that redistribution enhances the inclusiveness of growth. The theoretical implications of the research findings are that human capital or institutional structure do not appear directly, but variables such as productivity, redistribution, and macroeconomic stability are considered the foundation for achieving pro-poor growth.

Ravallion & Chen (2007) conducted research using provincial panels in China during 1980–2001. The study found that the incidence of extreme poverty declined dramatically in China during 1980–2001, but the decline was uneven in terms of time and region; rural areas contributed more to the decline than urban areas. Economic growth in the agricultural sector had a greater impact on national poverty reduction than the industrial or service sectors. Provinces with high inequality showed slow poverty reduction due to two factors: low growth rates and low growth elasticity with respect to poverty reduction. Taxes on farmers and real inflation contributed to slowing poverty reduction, while migration to cities had a marginal positive effect. In the context of China from the 1980s to the early 2000s, international trade did not have a significant impact on short-term poverty reduction.

Fosu (2017) conducted research using household survey data and PovcalNet from the World Bank for more than 120 developing countries from the early to mid-1990s to 2021. The study found that the average global GEP

value for income-based poverty was around -2.0 , while for GDP per capita growth it was higher, at -2.8 . This means that a 1% increase in GDP per capita reduces the poverty rate by around 2.8%. In Sub-Saharan Africa (SSA), the GEP is much lower at around -1.3 , indicating that economic growth in this region is less effective in reducing poverty compared to other developing countries. Countries with high initial inequality experience much slower poverty reduction despite sustained economic growth; distribution conditions play a crucial role in the effectiveness of growth. GDP growth does not fully trickle down to the bottom 20% income group in SSA, unlike the pattern observed in other countries outside Africa. Factors such as the quality of basic public services (e.g., primary education and sanitation), political/social stability, and economic structure (e.g., the contribution of the agricultural sector versus the industrial sector) strengthen the transmission of growth into improved welfare for the population and a reduction in the poverty rate.

Alkire, et.al. (2017) conducted research in 34 developing countries using two internationally comparable Demographic and Health Survey (DHS) datasets, covering 338 subnational regions and 2.5 billion people in aggregate. The study found that out of the 34 countries, 30 showed a significant decline in the MPI; the effect of extreme poverty (destitution) also decreased significantly in most countries. In some countries (e.g., Benin vs. Kenya), poverty reduction was uneven across ethnic groups: the Ethiopian and Peulh populations in Benin remained relatively stagnant, while the Somali population in Kenya experienced a faster decline in the MPI than the national average. Relative poverty reduction is believed to have

been faster in urban areas than in rural areas globally, although in SSA the rural decline rate was slightly higher (1.3 vs. 1.4 points per year). In more than half of SSA countries, multidimensional poverty declined faster than income poverty. Although countries like Ghana and Mozambique grew at similar GNI rates, Ghana managed to reduce MPI twice as fast. Countries like Ethiopia and Cameroon show that high growth does not always lead to proportional MPI reduction.

Fields (2012) conducted research using a systematic literature review and global data analysis (ILO, World Bank) on working conditions in developing countries. The study found that there are more poor people who are working poor (workers with very low incomes) than there are unemployed people. Approximately 900 million workers are employed but earn less than US\$2 per day. Despite long working hours, average hourly compensation is low. Many workers in the informal sector or agriculture lack social welfare or workplace safety. Poverty alleviation is not merely about economic growth or reducing unemployment rates, but rather transforming the structure of work so that workers' incomes increase significantly.

Hallerod, et. al. (2015) conducted a study using longitudinal data from the EU SILC (European Union Statistics on Income and Living Conditions) from 22 European countries, with observations over 36 months (3 years) per individual. The study found that high risks of working poverty occur among workers who move in and out of jobs or work as marginal self-employed individuals, not among low-wage hourly workers. "Marginal" and "temporary" part-time or self-employed workers have the highest risk of working poverty. Although the size of the population in

each LMT varies between countries, the effects of LMT risk are similar across Europe; there are no significant differences between developed countries or different welfare regimes. Low education, the number of children in the household, and low-quality (non-standard) jobs increase the likelihood of someone experiencing persistent working poverty.

Struffolino & van Winkle (2023) conducted a study using longitudinal data from the National Longitudinal Survey of Youth 1979 (NLSY79) in the US, following a cohort of individuals born between 1957 and 1964. The study found that the risk of in-work poverty was around 20% throughout the working life of the sample. This risk decreases with age for men but increases for women. Major life transitions such as leaving the parental home, becoming a parent, and divorce significantly increase the risk of working poverty. Conversely, marriage provides protection against this risk. These effects vary by age and gender, indicating that family demographic transitions have a greater influence than traditional stratification factors such as education.

METHOD

This research uses data from the Central Statistics Agency of the Government of Indonesia with purposive sampling over the last 10 years from 2014-2023 with the following variables: Economic Growth (EG), Human Capital (HC), and Employment Rate (ER) as independent variables, and POV (POV) as the dependent variable. This research

is based on secondary data from the annual reports of the Central Statistics Agency for the relevant years, aimed at understanding the success level of the Indonesian government during two terms of administration in addressing poverty through Economic Growth, Human Capital, and Employment Rate. Research data is processed through data conversion using logarithmic functions to process data at the same level. Time series regression is chosen in this study to achieve the research objectives. This research consists of several variables that can be defined in Table 1. This research uses regression equations (Equation 1) to conduct time series regression testing.

$$POV_t = \beta_0 - \beta_1 \cdot EG_t - \beta_2 \cdot HC_t - \beta_3 \cdot ER_t + \varepsilon_t \quad (1)$$

Where:

Y_t = Poverty (Y-on-Y, percent)

X_1 = Gross Domestic Product growth (Y-on-Y, percent)

X_2 = Human Capital (Y-on-Y, Index)

X_3 = Employment Rate (Y-on-Y, percent)

ε_t = Error term (disturbance)

Hypothesis:

H1: Economic growth has a significant negative effect on poverty levels in Indonesia.

H2: Human Capital has a significant negative effect on poverty levels in Indonesia.

H3: The employment rate has a significant negative effect on poverty levels in Indonesia.

RESULT AND DISCUSSION

Table 1. Descriptive Statistics of Poverty, GDP, Human Capital, Employment Rate

	Y	X ₁	X ₂	X ₃
Mean	0.27447	0.04694	71.423	0.94128
Maximum	0.97800	0.05310	74.390	0.94720
Minimum	0.9360	0.02700	68.900	0.92930
Std. Dev.	0.36119982	0.00829447	1.642004534	0.005710964

Sources: The calculation results are based on the output from the EVIEWS10 software.

The results of the descriptive statistics from the variables in Table 1 above are the main analysis. The average poverty rate of 27.447% from 2013 to 2023 is categorized as high. The average economic growth of Indonesia is 4.694% during 2014–2023, which is categorized as Medium or Moderate. The average human capital of Indonesia from 2013–2014 with an index of 71.423 is categorized as Medium. The average employment rate in Indonesia from 2014

to 2023 is 0.94128, which falls into the Very High category.

The scientific principles applicable in research must be applied to obtain results regarding the influence of Gross Domestic Product, Human Capital, and Employment Rate on Poverty. The first step that should be taken is a diagnostic test through classical assumption testing to ensure that the data is unbiased, known as BLUE (Best Linear Unbiased Estimator).

Heteroskedasticity Test: Breusch-Pagan-Godfrey				
F-statistic	3.840584	Prob. F(3,6)	0.0756	
Obs*R-squared	6.575685	Prob. Chi-Square(3)	0.0867	
Scaled explained SS	0.636793	Prob. Chi-Square(3)	0.8880	
Test Equation:				
Dependent Variable: RESID^2				
Method: Least Squares				
Date: 07/28/25 Time: 00:06				
Sample: 2014 2023				
Included observations: 10				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.000822	0.000359	-2.286420	0.0622
GDP	-8.91E-05	0.000151	-0.590668	0.5763
HUMAN_CAPITAL	1.48E-07	7.55E-07	0.195947	0.8511
EMPLOYMENT_RATE	0.000873	0.000403	2.164490	0.0736
R-squared	0.657568	Mean dependent var	6.28E-06	
Adjusted R-squared	0.486353	S.D. dependent var	4.86E-06	
S.E. of regression	3.48E-06	Akaike info criterion	-22.00993	
Sum squared resid	7.27E-11	Schwarz criterion	-21.88890	
Log likelihood	114.0497	Hannan-Quinn criter.	-22.14271	
F-statistic	3.840584	Durbin-Watson stat	3.099038	
Prob(F-statistic)	0.075648			

Figure 1. Heteroskedasticity Test

Sources: The calculation results are based on the output from the EVIEWS10 software.

Heteroskedasticity testing using the Breusch-Pagan-Godfrey method as shown in Figure 1 with a Prob. Chi-Square (3) of 0.0756. The results of the

heteroskedasticity test in this research model are considered good because Prob. > 0.05, which can be interpreted that there is no heteroskedasticity.

Breusch-Godfrey Serial Correlation LM Test:				
F-statistic	1.171636	Prob. F(2,4)	0.3976	
Obs*R-squared	3.694107	Prob. Chi-Square(2)	0.1577	
Test Equation:				
Dependent Variable: RESID				
Method: Least Squares				
Date: 07/28/25 Time: 00:08				
Sample: 2014 2023				
Included observations: 10				
Presample missing value lagged residuals set to zero.				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.530512	0.487510	-1.088207	0.3377
GDP	-0.099972	0.151258	-0.660939	0.5448
HUMAN_CAPITAL	-0.000301	0.000760	-0.395666	0.7125
EMPLOYMENT_RATE	0.591115	0.548234	1.079216	0.3416
RESID(-1)	-0.097217	0.550837	-0.176490	0.8685
RESID(-2)	-1.180418	0.776023	-1.521113	0.2029
R-squared	0.369411	Mean dependent var	1.00E-16	
Adjusted R-squared	-0.418826	S.D. dependent var	0.002642	
S.E. of regression	0.003147	Akaike info criterion	-8.401341	
Sum squared resid	3.96E-05	Schwarz criterion	-8.219790	
Log likelihood	48.00671	Hannan-Quinn criter.	-8.600502	
F-statistic	0.468654	Durbin-Watson stat	2.463726	
Prob(F-statistic)	0.786303			

Figure 2. Autocorrelation Test

Sources: The calculation results are based on the output from the EVIEWS10 software.

Heteroskedasticity testing using the Breusch-Godfrey Serial Correlation LM method as shown in Figure 2 with a Prob. Chi-Square (2.4) of 0.0976. The

results of the Autocorrelation Test indicate that the model does not have an issue with Autocorrelation because Prob.F > 5%.

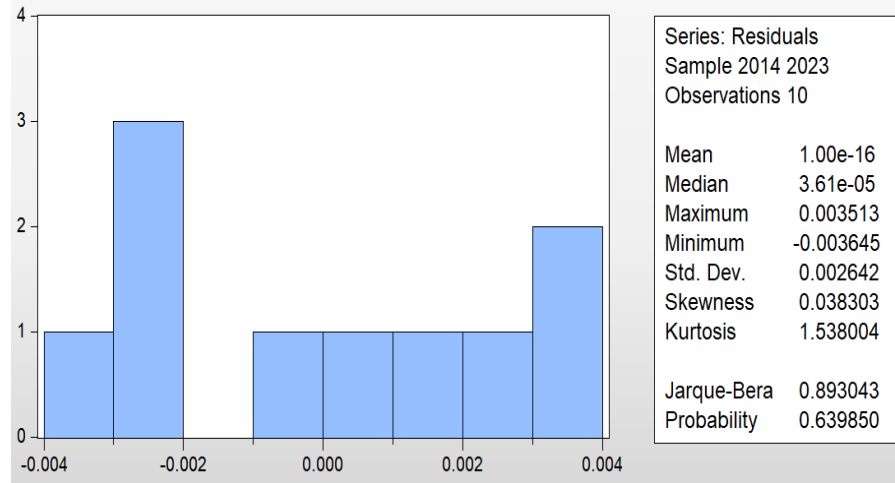


Figure 3. Normality Test

Sources: The calculation results are based on the output from the EVIEWS10 software.

The normality test of the data was conducted using Jarque-Bera as shown in Figure 3 with a Jarque-Bera value of 0.893043 and a probability of 0.639850. The results of the normality test indicate

that the research model is categorized as good because the probability > 5%. Figure 4 shows the model fit determined from the regression analysis technique.

Dependent Variable: POVERTY
Method: Least Squares
Date: 07/27/25 Time: 23:57
Sample: 2014 2023
Included observations: 10

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.905345	0.334135	2.709516	0.0351
GDP	0.221439	0.140228	1.579133	0.1654
HUMAN_CAPITAL	-0.003318	0.000702	-4.725384	0.0032
EMPLOYMENT_RATE	-0.612415	0.374828	-1.633856	0.1534
R-squared	0.853693	Mean dependent var		0.101760
Adjusted R-squared	0.780539	S.D. dependent var		0.006906
S.E. of regression	0.003235	Akaike info criterion		-8.340241
Sum squared resid	6.28E-05	Schwarz criterion		-8.219207
Log likelihood	45.70120	Hannan-Quinn criter.		-8.473015
F-statistic	11.66988	Durbin-Watson stat		1.685136
Prob(F-statistic)	0.006463			

Figure 4. Regression Result

Sources: The calculation results are based on the output from the EVIEWS10 software

The following is the mathematical formula that represents the linear relationship between Poverty

(POV), Gross Domestic Product (GDP), Human Capital (HC), and the Employment Rate (ER) (Eq.2):

$$\text{POV} = 0.905345 + X_1 (0.221439) - X_2 (0.003318) - X_3 (0.612415) + e_i \quad (2)$$

The results of the regression test on the variables studied show that not all variables have a statistically significant impact. Table 5 shows the regression results as follows: Economic Growth (EG) has a positive but insignificant impact on poverty (POV) with a probability value of $0.1654 > 5\%$ meaning H1 is rejected. Human Capital (HC) has a negative and significant impact on poverty (POV) with a probability value of $0.0032 < 5\%$ meaning H2 is accepted. Employment Rate (ER) has a negative but insignificant impact on poverty (POV) with a probability value of $0.1534 > 5\%$ meaning H3 is rejected.

Discussion

The economic growth of Indonesia has mainly been enjoyed by the upper middle class or economic elites, while the poor do not receive proportional benefits. The World Bank (2020) mentions that Indonesia has experienced strong growth, but the inclusivity of this growth is still limited. Many new jobs created are in the informal sector with low wages and no social protection. The Trickle-Down Economics theory often fails in the context of developing countries. Economic growth does not automatically trickle down without redistributive intervention. High inequality causes economic growth not to significantly reduce poverty. Indonesia's Gini Ratio has remained in the range of 0.38–0.39 during this period, indicating a high level of inequality. The wealth generated from economic growth is concentrated in a handful of groups. The poor continue to struggle to escape the circle of poverty. According to the Kuznets Curve, in the early stages of economic development, inequality increases before it eventually decreases.

Indonesia appears to still be in that early phase. Indonesia's economic growth is largely supported by the extractive sector and consumption, rather than by labor productivity and improvements in the quality of human resources. This results in jobless growth, leading to growth without the creation of quality jobs.

During the period of 2014–2023, the Indonesian government improved access to education through programs such as the Indonesia Smart Card (KIP), School Operational Assistance (BOS), and the enhancement of school accreditation. Poor communities that previously struggled to access education now have greater opportunities to acquire the basic skills needed in the job market, thereby increasing their chances of escaping poverty. According to Human Capital Theory (Becker, 1993), investment in education enhances individual productivity and potential earnings. With the launch of the National Health Insurance (JKN) since 2014 and the increased coverage of the Health Social Security Agency (BPJS Kesehatan), poor communities have better access to health services, which improves life expectancy and work productivity. Poor communities become healthier and able to work consistently, reducing the economic burden on households and increasing economic mobility. The government has programs such as PKH (Family Hope Program) that not only provide cash assistance but also encourage behavior changes such as regular schooling, visits to health centers, and child nutrition, all contributing to the improvement of human capital.

A high employment rate does not always reflect quality jobs. Many Indonesian workers are absorbed into the informal sector such as daily laborers, street vendors, or workers without contracts and social security. Approximately 58–60% of Indonesian

workers were in the informal sector from 2014 to 2023 (BPS). Wages in the informal sector tend to be lower and unpredictable. BPS recorded underemployment reaching 7–9 million people in certain years during this period. Many of them work less than 35 hours a week. Quality job opportunities are still concentrated in urban areas, while many poor people live in rural areas or outside Java. Many poor residents are unable to relocate for work or receive training for formal employment. Programs like the Pre-Employment Card and BLK (Job Training Center) have not reached all segments of the poor, especially in remote areas and among those with low education. As a result, the poor remain trapped in unskilled and risky jobs, unable to access decent work even though the employment rate appears statistically high.

CONCLUSION

The results of this study indicate that Gross Domestic Product (GDP) has a positive but insignificant effect on the poverty level in Indonesia. This means that although economic growth occurs, its impact on reducing poverty is not yet strong or evenly distributed. Conversely, human capital has been shown to have a negative and significant effect on poverty, emphasizing the strategic role of investments in the quality of human resources such as education and health in efforts to alleviate poverty. Meanwhile, the labor force participation rate shows a negative but insignificant effect, indicating that the increase in the number of people employed has not yet been able to substantially reduce poverty levels, possibly due to inadequate job quality or low wages.

Overall, these findings emphasize the importance of human capital development as a key factor in poverty reduction strategies in Indonesia.

Therefore, government policies should be more focused on improving the quality of education, skills, and health services as the main drivers of inclusive socio-economic development.

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