

Employment Opportunities as a Mediator Between Economic Growth and Poverty Reduction: A Study in Bener Meriah Regency

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Abstract

This study aims to analyze the influence of the Human Development Index (HDI) on economic growth, unemployment, and poverty reduction in Bener Meriah Regency using a path analysis approach. Human development is recognized as a strategic factor in driving inclusive and sustainable economic progress, particularly in regions facing persistent socioeconomic disparities. The study utilizes secondary data obtained from the Central Bureau of Statistics (BPS) covering the period from 2015 to 2023. The results reveal that HDI has a significant and positive direct effect on economic growth and a negative effect on poverty. Additionally, HDI indirectly contributes to poverty reduction through its influence on unemployment and economic growth. These findings suggest that improving education, health, and living standards core components of HDI can serve as effective policy levers for accelerating regional development and reducing poverty. The study provides valuable implications for local governments in formulating integrated development strategies based on human-centered approaches.

Keywords: Human Development Index, Economic Growth, Unemployment, Poverty, Path Analysis, Regional Development

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Introduction

Poverty remains a persistent development challenge, particularly in rural and economically lagging regions. Despite efforts to promote inclusive economic growth, many areas continue to face high poverty rates due to structural limitations, especially in labor absorption and job creation. Bener Meriah Regency, located in Aceh Province, Indonesia, exemplifies this condition. Although the region possesses significant potential in agriculture and tourism, poverty remains relatively high. According to the Central Bureau of Statistics (BPS), Bener Meriah recorded a poverty rate of 16.22% in 2023 far exceeding the national average of 9.36% while facing limited access to formal and productive employment.

Economic growth is widely recognized as a key factor in reducing poverty. However, growth alone is not always sufficient. Scholars such as Ravallion (2012) and Todaro & Smith (2020) argue that the quality and inclusiveness of growth particularly its ability to generate employment determine its effectiveness in improving welfare. In this context, employment opportunities act as a bridge that links economic growth to poverty reduction. When economic activities translate into job creation, especially in rural economies, they generate income, increase household resilience, and improve overall living standards.

Several studies have examined the direct relationships between growth and poverty or employment and poverty. However, few have investigated the mediating role of employment opportunities within the growth–poverty nexus, especially at the sub-national level. This research aims to fill this gap by analyzing how employment influences poverty directly and indirectly through economic growth in Bener Meriah Regency. The use of path analysis allows for a detailed examination of causal pathways, offering insights that are highly relevant for local development policy.

By focusing on a rural Indonesian district, this study contributes to the growing body of literature on inclusive development by emphasizing the strategic importance of employment in poverty reduction frameworks. The findings are expected to support evidence-based policymaking and strengthen labor market interventions in regional development planning.

Literature Review

2.1 Poverty and Its Determinants

Poverty is commonly defined as the condition in which individuals or households are unable to meet basic needs, such as food, housing, education, and health. According to the World Bank (2022), poverty is multidimensional and influenced by various structural factors, including access to employment, education, health, and infrastructure. Empirical studies by Ravallion (2012) and Ferreira et al. (2016) find that poverty reduction is most effective when economic growth is accompanied by equitable distribution of income and labor absorption. In rural areas like Bener Meriah, poverty is often associated with limited productive employment opportunities and a high dependence on the informal sector. Research by Tambunan (2020) in the Indonesian context shows that regions with limited formal employment channels tend to experience slower poverty reduction despite positive economic growth rates.

2.2 Economic Growth and Regional Disparities

Economic growth is a critical driver of poverty reduction. However, the literature consistently emphasizes that growth alone is not sufficient unless it is inclusive. Todaro and Smith (2020) argue that economic growth must be accompanied by structural transformation and equitable access to productive resources. Studies by Dollar and Kraay (2004) show that in the absence of employment expansion, growth tends to benefit only a limited segment of

society. Regional studies, such as those by Resosudarmo et al. (2018), note that the growth-poverty relationship is strongly mediated by the quality and quantity of employment generated during the growth process. In areas where economic activities are dominated by traditional agriculture, growth may not translate into broader social benefits without deliberate employment-focused policies.

2.3 Employment Opportunities as a Mediating Variable

Employment serves as a direct channel through which households generate income and escape poverty. According to ILO (2021), decent work—characterized by productive employment, fair income, and social protection—is a key pathway out of poverty. In developing regions, studies by Klasen and Lawson (2007) show that employment generation plays a mediating role between macroeconomic growth and poverty alleviation. Research applying path analysis, such as by Prihatini et al. (2020), suggests that employment opportunities can exert both direct effects on poverty and indirect effects via economic growth. This highlights the importance of analyzing employment not merely as an outcome, but as a strategic policy lever that bridges macroeconomic outcomes and household welfare. While numerous studies have examined the bilateral relationship between economic growth and poverty or between employment and poverty, limited research explores triadic causal pathways among employment, growth, and poverty in a unified framework, especially using path analysis at the subnational level. Furthermore, few studies focus on districts like Bener Meriah that possess unique economic structures based on agroforestry and tourism. Thus, this study aims to fill this gap by empirically modeling the mediating role of employment in the relationship between economic growth and poverty using path analysis based on local-level data.

Methods

This study employs a quantitative research approach with a causal explanatory design, aiming to analyze the direct and indirect relationships among employment opportunities, economic growth, and poverty. The model is tested using path analysis, which allows for examining mediating effects and causal pathways between variables simultaneously. The study is conducted in Bener Meriah Regency, Aceh Province, Indonesia. The region was selected purposively due to its persistent poverty level despite having economic potential in agriculture and tourism sectors. The research focuses on time-series data from 2010 to 2023, representing 14 years of regional economic development.

1. Persamaan Jalur 1 (Mediasi):

$$X_2 = p_{21}X_1 + e_1$$

→ *Economic Growth (X_2) dipengaruhi oleh Employment Opportunities (X_1)*

di mana:

p_{21} : koefisien jalur dari X_1 ke X_2

e_1 error term pertama

2. Persamaan Jalur 2 (Output Utama):

$$Y = p_{31}X_1 + p_{32}X_2 + e$$

→ *Poverty (Y) dipengaruhi oleh Employment Opportunities (X_1) dan Economic Growth (X_2)*

di mana:

- p_{31} : koefisien jalur langsung dari X_1 ke Y
- p_{32} : koefisien jalur dari X_2 ke Y
- e_2 : error term kedua

Result and Discussion

Jalur	Koefisien Jalur	P-Value	Signifikansi
X1 → X2 (Employment → Economic Growth)	0.65	0.003	Signifikan
X1 → Y (Employment → Poverty)	-0.42	0.012	Signifikan
X2 → Y (Economic Growth → Poverty)	-0.38	0.021	Signifikan

Indirect effect X1 to Y from X2: $0.65 \times -0.38 = -0.2470.65$

Efek Total X1 to Y: $-0.42 + (-0.247) = -0.667$

The path coefficient of 0.65 from employment opportunities to economic growth suggests that increasing access to productive jobs substantially contributes to regional output expansion. This finding supports prior work by Klasen and Lawson (2007), who argued that job creation particularly in the formal sector is a strong driver of local economic growth. Unlike many previous studies that emphasize how economic growth drives employment (supply-side perspective), this study provides evidence for a demand-side approach, where expanding employment directly stimulates economic activity by enhancing household purchasing power and increasing aggregate demand. This is particularly relevant for regions like Bener Meriah, where the economy relies heavily on agriculture and community-based tourism. Despite its economic potential such as Gayo coffee and natural tourism Bener Meriah has not fully capitalized on these sectors to generate quality employment. This study thus addresses a critical research gap by empirically demonstrating that employment-led growth can serve as an alternative and inclusive development model for rural regions.

The direct path from employment opportunities to poverty is estimated at -0.42, while the indirect effect through economic growth is -0.247, leading to a total effect of -0.667. These results confirm that employment is a key mechanism for reducing poverty in the region. The findings are consistent with the ILO (2021) assertion that access to decent and productive work is the most effective and sustainable pathway out of poverty. In many Indonesian districts, especially those with dominant informal sectors, poverty persists even when economic growth is observed. This study supports the view of Todaro and Smith (2020) that informal employment often fails to provide stable income or upward mobility. Therefore, transitioning workers into the formal labor market and enhancing job quality are crucial for long-term poverty alleviation. Furthermore, most studies in the Indonesian context have focused on national-level data or major urban centers. The present study contributes to the micro-regional development literature, which remains underrepresented, by focusing on a rural district and revealing context-specific labor-market dynamics. This local-level approach helps close the research gap on the employment–poverty nexus in sub-national economies.

Conclusion

This study confirms that employment opportunities play a central role in shaping both economic growth and poverty outcomes in Bener Meriah Regency. By employing path analysis, the research demonstrates that employment not only directly reduces poverty but also indirectly contributes to poverty alleviation through its positive impact on economic growth. The findings highlight the importance of labor market interventions in designing effective and inclusive development strategies. The total effect of employment on poverty, combining both direct and indirect pathways, is substantial, indicating that job creation should be prioritized in regional policy agendas. Moreover, the mediating role of economic growth suggests that employment-led development yields more equitable and sustainable outcomes compared to growth strategies that rely solely on capital investment or export performance. This research

contributes to the empirical literature by offering localized evidence from a rural Indonesian district, thereby addressing a notable gap in micro-regional development studies. Future research is encouraged to explore additional mediating factors, such as education or access to finance, to further enrich the understanding of poverty dynamics at the sub-national level.

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