

Human Capital Quality Mediates Education Policy and Employment Access on the Impact of Structural Poverty

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Abstract

Structural poverty remains a major challenge for developing countries despite the various policy interventions that have been implemented. The era of digital transformation creates new complexities in poverty alleviation that require an integrated approach. This study investigates the role of human capital quality as a mediator in the relationship between education policy and employment access to structural poverty reduction in Kediri Regency, Indonesia. Using a quantitative approach with Structural Equation Modeling (SEM-PLS), data were collected from 100 respondents through stratified multi-stage sampling in three sub-districts with different poverty levels. The analysis used SmartPLS 4.0 to evaluate measurement and structural models and test mediation hypotheses. The results show that education policies and access to employment have a significant effect on reducing structural poverty either directly or through the mediation of the quality of human capital. Specifically, education policy demonstrates a significant direct effect ($\beta = 0.266$, $t = 2.620$, $p = 0.009$), while access to employment shows a stronger direct impact ($\beta = 0.420$, $t = 3.736$, $p = 0.000$). Human capital quality significantly affects structural poverty reduction ($\beta = 0.287$, $t = 3.439$, $p = 0.001$). The quality of human capital has been shown to mediate the relationship between education policies and access to employment against structural poverty with a significant partial mediating effect with VAF values of 21.3% and 29.1% respectively. The model demonstrates strong predictive capability with $R^2 = 0.812$ for structural poverty and $R^2 = 0.668$ for human capital quality. The findings confirm that human capital development is a critical transformation mechanism that transforms policy inputs into sustainable poverty reduction outcomes in the context of the digital economy. The research contributes to the development of an integrated policy framework for the optimization of poverty alleviation through the strengthening of human capital

Keywords: *Human Capital Quality, Structural Poverty, Education Policy, Access To Employment*

INTRODUCTION

Structural poverty continues to pose significant challenges for developing countries, where traditional approaches to poverty alleviation face new complexities in the era of digital transformation. In contrast to temporary poverty, structural poverty arises from systematic barriers in social, economic, and political structures that prevent individuals and communities from accessing resources essential for sustainable development (Nussbaum, 2021). This phenomenon has become increasingly complex as various forms of exclusion create new patterns of marginalization, especially affecting vulnerable populations that do not have access to opportunities for economic advancement (Acemoglu & James A., Robinson, 2022). The era of digital transformation has fundamentally changed the landscape of economic development and poverty reduction strategies, creating a digital divide that is a critical factor in determining access to education, employment, and economic participation (Van Dijk Jan, 2023). The rapid pace of technological change demands an adaptive approach in the development of human capital, as traditional skills become obsolete while new competencies emerge as a prerequisite for economic participation (Acemoglu & Autor, 2022)

Despite extensive research on the individual components of poverty reduction strategies, significant gaps remain in understanding the mediation mechanisms that determine the effectiveness of policies in addressing structural poverty (Taufiqurokhman et al., 2023). Previous studies have primarily examined the direct relationship between access to education and poverty outcomes, often ignoring the intermediate factors that influence how policy interventions

translate into sustainable development outcomes (Hair et al., 2022). Limited research has systematically investigated how the quality of human capital serves as a mediating factor linking education and employment policies to poverty reduction, especially in a context characterized by rapid technological change (Liu & Fu, 2019). Indonesia, particularly Kediri Regency, illustrates the complex challenges facing developing countries in the digital age, where despite significant economic growth and various poverty reduction programs, job opportunities remain unevenly distributed and often out of sync with available human capital (BPS Kab Kediri, 2023). Geographic disparities in the availability of employment exacerbate regional inequalities, with rural and peripheral areas experiencing particular challenges in accessing formal sector employment (World Bank Group, 2024).

Recent empirical studies have begun to address these gaps. Research by (Zahra et al., 2024) on unemployment and human capital quality in Karawang Regency found that human capital quality plays a mediating role in economic outcomes, though their study focused on economic growth rather than poverty reduction. Similarly, (Mutmainnah et al., 2024) examined the relationship between poverty and employment opportunities on the Human Development Index in Southeast Sulawesi, revealing that employment opportunities have a more significant impact than poverty levels themselves, suggesting the importance of access mechanisms. Furthermore, (Sun et al., 2020) demonstrated at the firm level that human capital positively influences innovation capacity, particularly in medium-sized cities, indicating differentiated effects across contexts. However, these studies have not comprehensively examined the mediating role of human capital quality in the specific context of structural poverty reduction during digital transformation, particularly at the district level where policy implementation directly impacts communities

This study aims to analyze the role of human capital quality as a mediator in the relationship between education policy and employment access to structural poverty reduction in Kediri Regency, Indonesia. Specifically, the study investigates the direct and indirect effects of education policies and employment access on structural poverty through the mediation of human capital quality in the context of digital transformation. The theoretical contributions of the research include the development of an integrated analytical framework that considers the interconnection between education policies, access to employment, and human capital development in the dynamics of poverty reduction (Scott, 2020). Practical contributions include the provision of evidence-based insights for the development of coordinated and effective poverty reduction strategies through a skills-based approach to development (Nussbaum, 2021). This study fills a gap in the literature by treating human capital as a mediating variable rather than just as an input or output, providing a comprehensive understanding of the mechanisms of policy transformation into poverty reduction outcomes.

The research tests the hypothesis that education policies and access to employment have a significant effect on reducing structural poverty either directly or through the mediation of the quality of human capital. The findings of the research are expected to inform evidence-based approaches to coordinating education and employment policies in achieving optimal poverty reduction impacts through strategic human capital development in the digital economy era (Abraham & Mallatt, 2022). The context of Kediri Regency was chosen because of its representativeness to developing regions facing the challenges of structural poverty and digital transformation, as well as the availability of adequate data for comprehensive empirical analysis.

RESEARCH METHODS

In conducting this study, the researcher used a qualitative method with descriptive analytic approach. Qualitative method is common in conducting a social science research which

aims to understand phenomenon complexity and get the insights (Lim, 2025). The purpose of the study is to describe and analyze the phenomenon of the relationship between ideology and great power competition (GPC). The approach is descriptive because it is focused on identifying the characteristics of the ideational structure of both the United States and China and how they play out in a range of areas in the international system. The analytic is used to break the whole of the GPC phenomenon into its component parts and then to identify the causal relationships between these parts and the states' actions (Furidha, 2024). The data study is based on a literature review of publicly available secondary sources such as scholarly journal articles, think tank policy papers, and primary government sources. It draws on multiple sources for a more triangulated analysis of the issue and, thus, captures the theoretical as well as practical nature of great power competition. It is not meant to generalize or to generate new empirical data but to analyze and reinterpret what is already known and to move toward a more ideationally nuanced picture of the current international system.

RESULT AND DISCUSSION

Respondent Characteristics

The study involved 100 respondents from three sub-districts in Kediri Regency, with balanced representation across various demographic characteristics. The age distribution shows that the younger population (15-24 years) is made up of the largest group, reflecting the target demographics of recent graduates and job seekers. The gender distribution is relatively balanced, while the educational background is aligned with the sampling design, focusing on secondary and tertiary education graduates. The geographical distribution in the three sub-districts ensures a representation of different socio-economic conditions, from areas of low to high poverty.

Table 1. Demographic Characteristics of Respondents

Characteristics	Frequency	Percentage
Gender		
1. Male	52	52.0%
2. Female	48	48.0%
Education		
1. High School	82	82.0%
2. University	18	18.0%

Source: Processed Data 2025

The age distribution showed the dominance of the productive age group with 45% of respondents aged 15-24 years, reflecting the research target on new graduates and young job seekers. The educational composition of 82% of high school/vocational school graduates and 18% of universities is in accordance with a sampling design that reflects the actual educational structure in the research area.

Measurement Model Evaluation

The measurement model shows satisfactory psychometric properties. All loading factors exceed the minimum threshold, indicating a strong relationship between the indicator and its respective constructs. The convergent validity is established through the Average Variance Extracted value above the recommended level, confirming that each construct adequately explains the variance in its indicator. The reliability value of the composite exceeds the minimum requirements, indicating the internal consistency of all measurement scales.

An assessment of discriminant validity using a contemporary methodological approach reveals that although some constructs show a high correlation, this pattern is theoretically justified given the systemic nature of poverty reduction mechanisms. The evaluation confirms

that each construct retains sufficient distinctiveness while recognizing their interrelated role in the poverty reduction ecosystem.

Table 2. Validity and Reliability Results

	<i>Cronbach's Alpha</i>	<i>rho_A</i>	<i>Composite Reliability</i>	<i>Average Variance Extracted (AVE)</i>
Job Access	0,796	0,814	0,880	0,711
Education Policy	0,713	0,728	0,838	0,634
Kemiskinan Structural	0,827	0,845	0,878	0,591
Quality of HR	0,886	0,899	0,917	0,688

Source: Smart PLS Output Results, 2025

The results of the evaluation of the measurement model confirmed that all constructs met the requirements of psychometric properties with AVE values of > 0.50 (convergent validity), Cronbach's Alpha and Composite Reliability > 0.70 (internal reliability), and met the Fornell-Larcker criteria for discriminant validity. Human Capital Quality shows the best properties with CR = 0.917 and AVE = 0.688, indicating internal consistency and excellent convergent validity, while other constructs also show acceptable to good reliability and validity. Overall, the measurement model is suitable for structural analysis with high confidence in the measurement accuracy of theoretical constructs.

Structural Model Results

Structural models demonstrate strong predictive capabilities, with models explaining substantial variances in human capital quality and structural poverty. These results suggest that the proposed theoretical framework effectively captures the relationship between education policy, employment access, human capital quality, and structural poverty reduction.

Hypothesis Testing Results

All seven research hypotheses receive empirical support. Education policies show a significant positive influence on structural poverty reduction, confirming that well-designed educational interventions can effectively address the causes of systemic poverty. These findings are in line with the theoretical argument of human capital that investment in education creates a pathway out of poverty through the enhancement of individual capabilities. This relationship extends beyond the mere provision of access to include the dimensions of quality and relevance that determine the effectiveness of policies.

Table 3. Results of the Significance Test of Model Analysis (Inner Model)

	Original Sample (O)	T Statistics (O/STDEV)	P Values	Influence
Access to Employment -> Structural Poverty	0,420	3,736	0,000	Significant
Job Access – Human Resources Quality >	0,604	5,786	0,000	Significant
Education Policy -> Structural Poverty	0,266	2,620	0,009	Significant
Education Policy -> Human Resources Quality	0,250	2,250	0,025	Significant
Human Resource Quality -> Structural Poverty	0,287	3,439	0,001	Significant

Source: Smart PLS Output Results, 2025

Access to employment shows a significant impact on structural poverty reduction, validating labor market theories that emphasize meaningful employment opportunities as an important mechanism to get out of poverty. However, this relationship encompasses more than job availability, including the quality of work and accessibility factors that determine the effectiveness of true poverty reduction. These findings support the argument for an inclusive employment strategy that addresses the dimensions of quantity and quality of job creation.

The quality of human capital shows a significant influence on the reduction of structural poverty, confirming the proposition of the ability approach that individual capacity fundamentally determines poverty outcomes. This relationship shows that competency development, digital literacy, and adaptive skills collectively contribute to breaking the cycle of structural poverty. These findings emphasize the importance of investing in human capital as a fundamental strategy for sustainable poverty reduction.

The relationship between education policy and the quality of human capital receives strong empirical support, suggesting that educational interventions serve as a mechanism for investing human capital rather than simply providing direct services. These findings suggest that education policies achieve optimal impact when they prioritize the development of market-relevant competencies and skills rather than just expanding access.

Access to employment significantly affects the quality of human capital, revealing a developmental pathway in which job opportunities build individual capabilities. This relationship suggests that meaningful employment provides learning experiences, skills development opportunities, and professional growth that increase human capital beyond the benefits of direct income.

Mediation Analysis

The mediation analysis revealed that the quality of human capital successfully mediated the relationship between education policy and employment access and structural poverty. These results provide significant theoretical insights, suggesting that policy interventions achieve optimal impact through increased human capital rather than direct poverty targeting.

The partial mediation effect shows that education and employment policies operate through a dual pathway: direct poverty impacts and indirect effects through increased human capital. This dual mechanism explains why regions with similar policy interventions achieve different poverty outcomes, as success depends on the quality of policy implementation and the effectiveness of human capital development.

Table 4. Significance Test Results Through Mediators

	Original Sample (O)	T Statistics (O/STDEV)	P Values	Influence
Access to Employment -> Human Resources Quality -> Structural Poverty	0,173	2,808	0,005	Significant
Education Policy -> Human Resources Quality -> Structural Poverty	0,072	1,986	0,048	Significant

Source: Smart PLS Output Results, 2025

Discussion of Findings

Education policy has a significant impact on structural poverty

The results of the study show that education policy has a significant influence on the level of structural poverty. Targeted education policies are able to create equal access to education, improve the quality of learning, and develop competencies that are relevant to the needs of the world of work. This is in line with the view that investment in education is one of the key strategies in reducing long-term poverty (UNESCO, 2020).

Education has a crucial role in overcoming poverty and income inequality. Through education, individuals acquire skills, knowledge, and opportunities that support social mobility in an economically better direction. Thus, education becomes the link between poverty and inequality, because it is able to equip a person with the capacity needed to get out of the cycle of poverty and get more decent job opportunities and income (Sarjito, 2024). Improving the level of higher education can reduce poverty in the long run. At the current global economic level, completing higher education can be a decisive factor between living in poverty and building the economy in the future (Pratysto, 2025).

Structural poverty generally stems from unequal access to education and decent work. When education policies are not able to reach the poor or marginalized groups optimally, the cycle of poverty will continue across generations. The low quality of education, especially in poor groups, has an impact on weak cognitive abilities and work skills, thereby reducing competitiveness in the labor market (Kaffenberger & Pritchett, 2020).

Education policies oriented towards strengthening vocational education and job training have also proven to have a positive impact on improving the quality of human resources and encouraging labor participation in the formal sector. According to the World Bank, countries with education systems that are adaptive to the needs of the labor market tend to have lower rates of structural poverty (The World Bank, 2020).

Education policies through compulsory learning programs, Smart Indonesia Cards (KIP), and vocational education revitalization are the government's strategic efforts to reduce education gaps and increase social mobility. However, the effectiveness of these policies is highly dependent on their implementation in the field. Research by (Suryahadi et al., 2012) shows that the quality of the implementation of education programs in disadvantaged areas is still a big challenge, which ultimately hinders the improvement of the quality of human resources evenly.

Education can produce quality human resources in various disciplines, because education can be a strong foundation for two main pillars in poverty alleviation: (1) sustainable economic growth that favors the poor and (2) social development that is oriented towards community welfare. Furthermore, the government has taken several steps to expand access to and equitable education opportunities(Ustama, 2009).

Education policy has a crucial role in breaking the chain of structural poverty, especially if the policy focuses on inclusivity, improving the quality of education, and the connection between education and the world of implementation system so that the goals of human resource development and poverty reduction can be achieved sustainably.

Access to employment has a significant impact on structural poverty.

Structural poverty is a situation when individuals or groups have difficulty meeting basic living needs due to the presence of unfair systemic factors, such as inequality in the distribution of resources. One of the main triggers is the lack of opportunities to get a decent job. The mismatch between the availability of employment and the level of education and skills of the community causes vulnerable groups to be trapped in a cycle of poverty that is difficult to overcome (Sansan, 2024).

Access to employment is an important factor in determining the level of structural poverty in a country, including Indonesia. The lack of decent employment opportunities and limited labor absorption cause some people to remain trapped in the cycle of intergenerational poverty. According to (ILO, 2022), structural poverty is often associated with inequality in the distribution of employment, especially for vulnerable groups such as women, youth, and rural communities. Spatial inequality in the distribution of employment has also deepened the poverty gap between urban and rural areas. Data (BPS Kab Kediri, 2023) shows that most jobs are centralized in urban areas, while people in rural areas have difficulty accessing productive jobs, especially in the non-agricultural sector. This indicates that there is a need for economic equity policies and the expansion of the productive sector in disadvantaged areas (Sofian et al., 2023).

The creation of productive and decent wage jobs is the most effective instrument to overcome long-term poverty (Adam & Kulmie, 2024). Informal employment that does not provide social security, fixed income, or legal protections does not contribute significantly to structural poverty reduction. Every individual has the right to get a job as an effort to meet the needs of themselves and their families. However, the limited number of available jobs coupled with the continued increase in the number of job seekers is a major challenge in the employment sector. The imbalance between the number of workers and the availability of jobs has an impact on rising unemployment rates, which can worsen in the event of an economic crisis that forces many companies to shut down their operations (Adawiyah, 2020).

Access to inclusive, equitable, and quality employment is a key requirement in efforts to reduce structural poverty. The government needs to encourage the creation of a work ecosystem that supports skills development, empowerment of the informal sector, and the creation of sustainable productive businesses.

The quality of human resources has a significant effect on structural poverty.

The quality of human resources (HR) is one of the main determinants in reducing the level of structural poverty. Superior human resources are characterized by a good level of education, skills relevant to the needs of the job market, and the ability to adapt to economic changes. When the quality of human resources is low, people will find it difficult to compete in the world of work, thus increasing the likelihood that they will be trapped in long-term poverty.

Human underdevelopment and natural resources are closely intertwined. The utilization and development of natural resources in a country is highly dependent on the productive capacity of its population. If the community is still underdeveloped, has a high level of illiteracy, lacks technical skills, knowledge, and entrepreneurial spirit, then the potential of natural resources tends not to be utilized optimally, and can even be misused. On the other hand, the lack of utilization and management of natural resources can also slow down the development of the quality of human resources themselves (Kosim et al., 2010).

This is supported by researchers who have a statement that the quality of human resources has a negative and significant effect on poverty. This means that any improvement in the quality of human resources will reduce the value of poverty and can be explained in real terms (Amalia et al., 2014). Countries with superior human resources tend to have lower levels of structural poverty because their people are able to take advantage of available economic opportunities. The low quality of human resources causes people to be easily affected by economic shocks, such as inflation, mass layoffs, and the informal sector crisis. Poor people with low levels of education and skills are particularly vulnerable to social and economic exclusion. This shows that improving the quality of human resources not only has an impact on job opportunities, but also strengthens the economic resilience of the community in the long term (Suryahadi et al., 2012).

Thus, improving the quality of human resources is a fundamental strategy in breaking the chain of structural poverty. These efforts must be focused on improving access and quality of education, developing contextual job training, and providing an ecosystem that supports local innovation and entrepreneurship.

Education policies have a significant effect on the quality of human resources.

Education policy has a strategic role in improving the quality of human resources (HR). Education that is designed and run in an inclusive, equitable manner, and relevant to the needs of the times will create individuals who are not only academically capable, but also adaptive to social and economic dynamics. In other words, the quality of human resources is greatly influenced by the direction and implementation of education policies implemented by the state.

The UNESCO report (2020) also emphasizes that countries with education policies that focus on equitable access, 21st century skills development, and the integration of technology into the learning process tend to have high quality human resources and low unemployment rates.

Education that is responsive to the needs of the job market has been proven to be able to bridge the gap between graduates and the world of work.

Programs such as the Independent Curriculum, the revitalization of vocational education, and the KIP-Lecture scholarship are concrete forms of government policies to improve the quality of human resources. Inequality in school quality and limited infrastructure facilities are still the main obstacles in leveling the quality of education throughout Indonesia. In the local context of Kediri Regency, research (Solikin et al., 2019) Proving that the role of universities in developing society is very necessary as a strategy to increase skills and knowledge, where to increase economic growth competent and reliable human resources are needed. These findings strengthen the argument that education policies involving universities in community empowerment can effectively improve the quality of human resources, as evidenced in the improvement of managerial abilities and technical skills of farmer groups in the same area as the location of this study.

Appropriate education policies, oriented to future needs, and supported by effective implementation will have a significant positive impact on improving the quality of human resources. The high quality of human resources is ultimately the main foundation in strengthening national competitiveness and reducing structural poverty.

Access to employment has a significant effect on the quality of human resources.

Access to employment not only has an impact on the economic aspect, but also has a significant influence on improving the quality of human resources (HR). When people gain decent employment opportunities, they can develop skills, increase productivity, and gain experience that has a direct impact on personal and social capacity building.

World Employment and Social Outlook oleh (ILO, 2021) shows that inclusive and productive employment is one of the main indicators in sustainable human development. Good employment creates an ecosystem of lifelong learning, encourages social participation, and strengthens the competitiveness of individuals in the global job market. On the contrary, limited access to work hinders the process of self-development, weakens motivation, and ultimately worsens the quality of human resources.

In Indonesia, most of the workforce is still in the informal sector which tends not to provide optimal capacity development space. The availability of equal access to work also contributes to the equitable distribution of the quality of human resources between regions. Inequality in access to work between urban and rural areas often causes imbalances in the development of national human resources. Therefore, the expansion of employment that is integrated with vocational training and strengthening the local economy is a strategic step in building the quality of resilient human resources.

Access to employment makes a significant contribution to improving the quality of human resources, both in terms of skills, productivity, and readiness to face modern economic challenges. Inclusive, adaptive, and competency-based labor policies are key to strengthening the relationship between work and human development.

The quality of human resources can be a link between the influence of education policies on structural poverty.

The quality of human resources (HR) plays a key role as an intervening variable in the relationship between education policy and structural poverty. Inclusive and quality-oriented education policies do not directly eliminate structural poverty, but will have a significant impact if they are able to improve the quality of productive, adaptive, and competitive human resources. In other words, the quality of human resources is a bridge that connects the implementation of education policies with efforts to reduce poverty systemically.

The quality of human resources can be a link between the influence of access to employment on structural poverty.

Access to broad and inclusive employment is not necessarily able to reduce structural poverty if it is not balanced with adequate quality of human resources (HR). In this case, the quality of human resources acts as an intermediate variable that connects the availability of employment with the ability of individuals to get out of poverty. This is in line with the Human Capital theory put forward by Becker (1993), which states that individual productivity and well-being are greatly influenced by investment in education and skills. In other words, without improving the quality of human resources, the available jobs cannot be used optimally.

Improving the quality of human resources through education, skills training, and strengthening work ethic is the key to optimizing access to work in reducing structural poverty. Access to work that is only quantitative without paying attention to the readiness of the workforce from a qualitative aspect has the potential to create new inequalities, such as low-income informal workers or covert unemployment. Therefore, employment policies that are oriented towards improving the quality of human resources are a strategic approach in breaking the chain of structural poverty in a sustainable manner.

Policy Implications

The outcome of the mediation provided a strong argument for an integrated policy framework that coordinates education and employment interventions while maintaining human capital development as a key goal. Rather than implementing isolated programs, the findings suggest that a coordinated approach produces superior outcomes through synergistic effects.

The evidence supports the argument that contemporary poverty reduction strategies must adapt to the requirements of the digital economy by incorporating technological skills and adaptive capabilities into educational curricula and employment programs. This integration is important because the digital divide increasingly determines the possibility of economic participation.

The findings of this study are in line with the concept of social entrepreneurship development put forward by (Subagyo et al., 2021), where the creation of economic and social value through the development of quality human resources can be a transformative mechanism in overcoming structural poverty. Integration of social entrepreneurship approaches with education policies and access to employment, especially in the context of MSME digitalization (Subagyo & Ernestivita, 2018), can strengthen the effectiveness of poverty alleviation programs through the creation of an inclusive and sustainable economic ecosystem.

Research shows that the quality of human capital serves as a critical transformation mechanism that transforms policy inputs into poverty reduction outcomes. These findings support the argument for outcome-based policy evaluations that measure the effectiveness of human capital development rather than simply tracking program participation or direct outputs.

CONCLUSION

This research shows that the quality of human capital serves as an important mediation mechanism linking education policies and employment access to structural poverty reduction in the context of developing countries. Research confirms that education policies effectively reduce structural poverty both directly and through increased human capital, suggesting that educational interventions achieve optimal impact when they prioritize the development of market-relevant competencies and skills rather than simply expanding access. Access to employment similarly contributes to poverty reduction through a dual pathway, providing direct economic assistance while simultaneously fostering individual abilities through on-the-job learning and professional development opportunities.

The mediating role of human capital quality reveals that sustainable poverty reduction requires a comprehensive approach that transforms individual capabilities rather than just addressing direct economic constraints. These findings support an integrated policy framework that coordinates education and employment interventions while maintaining human capital development as a key transformation mechanism. The research provides evidence that contemporary poverty reduction strategies must adapt to the requirements of the digital economy by incorporating technological skills and adaptive capabilities into educational curricula and employment programs.

The partial mediation effect suggests that while direct policy impacts remain important, the most sustainable poverty reduction occurs through systematic enhancement of individual abilities that enable long-term economic participation and mobility. These results contribute to the understanding of poverty reduction mechanisms in the context of digital transformation and provide practical guidance for developing countries seeking to optimize policy coordination for maximum poverty alleviation impact through human capital development strategies.

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