

# HUMAN RESOURCE DEVELOPMENT IN INDONESIA ON ASEAN

## DESENVOLVIMENTO DOS RECURSOS HUMANOS NA INDONÉSIA NA ASEAN

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**Received:** 04 Jan 2023

**Accepted:** 10 Feb 2023

**Published:** 01 Mar 2023

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**Abstract:** Human Resources is a factor of production that has a major contribution to the economic growth of a country. Indonesia is a country with the fourth largest population in the world after China, India and the United States. Indonesia has a contribution of around 40 percent of the population and human resources to ASEAN. Indonesia's economic growth is still lagging behind that comparing of Singapore, Malaysia, and Thailand. This study aims to determine the development of human resources in Indonesia against ASEAN. The research method used is descriptive research by analyzing the existence and human resources development of Indonesian towards ASEAN. This study uses data sourced from the world bank, Human Development Report (HDR), and the World Economic Forum (WEF). There are three measuring tools that serve as guidelines for measuring human resource quality, namely the Human Development Index (HDI) and Human Capital Index (HCI) and

Global Human Capital (HCI). The results of this study indicate that the quality of life of the population, quality of work, and work productivity of Indonesian human resources are lower than those of Singapore, Malaysia, and Thailand. The development of Indonesia human resources can be done through improving the education, prosperity, and health sectors.

**Keywords:** Human Resource Development. Human Development Index. Human Capital Index. Global Human Capital.

**Resumo:** Os Recursos Humanos são um fator de produção que tem uma grande contribuição para o crescimento econômico de um país. A Indonésia é um país com a quarta maior população do mundo, depois da China, Índia e Estados Unidos. A Indonésia tem uma contribuição de cerca de 40% da população e dos recursos humanos para a ASEAN. O crescimento econômico da Indonésia ainda está atrasado em relação à comparação de Cingapura, Malásia e Tailândia. Este estudo visa determinar o desenvolvimento dos recursos humanos na Indonésia contra a ASEAN. O método de pesquisa utilizado é a pesquisa descritiva, analisando a existência e o desenvolvimento dos recursos humanos indonésios em relação à ASEAN. Este estudo utiliza dados provenientes do Banco Mundial, Relatório de Desenvolvimento Humano (RDH), e do Fórum Econômico Mundial (FEM). Há três ferramentas de medição que servem como diretrizes para medir a qualidade dos recursos humanos, a saber, o Índice de Desenvolvimento Humano (IDH) e o Índice de Capital Humano (ICH) e Capital Humano Global (CHG). Os resultados deste estudo indicam que a qualidade de vida da população, qualidade de trabalho e produtividade do trabalho dos recursos humanos indonésios são inferiores às de Cingapura, Malásia e Tailândia. O desenvolvimento dos recursos humanos indonésios pode ser feito através da melhoria dos setores de educação, prosperidade e saúde.

**Palavras-chave:** Desenvolvimento de Recursos Humanos. Índice de Desenvolvimento Humano. Índice de Capital Humano. Capital Humano Global.

## 1. Introduction

In general, development can be understood as a change in the direction of development in a certain aspect. Along the times, due to the increasing needs of humans will demand the development of technology so that humans will leave the old ways of doing activities. Development is the responsibility of various parties to create and implement it in accordance with their competencies and capabilities. Indeed, development can be understood broadly depending on the perspective.

The Economics perspective, development as a physical reality as well as the determination of society to strive as hard as possible through a series of combinations of social, economic, and institutional processes to achieve a better life. Development as a center of all aspects in the sustainability of a countries development requires the inclusion of development from various aspects, both physical and non-physical, such as the construction of facilities, supporting infrastructure, and the mentality of the implementers. Towards Indonesia excels through various indicators of achievement of development success, including investment support, stable inflation, and a labor market, stable economic growth from 2005 to 2019 which is in the range of 5 percent, Indonesia. National GDP also increased by US\$ 3,109 and was able to reduce the poverty rate by 9.4 percent from 2000 to 2019 (World Bank, 2019).

To examine more deeply about human development, it also includes a discussion on human resource development. Human resources are one of the factors of production to determine the national income of a country. Human resources are the main driving factor for sustainable growth and poverty reduction. Human capital formation is the process of obtaining and increasing the number of people who have the skills, education and experience that are decisive for the economic and political development of a country. The World Bank (2019) stated that human capital consists of knowledge, skills, and health that people accumulate throughout their lives as the key to achieving Indonesia's future.

Schultz suggests that there are five ways to develop human resources: (1) health facilities and services, including expenditures to improve life expectancy, strength and stamina, energy and vitality of the people; (2) on-the-job training, including the old-

fashioned apprenticeship organized by the company; (3) formally organized education at primary, secondary, and higher levels; (4) study programs for adults that are not organized by the company, including extension programs especially in agriculture; (5) individual and family migration to adapt to ever-changing job opportunities. On a micro level, human resource development is an effort to improve knowledge and skills through education and training programs (Bangun, Wilson: 2021). Human resource development is an expenditure in the health, education, and social sectors in general. This understanding refers to efforts to improve the quality of human life in a country (Jhingan, M.L., 1975). On a macro level, human resource development is expenditure for the benefit of improving the quality of life of a nation in an effort to increase the national income of a country. This concept is considered as one of the factors in economic development, because in general it takes into account physical development. However, it is increasingly being realized that human resource development is a process of increasing the knowledge, skills, and abilities of all the people of a country. Figure 1 shows that Human Resources includes of Economic Development and Economic Growth.

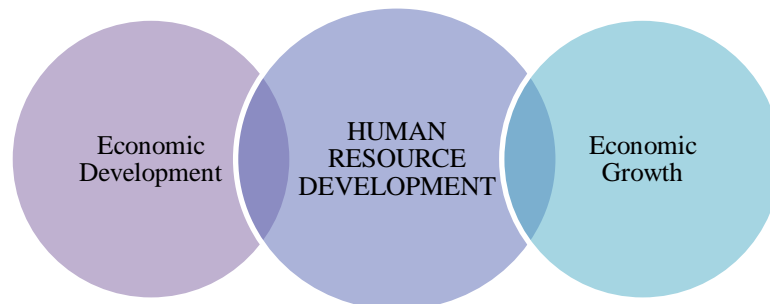


Figure 1. Human Resources includes of Economic Development and Economic Growth

## 2. Theoretical framework and literature review

### Physical Development vs Human Resource Development

One of the most important factors causing economic growth in the United States is the relatively constant increase in education financing (Jhingan, ML (1975). Investment in education generates greater national income than physical investment in dams, roads land, factories, and other capital goods. In fact, earlier economists such as Adam Smith and Veblen (Jhingan, ML (1975) emphasized the importance of human capital in production. In terms of the fixed capital stock of the country, Adam Smith included the capabilities of the entire population acquired and For Veblen, technological knowledge and skills are

immaterial tools, without which physical capital cannot be used productively. Therefore, economists argue that the scarcity of investment in human capital is the cause of the slow growth of underdeveloped countries (Jhingan, ML (1975)). Without noticing Human resource development through education, knowledge and skills will result in decreased physical productivity.

The physical development of a country is more productive when it has skilled human resources. Underdeveloped countries are eager to carry out the construction of roads, dams, power stations, factories related to light and heavy industry, hospitals, schools, universities and a number of other activities related to development planning will require skilled workers according to their fields. . Options on physical development will be productive in the short term. Due to the very lack of skilled workers, it will result in not being maintained and damaged in equipment or physical capital so that the level of productivity will decrease in the long run.

The workforce is categorized into critical skills (critical skills) and labor (laborers). Underdeveloped countries are faced with both kinds of labor problems where there is a surplus of labor force due to the scarcity of critical skills. Therefore, the development of human resources will be able to solve the productivity problems faced by a particular country. In countries that are trying to accelerate their economic development, it is found that although modern factories are designed by first-class engineers using the latest methods and machines of the most advanced industrialized countries, the volume and quality of output is too often unsatisfactory. The reason for this is that management and workers are not sufficiently trained and inexperienced (Jhingan, M.L., (1975).

Various experiences in underdeveloped countries by importing capital goods or physical capital in economic development but because of the shortage of skilled labor they will be constrained in their operation. Another experience is that a country imports capital goods and skilled labor for its operations but the results will not be optimal. A country is successful in economic development if there is a balance of investment in physical development and human resources. Figure 2 shows that there are three dimensions that make up human resource development. Figure 2 shows that there are three dimensions that build of human resource development.

Human Development

Humans are the real wealth of a nation. Based on the theory of Classical Economics that labor is a factor of production that has a contribution to the economic growth of a country. The labor production factors have a major contribution to Indonesia economic growth. Indonesia is a country the fourth largest population in the world or the largest in ASEAN. Indonesian people's welfare should be the best in ASEAN, but is still below Singapore, Malaysia and Thailand. Therefore, the human factor is very important to consider in the development of a nation. In this topic, regarding Human Resource Development, there are two measuring tools, namely the Human Development Index (HDI) and the Human Capital Index (HCI).

Human development is a necessity for a nation, because actually development is not only seen from physical achievements but also from the human point of view. This is in line with the criteria developed by UNDP, where development should not only be analyzed from economic growth, but also must be understood from the perspective of development. human angle. Human Development Index (HDI) introduced by UNDP in 1990 and published regularly in the annual Human Development Report (HDR) which explains how people can access development outcomes in terms of income, health, education, and so on. This index will measure the quality of human life through measured of income, health, and education.

Calculating the HDI, there are three dimensions, namely the dimensions of health, education, and decent living standards. The health dimension is determined by Life Expectancy by calculating the expected of life of the child from birth.

### **3. Research design and methods**

This type of research is descriptive research with a qualitative approach. This study aims to describe the factors that shape human capital that occurs in Indonesia compared to countries in Southeast Asia (ASEAN). Various references related to human capital are obtained from various sources which serve as the basis for understanding the concept of human capital. The data used are related to knowledge, skills, and health as indicators to measure the human capital index (HCI). The HCI value is in the range of 0 to 1. The higher the HCI value of a country is closer to 1, the higher the productivity of its population is supported by indicators of knowledge, skills, and health. HCI data for Indonesia and countries in Southeast Asia are obtained from data provided by the World

Bank and the World Economic Forum. Then an analysis was carried out to find out clearly the comparison between Indonesian HCI with ASEAN.

#### 4. Results and Discussion

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The research findings shows that there is an increase in Indonesia HDI by 66.53 in 2010 to 71.92 in 2019. This increase is slowing down. Of course, Indonesia should be proud considering that the HDI trend continues to increase every year. Now, HDI Indonesia has been in the high HDI category.

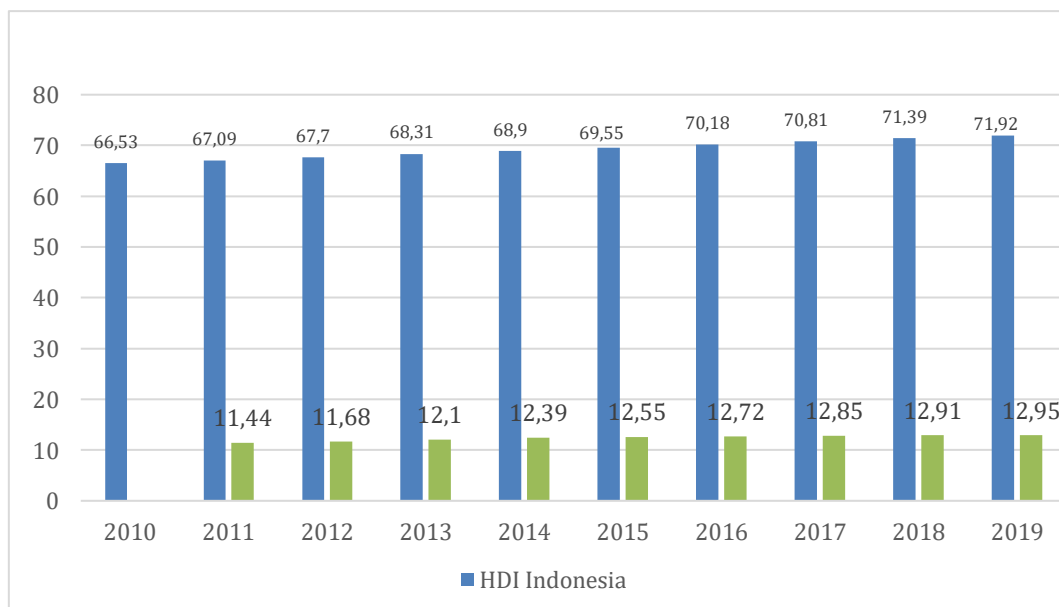


Figure 2. Human Development Index of Indonesia, 2010-2019

Human Capital Index (HCI). mengukur produktivitas penduduk melalui indikator: pengetahuan, keterampilan, dan kesehatan. The Human Capital Index aims to knowing the government policies of a country are to improve the health and education factors of its population so that they have the potential to become the workforce in the future. This indicator is used as a parameter to see the quality of human resources in a country to produce economically. Quality Human Resources will contribute to the economic development of a particular country.

Figure 4 that of Indonesia has an HCI value of 0.53. This means that Indonesians born now until the age of 18 years later can only reach 53 percent of their total maximum productivity potential. This figure shows that Indonesia is ranked 87th out of 157 countries or 6th in ASEAN. In this position, Indonesia will find it difficult to compete with other countries in this era of globalization. This condition shows that investment in human resources in Indonesia has been weakening in recent years. Indonesia must improve its education and health aspects so that it can catch up with other countries in the world, especially Southeast Asia. Therefore, Indonesia must increase investment in education and health.

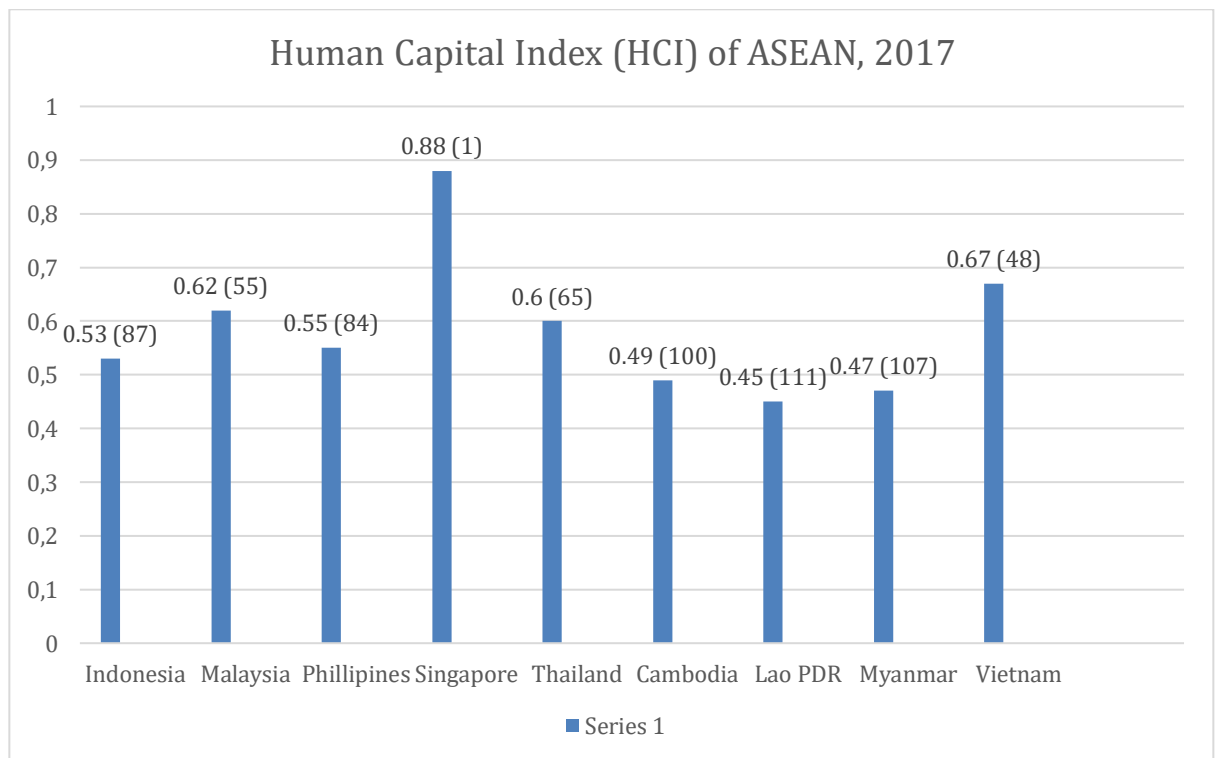


Figure 3. Human Capital Index of ASEAN, 2017

This research finding shows that Singapore with a score of 0.88 is ranked 1, Malaysia with a score of 0.67 is ranked 55, then Thailand with a score of 0.60 at 65 and the Philippines with a value of 0.55 is in 84th place. Meanwhile, Cambodia is in at rank 100 with a score of 0.49, Myanmar ranked 107 with a score of 0.47 and Laos ranked 111 with a value of 0.45. This shows that the quality of Indonesian human resources is still far behind other countries in ASEAN, including Vietnam. This shows that countries that have a fairly high index have people with higher competence compared to other countries with a lower index.

The increasing importance of the role of human resources in development requires increased investment to improve the quality of Indonesian human resources. One of Indonesia's development missions is the development of human resources. Therefore, the Indonesian government must prepare for the development of human resources from an early. Otherwise Indonesia will lag behind other countries in the world and ASEAN. Indonesian human resources are not matched by an increase in education or skills. This situation is also accompanied by people who do not have the ability to keep up with all-digital technological developments in the industrial era 4.0. This factor causes modern society to always oppress the marginalized. Many developed countries dominate the economies of underdeveloped countries.

Poverty occurs as a result of the capability deprivation by the modern against the marginalized. This poverty will have an impact on low economic growth, this is the cause of the inhibition of a country's development. Poverty leads to hunger, inadequate nutrition, unavailability of medicines, and inadequate clean water and sanitation facilities. Therefore, the focus on human resource development is Education and Health. Education is very important to pay attention to raise the mobility of the marginalized from powerlessness. The gap between capable and marginalized people in Indonesia is very high. Human Resource Development in Indonesia is a hope to minimize this gap.

#### Global Human Capital

Global Human Capital (GHC) - World Forum Economic (WFE): Indonesia berada di peringkat ke-65 dari 130 negara. Human Capital consists of the knowledge, skills and health that humans accumulate throughout their lives, enabling them to realize their potential as productive members of society. We can end extreme poverty and create more



inclusive societies by developing human capital. This requires investing in people through nutrition, health care, quality education, jobs and skills.

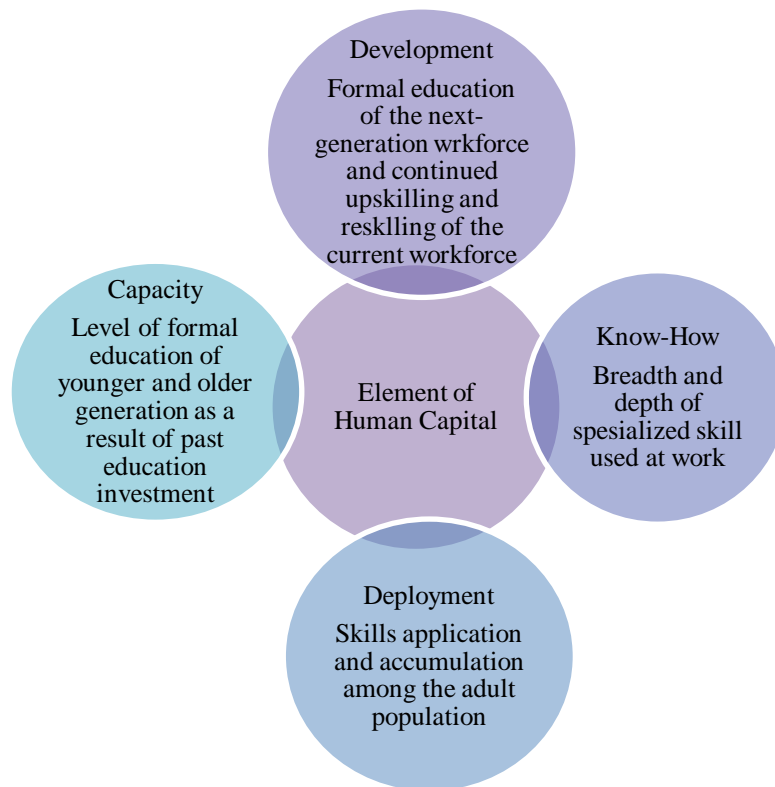


Figure 4. The Element of Human Capital

In the Global Human Capital index, Indonesia is ranked 65th out of 130 countries. Similar to the World Bank's version, Indonesia's position is worse than the five ASEAN countries and better than the other three ASEAN countries. The difference is, the WEF version places Indonesia higher than Brazil, which is one of the BRICS member countries.

## 5. Conclusion

The conclusion of this research show that Indonesia is ranked 65th out of 130 countries in the world. Similar to the World Bank version, Indonesian position is worse than the five ASEAN countries and better than the other three ASEAN countries. However, the World Economic Forum (WEF) version places that position of Indonesia higher than Brazil, which is one of the BRICS member countries.

The increasing importance of the role of human resources in the development requires increased investment to improve the quality of Indonesian human resources. One of Indonesian development missions is the development of human resources. Therefore,

Indonesian government must prepare for the development of human resources from an early. Otherwise Indonesia will lag behind other countries in the world and ASEAN. Indonesian human capital are not increase in education or skills. This situation is also accompanied by people who do not have the ability to keep up with all-digital technological developments in the industrial era 4.0. Education is very important to pay attention to raise the mobility of the marginalized from powerlessness. The gap between capable and marginalized people in Indonesia is very high. Human Resource Development in Indonesia is a hope to minimize this gap.

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