

The Role Of Human Capital In Regional Competitiveness: A Review

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Abstract

The progress and decline of a region or country is determined by several components, but several references generally state that human capital is a very important component in increasing competitiveness both nationally and globally. To advance and increase economic growth, it is very important to pay attention to the development of human resources. Developed countries have provided real evidence of their progress because the main supporting factor is human capital or in general human resources. Good human resource development will certainly be the most appropriate solution and answer to compete both at the national level and at a wider or international level. To achieve this goal, regions must find the solution sources needed to develop human resources with a greater effect on increasing regional competitiveness. This study examines how the impact of human capital on regional power capabilities can be superior compared to other factors. The success and progress of a region can be viewed in terms of its human resources and natural resources. This study presents a basic model that will explain the positive impact of human capital and the achievement of progress in a region.

Keywords: Human capital, regional progress, competitiveness.

1. Introduction

Basically, the basic idea of human capital is to focus not only on resources such as money, technology, machines, land and buildings but also on capital that generates profits. Can be considered as expenditure aimed at improving the quality and quantity of capital, including investment activities.

Human capital considers humans as the main key to an entity. Human capital always focuses on strategic planning to optimize talents and skills in implementing organizational and company strategies. More specifically, human capital is a set of aspects of knowledge, expertise, skills and abilities that make a person an asset for an organization or company.

Furthermore, human capital is the main component that can add value to an organization or company in daily operations through motivation, individual abilities and group abilities and cooperation between groups.

The contribution of human capital in this case as employees or employees lies in how to develop employee skills to increase organizational productivity, transfer employee knowledge to the organization, and change organizational culture, so that it is more advanced and developed.

Loosely speaking, human capital corresponds to any stock of knowledge or characteristics the worker has (either innate or acquired) that contributes to his or her “productivity”. This definition is broad, and this has both advantages and disadvantages. The advantages are clear: it enables us to think of not only the years of schooling, but also of a variety of other characteristics as part of human capital investments. These include school quality, training, attitudes towards work, etc. Using this type of reasoning, we can make some progress towards

understanding some of the differences in earnings across workers that are not accounted by schooling differences alone

In [1] *Human Capital: A Theoretical and Empirical Analysis, with Special Reference to Education*, published in 1964 (and preceded by his 1962 *Journal of Political Economy* article, “Investment in Human Capital”), Becker notes that he hesitated to use the term “human capital” in the title of his book and employed a long subtitle to guard against criticism [2].

Singapore is one of the countries that encourages the development of its human capital through collaboratively planned and structured education, training, and policies. The country has no natural resources, however, it considers human resource as its most important strategic capital [3]. Singapore has been ranked as the top country in the Human Capital Index. Consequently, the strength of human capital in Singapore may have a positive role in Economic growth. Several decades ago, Singapore had a low-skilled human resource and high incidences of tropical diseases. However, Singapore has now transformed its human resource into a highly skilled force. In addition Singapore found remedies for the tropical diseases. Therefore, Singapore is regarded as the best-performing state by the World Bank Human Capital Index.

2. Methodology

The research approach used is a qualitative approach with descriptive research type. According to [4], the descriptive qualitative research method is research based on postpositivist philosophy used to research the condition of natural objects where the researcher is the key instrument. The approach in this research was taken because the researcher wanted to describe and get an overview of the human capital being researched by directly interviewing subjects about the role of human resources and also collecting the data and information needed as a basis for preparing this research report.

A qualitative descriptive method based on a literature review was used in this research. If the author chooses this method, the author must provide a detailed explanation of the specific requirements for the research elements [5].

In this research, the author tries to understand the concept of human capital or human resources and its impact on competitive advantage in an organization. Data collection in this research was carried out using two data sources, namely primary data and secondary data. The main sources of information for this research were books, scientific publications, journals and articles. Apart from that, the author also presents data sourced from the Internet.

3. Research results and discussion

Human capital is seen as a concept related to activities that will influence future monetary and psychological income by increasing human resources. These activities are called investments in human resources according to [6], Human resources reflect the overall skills and abilities of the workforce. If developed carefully, it can be optimized for competitive advantage. This challenge is the shared responsibility of all stakeholders in the country's economy: government, employers and trade unions. And as we prepare our workforce for the new economy, we focus on four dimensions: knowledge capital, human capital, imaginative capital, emotional capital, and social capital [7]

Human capital is linguistically composed of two basic words, namely human and capital (model). Capital is defined as a production factor that is used to make a good or service without consuming it during the production process. Based on this definition of capital, humans in human capital are a form of capital like machines and technology. Humans also have a role or responsibility in all economic activities, such as production, consumption and transactions. As this theory develops, the concept of human capital can be defined into three. The first concept is human capital as an individual aspect. This concept states that the human model is an ability that exists in humans, such as knowledge and skills. This was clarified by [8] who stated that human capital is the knowledge, competence, attitudes, health and traits possessed by humans.

The following is an illustration of sources of competitiveness through human capital

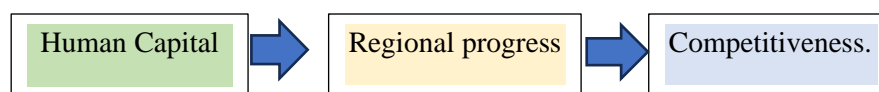


Figure 1: Human Capital line of thinking for competitiveness

3.1 Human Capital during the Covid-19 Pandemic

Over the past decade, many countries have made important progress in improving their human capital. But now, the COVID-19 pandemic is threatening much of the progress that has been achieved.

Urgent action is needed to protect hard-won increases in human capital, especially among the poor and vulnerable. By designing necessary interventions, targeting those interventions for maximum impact, and navigating difficult trade-offs as financial flexibility tightens, we move toward better human capital measurement.

According to [9] Increasing human resources will result in higher socio-economic income, higher government income, and greater social cohesion. This is the main driver of sustainable growth and poverty alleviation.

Indonesia is a country that has a high birth rate where the young generation is the hope of this nation and it is their hope for the young generation to achieve the highest education possible. However, in the era of globalization, people have changed their way of thinking, which tends to abandon their culture. At this time, education is very important. Education is one of the important factors in a country

Based on BPS data, the number of working age population (> 15) increased by 2.74 million people to become a workforce of 206.71 million. Of this number, 140.15 million are in the labor force (an increase of 1.93 million people) and 66.56 million people (an increase of 0.81) are not in the labor force [10].

3.2 Human Capital and Education

Education is one of the important factors in a country. With good quality education, it will certainly give birth to a generation that is clever and intelligent in its field. In this way, the condition of this country will continue to improve by the young generation who are competent in various fields of science. Education is a right and obligation that every human being must carry out. From education a person will learn about moral ethics, science and high social interaction [10]

The government also needs to respond to this challenge by emphasizing human resource development in a holistic and integrated manner. This includes providing a credible and quality labor market information system. A labor market information system is one of the prerequisites that must be met for employment. At the same time, this system is part of efforts to reform the vocational education and training system in Indonesia [10].

As a member of ASEAN, Indonesia itself is ranked 5th below neighboring Malaysia in the world of education among ASEAN countries as reported by Deutsche Welle. Currently Indonesia is in a position below Palestine, Samoa and Mongolia. Only 44% of the population has completed secondary education. Meanwhile, 11% of students failed to complete their education or dropped out of school

If viewed from a legal perspective, Republic of Indonesia Law Number 20 of 2003 concerning the National Education System (Sisdiknas), article 1 (1 and 4), namely "education is a conscious and planned effort to create a learning atmosphere and learning process so that students can actively develop their potential to have religious spiritual strength, self-control, personality, intelligence, noble morals, and skills needed by themselves, society, nation and state. "Students are members of society who try to develop their potential through the learning process available in the pathway, level and type of education" [11]. According to [11], the potential for the human brain to be used for thinking is only 4%. So there is still 96% of the human brain that has not been used for thinking.

In an effort to improve the quality of a nation, there is no other way except through improving the quality of education. Starting from this idea, the United Nations (UN) through the UNESCO (United Nations, Educational, Scientific and Cultural Organization) launched four pillars of education for both the present and the future, namely: (1) learning to Know, (2) learning to do (3) learning to be, and (4) learning to live together. Where the four pillars of education combine the goals of IQ, EQ and SQ. (<https://www.zonarekerjaan.com/besarpendidikan/>)

One of the determining factors needed for human resources to be able to compete at an international level is persistence. Because persistence will enable humans to focus on goals, so that it can encourage creativity in finding solutions and increase one's potential. To achieve organizational goals, both short and long term, in the era of global competition, individuals or groups are required to have desire, passion, enthusiasm, perseverance, endurance, toughness and consistency. However, on the other hand, organizations that have human resources who do not have enthusiasm or are apathetic will find it difficult to achieve their organizational goals. Apart from persistence, HR also needs to have the ability in the form of good interpersonal skills to be able to interact with everyone, so that they can develop

themselves to be more advanced. Interpersonal skills by studying seriously in education, as well as developing social interactions both in real and virtual (digital) worlds. Other efforts can also be made, namely understanding each other's differences within the organization and harmonizing them in order to achieve mutual success [10].

Based on the employment structure, the agricultural sector is still the highest with the number of workers at 37.13 million people, a decrease of 1.1 million people from the figure in 12020. Furthermore, the trade and processing industry sectors each contributed 25.74 million people and 18.70 million workers, of which the processing industry was also the highest contributor, increasing by 1.22 million people. Then formal sector workers increased to 40.55 percent or an increase of 1.01 percent, especially in the number of workers, employees and employees. Meanwhile, 59.45 percent still work in the non-formal sector [10].

Understanding human investment can be seen from several indicators of activities that can improve human capabilities, suggesting that these indicators are:

- 1) Health facilities and services, broadly conceived to include all expenditures that affect the expenditure.
- 2) On the job training, including old style appraisal organized by firm;
- 3) Formally organized education at the elementary, secondary, and higher levels;
- 4) Study programs for adults that are not organized by firms, including extension programs notably in agriculture;
- 5) Migration of individuals and families to adjust to changing job opportunities; (Blaug, 1968).

To create a quality educational institution, all components must have their quality improved. Improving physical facilities is important, but investment in human resources is much more important. HR investment will be able to optimize other resources. Building human resources will increase the effectiveness and efficiency of investment in other fields. Meanwhile, investment in other fields without building human resources will be vulnerable to destruction and inefficiency.

However, human capital also experienced changes in line with the industrial revolution process that began to emerge in the 18th century, which was triggered by the construction of railroads and the invention of the steam engine. This revolution marked the beginning of the era of mechanical manufacturing. The second industrial revolution, started at the end of the 19th century until the end of the 20th century and continued to develop until this decade reached the era 5.0 or known as the corporate era. In contrast to the 4.0 era which focuses more on digitalization, the 5.0 era focuses on efforts to humanize humans through technology. This concept first emerged in Japan on the basis that if we prioritize technology without thinking about the human aspect, the impact will be very dangerous. According to Shinzo Abe at the World Economic Forum, "Society 5.0 is not just a model, but about data." connecting everything, helping to bridge the gap between the upper and lower classes [12].

Industrial Revolution 5.0 is a new era marked by rapid technological developments, such as artificial intelligence (AI), Internet of Things (IoT), big data, and robotics. In the Indonesian context, this industrial revolution has great potential to change various sectors and increase the country's economic progress. One sector that can be significantly affected is the manufacturing

sector. The Indonesian government is currently implementing strategic steps determined based on the Building Indonesia 4.0 road map. This effort was made to speed things up the realization of a national vision in exploiting opportunities in the era of the industrial revolution V E Satya [2018, p. 19]. This effort aims to accelerate the realization of the national vision to take advantage of the opportunities offered by the era of the industrial revolution 4.0.

Education is a major concern for all societies. As the foundation and essential driving force of economic, social, and human development, education is at the heart of the change that is dramatically affecting our world in the areas of science, technology, economics, and culture. It is the reason behind social change and scientific progress, and in its turn, it is subjected to the results of progress that it itself has engendered, both with regard to content as well as methods and established aims [9].

4. Conclusion

- a. Quality human capital really supports the success of national development, especially towards the realization of an independent and highly competitive Indonesian nation. An independent and highly competitive nation is a nation where most of its human resources are of high quality.
- b. Regional progress is certainly supported by excellent and quality human capital, which will be the goal of society and the hope of the Indonesian nation and will be able to compete in obtaining various opportunities and answer various challenges faced in achieving regional progress in various fields.
- c. Thus, advancing a region or country is not an easy task, there are obstacles that prevent success in regional and national development. The main human capital problems experienced, especially the dimensions of education and health, still need to be improved. Various efforts have been made to improve the quality of education and health, however this cannot be seen immediately but must be gradual and continuous and concrete and innovative steps are needed,
- d. Human resources in West Sulawesi are still lagging behind as reflected in the Human Development Index which is ranked 32nd in 2022
- e. In overcoming human capital problems in West Sulawesi, efforts will be made by the government to improve the quality of education and health
- f. Without significant innovation, the quality of human capital will not change. various programs and activities in a directed, regular and sustainable manner will certainly produce something that is truly expected.

5. Suggestion

Suggestions based on what has been found are several recommendations, especially those related to efforts to improve the quality of human capital through innovation processes carried out quickly, purposefully and continuously, including the following:

- a. The innovation process carried out in regions or human capital institutions must be truly programmed in accordance with the vision, mission and quality objectives
- b. The human capital innovation process must be sustainable by paying attention to various

elements/factors in accelerating the implementation of innovation so that the expected results can be realized optimally

- c. The elements that accelerate the innovation program both internally and externally and other supporting aspects must be truly optimized in their functioning so that they will encourage the success of the human resource innovation program
- d. There is a need for further discussion due to the limitations of this paper through research with relevant themes, which will become material for new studies and comparisons as well as updating concepts and content so that it will be more comprehensive and more substantive.

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