

# **Human Capital Investment Development Strategy in Indonesia**

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## **Abstract**

In its implementation, increasing human resources can also be done through educational partnerships to improve formal education, which is still so low. For this reason, all parties, both private and bureaucrats, jointly manage human resources as "Human Investment" to improve the quality of our human resources, which are still so low that they can become more competitive and have "Intellectual Capital". Human resource quality improvement programs through education will provide benefits to organizations. This approach begins from a current strategic driven. To be effective, the approach must be based on accurate problem diagnosis and analysis of plan alternatives. This approach will make it easier for the organization to focus more accurately on a particular part or skill that is needed. What needs to be considered in HR planning is environmental observation, both internal and external. To improve the quality of human resources in the future, all parties, both private and bureaucrats, collectively through a partnership program to manage human resources as "Human Investment" to improve the quality of our human resources through education so that they can become more competitive and have "Intellectual Capital. Increasing human resources through education needs to be done through political, economic, legal, socio-cultural, and administrative / managerial approaches.

*Keywords: Human Capital, Development, Strategy, Indonesia.*

## **1. Introduction**

The development of the world today, Indonesia is faced with a situation of globalization. As a global phenomenon, this development is a global and fundamental structural structuring process in various aspects of life, which causes changes in paradigms both political, social, cultural, and economic, because of the rapid advancement of science and information technology which constitutes "product knowledge" (Fahlevi et al., 2019). Facing this very dramatic change requires every organization and various parties to always be ready to open and adjust to various aspects of life. Responding to this condition, every organization is required to be able to formulate accurate strategic and policy planning, including in "human investment".

One of the characteristics of this change has shifted from the original competition based on material to competition based on science, because it is the obligation of each organization to play a dual role in the responsibility of "Human Investment" and build high competence as a form of competitive advantage. These are intangibles assets in the form of "intellectual capital" for the nation. For organizations that are sensitive to the changes that occur, this provides a signal for the leadership of the organization to try to analyze internal and external policies in their strategic planning. The results of the analysis will help in determining a new vision for an organization (Supriadi et al., 2020).

## **2. Literature Review**

The long journey of this Republic has provided a lot of experience for the Government and the Indonesian people. We hope that the government and economic / business actors are consistently committed to formulating various human investment policies. It needs to be realized that employment is the most basic human need, therefore the creation of job opportunities has always been the main target of development in any country. Especially for a country with a very large population, such as Indonesia. In addition to work opportunities, workers' welfare is always a concern, either in the form of wages / salaries, allowances, or other forms of income (Turmidzi et al., 2019).

Reality shows the low level of education and skills possessed by our workforce, causing the level of achievement and strategic position of human resources in the labor market to be very weak. For example, the problem of labor such as TKI and TKW whose education is still at the basic level, not to mention the problem of layoffs (Fahlevi, 2020). This situation is expected to continue in the future, given that the growth in the workforce will continue to increase. Meanwhile, available job opportunities will increasingly require capital-intensive technology and high competence. Very low competitiveness and increasingly unequal labor market conditions unwittingly have become an opportunity for foreign workers to enter our country slowly and surely have absorbed the opportunities and positions that exist, because our competency standards have not yet referred to international competency standards (Sutia et al., 2020).

In the meantime, we realize that export goods that rely on "low wages" are increasingly unpopular and no longer supportive, even showing less competitiveness in the international market. Human resources who have high education and competence today will be very decisive in competition. Lack of human resources as workers, is felt right when we export labor services which are still ongoing and problematic. The low level of education and quality has resulted in the existence of the unemployment rate in Indonesia as of August 2014 still reaching 7.24 million while it is estimated that 27.73 million people are at the poverty level (Central Bureau of Statistics, 2015).

The condition of the labor market in Indonesia itself is experiencing dualism. On the one hand there is excess supply (labor surplus), on the other hand there is excess demand. Over-supply occurs in the labor market with low quality and education. In February 2015, the working population was still dominated by those with elementary education and below at 45.19 percent. Meanwhile, only 8.29 percent of the working population with a bachelor's degree and above. On the other hand, excess demand is usually aimed at those who are educated and have high performance abilities and even tend to be overutilized. In this situation, the dilemma that occurs is not uncommon for us to import qualified labor / human resources and high technical capabilities, as a result gap after gap continues to roll like a snowball (Suwarni et al., 2020).

The quality of education in almost all channels, types and levels is still inadequate, even paying less attention to the direct benefits of "competence" so that many workers who enter the world of work are unprepared. Meanwhile, the prevailing conditions in general in developing countries, including Indonesia, are strongly influenced by 1). The high growth rate of the workforce is due to the rapid growth of the working age population; 2). The number of labor force has an average low education; 3). High labor force participation but low income (Wahidin et al., 2020).

While the exponential development of science has changed very rapidly, the way and lifestyle of humans, there have even been jumps due to the development of information technology, which is product knowledge. This very, very fast acceleration has become a decisive phase, it is even possible that humans who do not have the quality and competence will eventually be thrown out of life in this century. The existence of the condition of human resources in a sustainable manner is a challenge, as well as a constant problem. Gap after gap occurs between supply and demand with various influencing factors.

To realize the quality of human beings and the quality of advanced Indonesian society, education is a very basic effort in developing human resources. Although this does not mean going through formal education, until now it is still believed that education is the main vehicle for improving the quality of human resources which is carried out systematically, programmed, tiered, and sustainable (Fahlevi et al., 2020).

### **Challenges Faced by Indonesian Human Resources in The Future**

In the future, various problems and challenges related to employment will become more complex and complicated. It is not impossible that domestic workers will only be guests in their own country. Policies for efforts to improve quality at present and in the future need to seriously pay attention to 3 (three) factors, namely: First, sensitivity to formulate the types of skills and expertise that Indonesian human resources must possess so that they are able to break through the level of world competition. Second, Indonesia's human resources must be directed and concentrated to have the ability to formulate strategies in various fields. Third, create a format for education and community participation, especially the business world, which enables Indonesian human resources to develop a learning process and gain experience (Armstrong & Taylor, 2020).

### **3. Methods**

This study uses literature review as the basis for research. Literature review in a scientific research is an important part of the overall research method steps. Cooper in Creswell argues that literature review has several objectives, namely, inform readers of the results of other studies that are closely related to the current research, link the research to existing literature, and fill in gaps in previous studies (Saunders et al., 2009).

Furthermore, Geoffrey and Airasian suggested that the main purpose of literature review is to determine what people have done related to the research topic to be carried out. In addition, literature review not only prevents the duplication of other people's research, but also provides the understanding and insight needed to place the research topics we do in a logical framework. By reviewing previous research, it can provide reasons for the research hypothesis, as well as an indication of the importance of the research to be carried out. Anderson further argues that literature review is intended to summarize, analyze, and interpret concepts and theories related to a research project (Sekaran & Bougie, 2016).

Based on some of the above opinions, it can be concluded that literature review is a research activity that aims to seriously study the theories and concepts related to the topic to be studied as a basis for stepping into the next stage of research. The theories and concepts studied are used to clarify and sharpen the scope and constructs of the variables to be studied, as a basis for the formulation of hypotheses and the preparation of research instruments, and as a basis for discussing research results to be used to provide suggestions to solve problem topics (Ghozali, 2018).

### **4. Results and Discussion**

Future business strategies that are influenced by changing environmental conditions require leaders to develop programs that can support current issues and support future business plans. Alignment between business and HR planning can build a business plan that ultimately determines HR needs. This requires a workforce forecasting through an action-driven approach (Nursanti T.D, 2001). This approach begins from a current strategic driven. To be effective, the approach must be based on accurate problem diagnosis and analysis of plan alternatives. This approach will make it easier for the

organization to focus more accurately on a particular part or skill that is needed. What needs to be considered in HR planning is environmental observation, both internal and external.

In the internal environment, the problems faced by the company include issues of productivity. If we investigate further the causes of decreased productivity include: (i) employees are less competent in carrying out the production process or service, and (ii) because the tools provided cannot support the competencies required in carrying out their work. In addition to productivity issues, companies are also faced with a lack of employee expertise for the work they are handling, undirected HR development, lack of HR knowledge, and unable to provide clear career directions.

In the external environment, the company is faced with a strategic environment that continues to develop. Globalization, technological advances, economic development, and changes in the composition of the workforce have also influenced HR problems in almost every country. Changes in the characteristics of the labor force are marked by the decreasing rate of growth of the workforce, the increasing number of years of service for the elderly and increasing diversity of the workforce. For that we need HR planning that has implications for HR management at present and in the future. Another approach is the knowledge created approach (Sarkie R, 2003) which is used in the long term. The created knowledge approach is used as a building block. The advantage of the knowledge created process is that it comes directly from experiences in the organization they do, namely from collective work and knowledge exchange.

In its implementation, increasing human resources can also be done through educational partnerships to improve formal education, which is still so low. For this reason, all parties, both private and bureaucrats, jointly manage human resources as "Human Investment" to improve the quality of our human resources, which are still so low that they can become more competitive and have "Intellectual Capital". Human resource quality improvement programs through education will provide benefits to organizations in the form of productivity, morale, efficiency, effectiveness, and organizational stability in anticipating the environment, both from within and outside the organization, which is always changing with the times. (Harun C. Z, 2007). To improve the quality of human resources through education, several approaches need to be made, namely:

1. Political Approach. It is well known that regardless of the political system adopted by a country, one of the goals of the state is to improve the welfare of its people. In the context of state life, people's welfare is no longer limited to physical welfare which is manifested in increasingly equitable economic prosperity, but also mental and spiritual welfare. In fact, the welfare referred to today is often associated with the quality of life of mankind in accordance with their dignity which is not only followed, but also upheld.
2. Economic Approach. The prolonged economic crisis that seems to never stop in our country has a very bad impact on improving the quality of human resources. Many members of society (HR) who are assets of a country cannot continue their studies (education) to a higher level due to their economic inadequacy. This will be overcome if policy makers in managing education financing are wiser and wiser in managing the available education costs. They should help human resources who really need it, so that assistance is very useful.
3. Legal Approach. One indicator of the life of modern society is the increasing awareness of community members about the importance of a balance between their respective obligations and rights. The main instrument to ensure this balance is legal certainty. The quality of human resources can be improved by complying with the laws in force in the country. By obeying the law including the regulations in the place where he works, so that violations rarely occur or don't even occur, the quality of human resources will improve.
4. Socio-Cultural Approach. Cultural values determine whether they are good and right or wrong. In improving the quality of human resources, socio-cultural values are a very important factor to pay attention to. Someone (HR) will be ashamed of doing badly because society will judge

it and even isolate it if someone is proven to do things that conflict with the customs (culture) of a group. Therefore, it is necessary to cultivate a culture of shame. Quality improvement cannot be done if no one follows it.

5. **Administrative / Managerial Approach.** One of the salient features of this century is the creation of various types of organizations. Therefore, modern humans are often called organizational humans who are the focus of administrative / managerial. If a job is carried out administratively / managerially, effectiveness, efficiency and productivity can be achieved easily. Thus, the quality will increase. The management process requires planning, implementation, and supervision. If these three processes are followed properly, quality improvement will be achieved. One of the management philosophies is reducing uncertainty. If that were true, the quality could be improved. Educational management is a science that studies how to organize resources, both human resources and other resources to achieve educational goals. For this reason, the arrangement of education management is needed to achieve the quality of education which will have a positive impact on improving the quality of human resources.

Environmental changes will continue to have a changing impact on an organization's strategy. This change in strategy will increasingly direct policy and decision makers to clarify the direction in which the vision and mission of human resources will be taken. In this regard, human resources are an inseparable part of the organization. These changes involve many aspects and demands that must be achieved, so the development of human resource competencies is increasingly becoming a priority. The development of the quality of human resources is an investment in "intellectual capital".

For that the organization must make two vital conceptual changes. First, the organization not only recognizes people as the most important asset but must implement it into strategic implementation policies and procedures. Second, the organization must realize that the expenses associated with the existence of human resources must start to be calculated and treat it as an investment, which can be calculated. Thus, what cannot be avoided is the attention of all parties to understand the human resource management system, because often the social relations mechanism in the organization creates competition between the values developed by the organization such as economic value / efficiency with the political influence of individual rights demands, as well as conditions. -social conditions. Conflicts often occur against demands, which in the end are often marginalized / disadvantaged. On the other hand, these conditions often affect the patterns and actions of the leadership, are not responsive to the social conditions that occur such as equality in obtaining skills and abilities.

In the new organizational and economic developments in the current era, especially in the creation of values, an organization is very much dominated by human capital. Therefore, it is necessary to measure the HR strategy. One of the concepts introduced is the HR Scorecard which offers important steps for managing HR strategy (Dharma. S and Yuanita, 2001). HR Scorecard is a new approach in measuring HR performance to improve performance. This measurement model is very important for HRD to face challenges in the future, given the ever-changing environment. The steps taken by the HR Scorecard are (i) defining the business strategy clearly, (ii) building a business case for HR as a strategic capital, (iii) creating a strategic map, (iv) identifying HR deliverables in a strategic map, (v) Partnership between HR Architecture and HR Deliverables, (vi) Designing measurement systems and (vii) implementing measurement management.

Another performance measurement is the use of the Balance Scorecard, which is a management, measurement and control system that can quickly, precisely, and comprehensively provide an understanding for the leadership of the organization's performance. This performance measurement looks at the business unit from four perspectives, namely the perspective of finance, customers, business processes within the company and the learning and growth process (Mayo. A, 2001). Norton in Fitz-Enz (2000) states that the key point of difference between the Balance Scorecard and other measurements is that the Balance Scorecard is based on an organizational strategy that states the

history of corporate strategy, and the Balance Scorecard uses an executive team who is responsible for fundamental corporate strategy (Fitz-Enz. J, 2000).

## **5. Conclusion**

Future business strategies that are influenced by changing environmental conditions require leaders to develop programs that can support current issues and support future business plans. Alignment between business and HR planning can build a business plan that ultimately determines HR needs. This requires a workforce forecasting through an action-driven approach at this time, we are faced with a situation of globalization. As a global phenomenon, this development is a global and fundamental structural structuring process in various aspects of life. Therefore, it is necessary to change the paradigm, be it political, social, cultural, or economic, because of the rapid progress of science and information technology which is a "product knowledge".

The quality of Indonesian human resources currently is of great concern where most of the people are at the level of primary school education. This is as shown by data from the Central Bureau of Statistics where in February 2015, the working population was still dominated by those with elementary education and below by 45.19 percent. Meanwhile, only 8.29 percent of the working population with a bachelor's degree and above. To realize the quality of human beings and the quality of advanced Indonesian society, education is a very basic effort in developing human resources.

To improve the quality of human resources in the future, all parties, both private and bureaucrats, collectively through a partnership program to manage human resources as "Human Investment" to improve the quality of our human resources through education so that they can become more competitive and have "Intellectual Capital. Increasing human resources through education needs to be done through political, economic, legal, socio-cultural, and administrative / managerial approaches. In the current era, an organization is dominated by human capital. Therefore, it is necessary to measure HR strategy through HR Scorecard which offers important steps to manage HR strategy. Another measuring tool for assessing performance is the Balance Scorecard.

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