

Enhancement of Productivity to Improve Indonesia's Labor Competitiveness

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Abstract The Covid-19 pandemic-induced economic crisis has affected labor in Indonesia. A number of workers have been laid off, as the crisis has caused disruption to companies' operations. Labor is critical to the economic development process. Along with infrastructure and governance, labor is a critical factor that can drive and accelerate an economy's decline in competitiveness. Several empirical studies have found a strong relationship between labor and economic competitiveness. The more competitive the labor market of a country, the more competitive the country's economy, and vice versa. Increasing labor competitiveness is the result of a time-consuming process of structured and systematic human resource development. This study will describe the issues that must be addressed in human resource development in Indonesia, as well as some steps that can be taken to improve it. According to statistical data, Indonesia's human resource development lags behind that of several competing countries, including those in the ASEAN region. It is understandable that human resource development in this country has not made a significant contribution to and has not been optimally correlated with increased productivity. Improving the design and implementation of skills improvement policies is critical as part of efforts to increase competitiveness and labor productivity.

1. Introduction

In early march of 2020, the Covid-19 pandemic struck Indonesia. The Covid-19 outbreak has wreaked havoc on Indonesia's labor market. Diverse business sectors are contracting as a result of the reduction of economic and social activity to prevent the spread of Covid-19 in Indonesia and its trading partner nations. As a result, a lot of employees are laid off. Numerous informal sector employees have also lost their employment. As the country's economy continues to decelerate, it is anticipated that the decline in employment will continue. In the first quarter of 2020, the GDP expanded by only 2.97% [1]. Consequently, an effective set of policies is required to combat the rising unemployment rate.

To promote the formation of employment policies suited to the characteristics of crisis-affected employees, regional development must be conducted with a focus on achieving community welfare. One of the characteristics of the notion of sustainable regional development is the level of competitiveness. The greater a region's level of competitiveness, the greater its level of social well-being. An area's response to the influence of this globalization phenomenon will vary, and this will have a significant impact on the bargaining position of each region in the intensifying global rivalry. This must be viewed as a desire for each region in Indonesia to develop its own competitiveness, while strong competitiveness across regions in Indonesia as a whole is a determinant for growing national competitiveness in the context of high demands to be able to compete worldwide.

The decentralization undertaken in Indonesia is an endeavor to stimulate economic growth in the region. This situation provides regional governments with the greatest possibility to raise the prosperity

of their citizens through innovation, increased transparency and accountability, and economic governance that is more competitive and highly competitive. Certainly, the formation of competitiveness includes not only efforts to strengthen the synergies of various regional development sectors, but also structural enhancements to the regional development system, so that such development can increase the well-being of people more effectively and efficiently.

Labor competitiveness is one of the aspects of competitiveness that must be examined. Labor plays a crucial role in the economic growth process. Along with infrastructure and governance, labor is a crucial factor that can promote and accelerate the growth and fall of an economy's competitiveness [2]. Several empirical studies demonstrate that labor competitiveness and economic competitiveness are moderately correlated. The competitiveness of a country's economy is proportional to the competitiveness of its labor, or vice versa [3]. Conceptually, boosting the workforce's competitiveness is an integral aspect of human resource development [4]. It is unsurprising that a number of countries, such as South Korea and China, which recognize the significance of labor competitiveness in economic development, prioritize human capital development. At both the planning and implementation stages, the country's human resource development program regularly receives financial and political support through a variety of measures. China and South Korea have successfully developed highly competitive labor forces, despite the fact that efforts to develop human resources tend to be complex and need tight processes and lengthy procedures. This is a result of political constancy and fiscal backing [5].

Assuming that the level of productivity is a significant measure of competitiveness, the competitiveness of the Indonesian workforce lags behind the competitiveness of labor in countries that have been traditionally regarded as competitors, such as Malaysia and Thailand. Consequently, even though Indonesia has a big labor force in terms of numbers, the low quality of the labor force that has successfully entered the labor market has prevented it from playing an optimal role in promoting economic competitiveness. This study will analyze the impact of rising productivity on labor competitiveness in Indonesia.

2. Method

The qualitative approach being used in this study is to find out what is needed to improve Indonesia's labor competitiveness, which data was obtained from various sources of information. Qualitative methodology, as a research procedure, produces descriptive data in the form of oral or written from the observed people and behavior [6]. Therefore, this study uses a descriptive approach that offers a watchful depiction of a particular individual or group about the occurring circumstances and symptoms [7]. The secondary data collection method of this study is that content documentation was taken from books, magazines, newspapers, articles, journals, or other data sources. The data analysis technique of this study is content analysis. This study uses content analysis techniques to obtain a complete description of various sources. In the end, data analysis results can be mapped to obtain research output in the form of a design model for improving Indonesia's labor competitiveness.

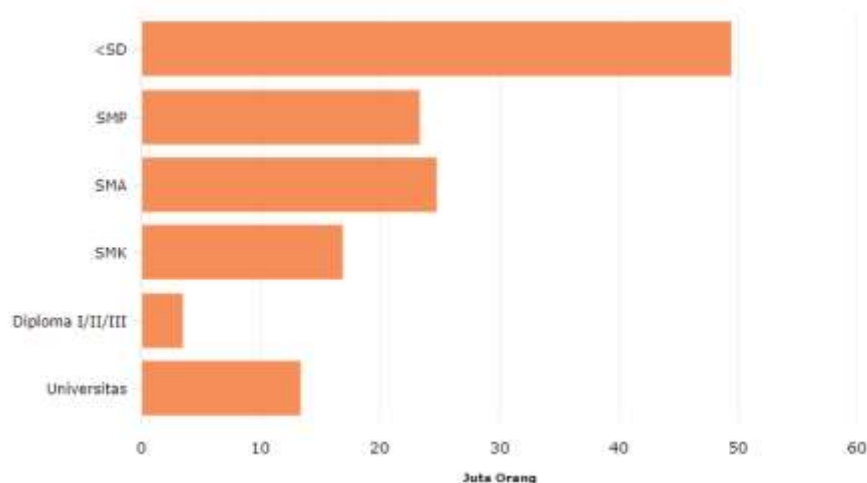
3. Results and Discussion

3.1 Characteristics of Labor Education and Skills

Education is one of the most essential cornerstones for promoting higher productivity [8]. Education paves the way for the accumulation of technical and cognitive knowledge and skills, which are crucial for enhancing production.[4] Several empirical investigations have demonstrated a favorable correlation between an individual's amount of education and their level of production [9]. The World Bank reminded us that while an increase in the degree of education is crucial, it is not sufficient (necessary but insufficient) to promote higher levels of productivity [10]. If efforts to increase education levels are not supported by efforts to enhance the school system, this argument is extremely valid [11]. As noted, the reduction in investment competitiveness owing to employment concerns has made it harder for Indonesia to solve the unemployment problem. It is unsurprising that in recent years unemployment has become more difficult to control and a government-level issue requiring greater attention.

This implies that the education system must be interconnected and capable of adapting to the sector's changes. Without this, the level of education may increase, but it will not correlate significantly with a rise in the level of productivity, as the increase will not be accompanied by improvements in qualifications and specialization of knowledge and skills that are truly required by companies (economic sector) in developing industries and services (miss link and mismatch). Empirical evidence demonstrates why the development of Indonesia's labor productivity has not been as rapid as the development of labor productivity in other ASEAN countries in terms of quantity, as measured by the structure of the workforce according to educational background. The education level of the Indonesian labor force is dominated by individuals with an elementary school education or less. In 2015, the proportion of the Indonesian workforce with an elementary school education or less was approximately 44%, significantly higher than in Singapore (19.8%), Malaysia (36.3%), the Philippines (37.1%), and Thailand (56%) [12].

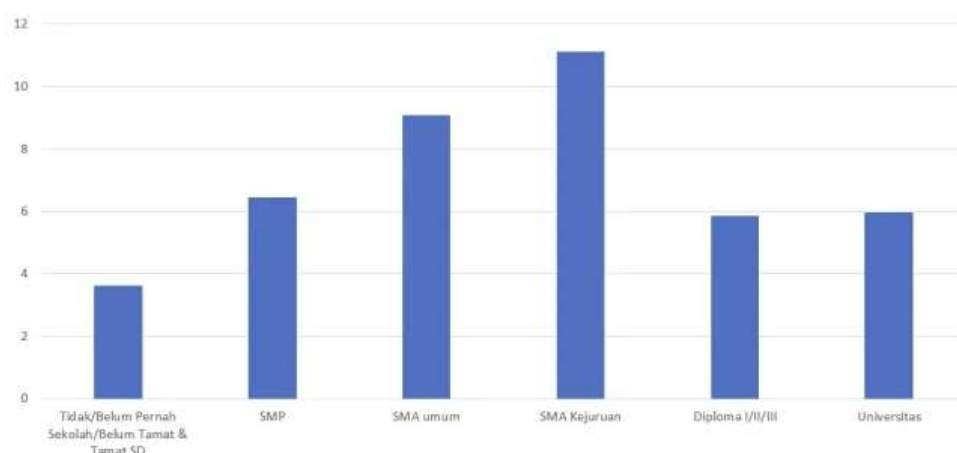
Predominantly elementary school graduates and those with less education have an effect on the organization of the labor force. The composition of the workforce in Indonesia mirrors the structure of the labor force (Figure 1), with elementary school graduates and lower comprising a disproportionately large proportion. Without appropriate action, this pattern is projected to not alter considerably in the foreseeable future, as the largest proportion of the unemployed and ready-to-enter-the-labor-market labor force holds a primary school diploma or less.



Source: Statistics, 2021

Figure 1. Characteristics of the Labor Force Population by Education

The difficulty is that workers with an education level of elementary school or less have generally inadequate knowledge and abilities [10][13]. As a result, they are likely to exclusively work in low-productivity industries, such as the informal sector. In turn, this will hinder the government's efforts to increase productivity.



Source: Statistics, 2021

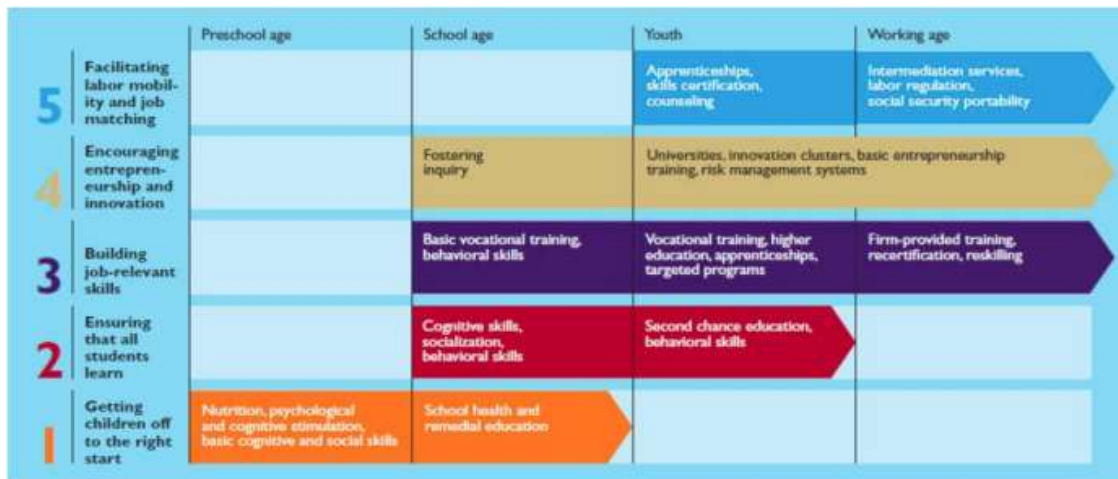
Figure 2. Open Unemployment Rate Based on Education Level

Also shown in Figure 2 are empirical data that are not particularly encouraging. It turns out that a considerable section of the workforce with a foundation in vocational high school education has not yet been absorbed into the labor market (unemployed status). There are two possible causes for this event. First, the abilities and qualifications of graduates of vocational high schools do not fulfill the requirements of industrial and service companies. When corporations recruit graduates of vocational high schools, the majority of graduates are not ready for use; thus, firms must give training so that the graduates they acquire possess the necessary skills [10]. Secondly, assuming that high school and vocational high school graduates have comparable skill requirements and require firms to provide additional training, high school graduates are preferred by companies. Companies assume that high school graduates have better behavior, are more cooperative, and can adopt training programs and materials more rapidly than vocational graduates [14].

In addition to people with a primary school education or less, the structure of Indonesian labor is dominated by individuals with no special talents. 7.7% of the overall workforce possesses specialized talents. In addition, 92.3% fell into the category of having no unique skills (Table 5). Individuals without particular abilities are typically less productive than workers with extraordinary skills. However, the methodology employed to classify the workforce based on skill type needs us to be cautious when translating the large number of workers who enter the group without specified abilities. In this regard, it is asserted that the possession of competency certification for particular abilities serves as the basis for grouping skills. Thus, even if a worker has abilities in the sector of tourism, he will be included in the group without particular skills since he has skills competency certification (expertise) in that field. The problem is that the workforce as a whole lacks a strong motivation to execute and participate in the competency certification procedure.

3.2 Increased Productivity of Human Resources

On the basis of research conducted in many nations, the World Bank supports the development of a five-stage model for enhancing labor productivity. Each step becomes a vertical rung that can be used to ascend to the next level. To achieve optimal results, interventions are implemented at each level, coordinated strategically, and tailored to the needs of the age group targeted by the intervention. Key components of this productivity enhancement paradigm are skills and skill development (Figure 3).

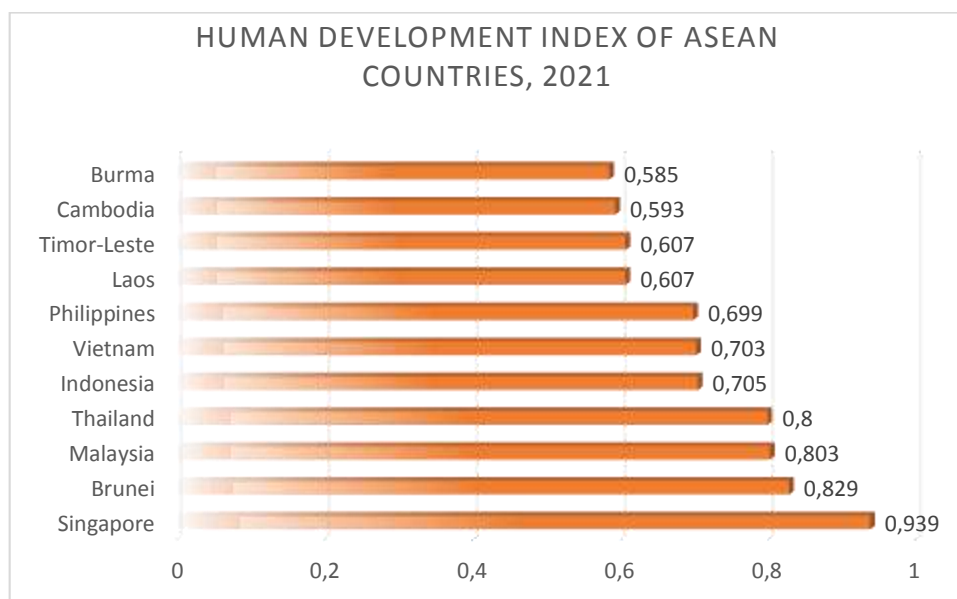


Source: World Bank, 2010

Figure 3. STEP Productivity Improvement Model (*Skill Toward Employment and Productivity*)

Figure 3 demonstrates implicitly that increasing productivity is a fundamental component of human capital development. Human resource development is the cornerstone of initiatives to boost competitiveness or labor productivity. The success of human resource development will have a favorable effect on the rate of labor productivity growth, and vice versa [15]. The difficulty is that, according to statistical data, the development of human resources in Indonesia lags behind that of other competing nations, especially those in the ASEAN region. It is entirely plausible that the development of human resources in this country has not considerably contributed to or optimally connected with the country's productivity growth [11].

The Human Development Index indicates that the picture of human resource development is still hazy (HDI). In 2021, Indonesia has a worse HDI ranking than Singapore, Brunei, Malaysia, and Thailand (Figure 4).



Source: World Bank, 2020

Figure 4. Human Development Index of ASEAN Countries, 2021

In addition, the HDI in Indonesia varies between regions with quite significant degrees of variation and disparity. DKI Jakarta has the highest HDI (0.81), while Papua has the lowest (0.606). Consequently, the HDI for DKI Jakarta is somewhat higher than the HDI for Malaysia as a whole, whereas the HDI for Papua is nearly identical to the HDI for Timor-Leste.

Our education still faces a lot of challenges. In the same study, the World Bank stated that the length of school time for Indonesian children had decreased from 7.9 to 7.8 years. In the interim, the quality of schooling dropped by 395 points, from 403 points in the prior time. Even though Indonesian education has above the minimum score for general quality performance (300 points), it has not yet reached the advanced level of achievement (625 points) required for excellent human development.

According to the World Bank, the quality of education is measured by a combination of three primary examinations, typically referred to as the Harmonized Test Score. These are advancements in mathematics and science study, literacy levels, and the worldwide student evaluation program. The World Bank report indicates a rapid improvement. One method for reversing the decrease in the quality of our education is to search for big issues that are not infrastructure-related, but rather education-related.

Our current educational priorities are infrastructure and personnel expenditures. Not yet in regard to the effectiveness of school and college learning. In the context of Covid-19, for instance, there is a provision for internet quota support for students, however, these students reside in areas with insecure internet networks. There are even pupils who reside in regions where internet access is not yet available. As a result, aid is inefficient and wasteful. Improving the quality of educators also requires attention. The average quality of teachers is still low, and only a few of them are capable of fostering pupils' critical and competitive thinking in order to construct their future.

4. Conclusion

Increasing labor competitiveness is the result of a lengthy process of controlled and methodical human resource development. Unfortunately, human resource development in Indonesia continues to face significant obstacles. As part of efforts to increase competitiveness and labor productivity, it is essential to enhance the design and execution of programs aimed at enhancing skills. To expedite the development in labor productivity and competitiveness, trade, industry, and investment policies must be supported in addition to sectoral policies in the sectors of education and workforce skills. In this context, and in accordance with a number of previously stated OECD points, the government must be committed to the following actions. First, enhancing the national economy's integration with the global economy, particularly in the trade and investment sectors. It is also anticipated that the government would be able to persuade domestic enterprises to join the global production network (global production networks). It is anticipated that the integration of trade and investment as well as participation in global production networks will stimulate the international mobility of skilled workers, which will serve as a conduit for the transfer of knowledge and skills to enhance the competitiveness and productivity of Indonesian workers. Second, the economy must be capable of allocating resources that let labor and capital to enter the most productive industries. A prosperous industry will foster the development of a competitive, productive labor force. Thirdly, the government must encourage businesses to invest and innovate in education and workforce capabilities. This incentive enables businesses to have a staff with the capacity and flexibility to adapt to changes in industrial methods, technology, and international trade restrictions.

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