

RELATIONSHIP ANALYSIS AND CONCEPT OF HUMAN CAPITAL THEORY AND EDUCATION

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Abstract. This study aims to describe and analyze the concept of Education and human capital and the relationship of human capital and education. The research method used is qualitative research with descriptive analysis techniques with library studies (library research). The results showed that the management of human capital can be done through the educational process with the aim as administrative requirements and as capital to increase productivity and performance. Because based on research that has been described previously the theory of human capital has an influence on the behavior of Indonesian people in education. Education is an investment of human capital in the form of time and cost that is seen as one of the most important forms of human capital investment (human capital), both for individuals and for organizations. The benefits obtained for the individual are in addition to knowledge, skills, and experience in an indeterminate time will provide work productivity and performance.

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1. INTRODUCTION

Human resources is one of the main factors in contributing to the progress of a nation and state. The quality of human resources will provide efficiency and productivity in a country, investment in human resources is very important to do in the face of the dynamics of changing times that are growing. Non-physical investments such as human resources are a number of funds issued and the opportunity to earn income during the investment process. Income during the investment process is in return and is expected to obtain a higher level of income to be able to achieve a higher level of consumption as well. This investment is called human capital. The term human capital (human capital) is known since thirty years ago when Gary S. Becker, a Nobel laureate in Economics, wrote a book called Human Capital.

Human capital is an added value for the company in the company every day, through motivation, commitment, competence, and the effectiveness of teamwork, the added value that can be contributed by workers in the form of: the development of competencies owned by the company, the transfer of knowledge from workers to the company and changes in management culture. Human capital is everything about humans with all their capabilities, so as to create value for organizations to achieve goals (Sukoco & Prameswari, 2017). Human capital is an important factor in the organization, because it can provide a major source for the progress and development of the organization [1].

Human capital investment is carried out as part of the planning of a company or institution in anticipation of global dynamics. Improving the quality of human resources can be done through the educational process as one of the conditions in increasing the productivity and expertise of workers (human resources) to fit the criteria that have been determined by the company. Because that criterion will always increase as technology and science improve. Education plays an important role in helping improve human quality through the process and stages of learning and the formation of individual character and develop competencies possessed through the learning process. Therefore, education and human (human capital) have a very close relationship in helping the productivity of a nation through the expertise of resources owned by institutions or companies. Human capital is human resources that have competence in the form of knowledge, expertise, abilities, and skills that become capital for organizations in achieving goals. if the organization makes human capital as a benchmark in hiring employees, the organization will be able to have a competitive advantage [2].

The target of the human capital process that is carried out in the organization's management system (in education) that is designed and implemented is the high performing human assets. To ensure that this is achieved, the function of human capital in education must design measurement tools for every organizational management development system (in educational institutions), especially in humans that are implemented. Thus, an organization can ensure that the investment made by human resources related to knowledge, expertise, and behavior will ultimately be able to add value-addbaik to yourself, yourself in the organization, and the success of the organization [3].

In this paper will be presented descriptively about the concept and theory of education and human capital and the relationship between the two in order to provide insight into the knowledge of both things that are very important for the lives of individuals, communities and nations and countries. Based on the above problems, the purpose of this paper is to describe and analyze the concept of Education and human capital and the relationship of human capital and education.

2. RESEARCH METHODS

This study is a qualitative research with descriptive analysis techniques with library studies (library research), library studies are all efforts made by researchers to collect information relevant to the topic or problem that will or is being studied [4]. Library studies according to Mardalis [5] is a study used in collecting information and data with the help of various materials in the library such as documents, books, magazines, historical stories, etc. This study seeks to describe the concept of human capital and its relationship with education.

3. RESULTS AND DISCUSSION

Definition Of Human Capital

The theory of human capital as stated by Becker that, humans are not just resources but also as capital (capital) that will produce a return (return) and every expenditure made in order to develop the quality and quantity of capital which is an investment activity.

In general, human capital is always associated with the skills and expertise of a person in an organization [6]. The concept of human capital should be seen as a bridge that defines the relationship between HR management practices and business performance. They show that human capital has a dynamic, implicit, non-standard, and contextual definition. These characteristics make human capital difficult to evaluate. A very important characteristic of human capital for the performance of companies is the flexibility and creativity of individuals, their ability to develop lifelong skills, and respond to various contexts of situations. They mentioned that the reference to human capital theory is people and skills, while the reference to physical capital theory is factories and equipment [7]

Definition of Education

According To Carter V.Good in [8] Carter in the " Dictionary of Education" says education is the art, practice, or profession of teaching, the systematized learning of instruction concerning, principles and methods of teaching and of the student control and guidance; largely replayced by the term education. In line with the definition of Education also according to Rechey in his book "Planning for Teaching" an introduction to Education explained that: the term education is concerned with the broad function of maintaining and improving the life of a society, especially bringing new citizens (young generation) to harvest their obligations and responsibilities in society. Another opinion was also expressed by Suhartono that education is all learning activities that take place throughout the ages in all situations of life activities.

Thus, it can be understood that there are three different explanations for the definition of Education. So, Carter and Suhartono's explanation is more in line with ongoing education, namely education is a learning activity that continues throughout the ages so that with a structured system, education can produce students who are guided, educated have art based on learning obtained during education.

Education Concept

Law No. 20 of 2003 regulates the education system in Indonesia. In the law explained that education is a conscious and planned effort in order to realize the learning atmosphere and the learning process so that students are more active in developing their potentials and to have spiritual, religious, personality, self-control, intelligence, noble character, and skills needed by themselves, society, and the state.

The above law explains that education requires planning in order to produce qualified individuals and have values that can build a nation and state. Concepts related to education are offered by several education practitioners, education observers or education activists such as the concept of education offered by Ki Hajar Dewantara who sees from the context of indonesiaan which says that Indonesian people are virtuous noble characters who have inner strength and character, Indonesian people who advance their minds are Indonesian people who advance their cognition so as to free, and human beings in Indonesia who are progressing on the physical level or the body is not only physically healthy, but more-more have the right knowledge about the functions of his body and understand the functions of it to free himself from all impulses towards evil actions.

The concept of education is also offered by Jhon Dewey who sees education as allone with growing; it has no end beyond the self, so it will never be permanent but always evolutive. In addition to always on going process, participatory education Model rests on democratic values, participation, pluralism and liberalism. Both of these concepts look different because both of these figures see education in the background with the culture of their respective countries but both have the same thought that both lead people to development and away from the nature of ignorance and virtuous and develop themselves gradually.

The Concept Of Human Capital

According to Bong [8] said that the concept of human capital (Human Resource Capital) consists of 3, namely individual aspects (individual aspect), human capital (human capital), and production-oriented perspective (production oriented). Then it can be interpreted that : a.) individual aspects, greatly affecting the life of the developed resource, b.) Human capital or human capital is a basic needs that can not be released to develop an intended achievement. Human Capital can be owned when the appropriate utilization of resources on the right track by using innovative and creative methods in carrying out activities, c.) In running the capital,

the individual must have the right orientation view (on target). Proper orientation will produce a good and beneficial impact. Then what is needed is organization, supervision, and direction or evaluation.

Conceptualization and operationalization of Human Capital

The concept of human capital was introduced by Theodore W. Schulz gave a speech entitled “Investment in Human Capital” to American economists in 1960. Economists previously only recognized physical capital in the form of tools, machines, and other productive equipment that is expected to contribute to economic growth and development. As the Times grow, technology alone is not enough reason to contribute to the success of an organization, to manage the rapidly increasing technology requires skilled enough personnel in mind.

Becker (1965) in Prasoj, States:

Human capital analysis starts with the assumption that individuals decide on their education, training, medical care, and other additions to knowledge and health by weighing the benefits and costs. Benefits include cultural and other non monetary gains along with improvement in earnings and occupations, while costs usually depend mainly on the foregone value of the time spent on these investment. [3].

The analysis of human capital begins with the assumption that individuals need education, training, medical care, and other additions, to knowledge and health by weighing the benefits and costs. Benefits include non-cultural and other monetary gains along with increased income and employment, while costs usually depend primarily on the past value of the time spent on those investments. The explanation of the above understanding can be taken to mean that human capital investment must be done, in addition to increasing employment can also increase income. Increasing employment means that every education personnel do one-time increase in education will also increase the duties and positions of the education personnel, as well as income.

Human Capital Indicator	Outcome of Human Capital Investment	Measure of success
1. Task related-human capital <ul style="list-style-type: none">• Star-up experiences• Work management experience	Skills	Productivity
2. Nontask related-human capital <ul style="list-style-type: none">• Education• Work Experience	Knowledge	Performance
	Competence	Welfare
	Motivation	

Operations or concepts used to develop human capital in an organization can be seen in the table above. The indicator of a person investing in human capital is through two factors task related human capital and nontask related human capital, which is expected to have an impact both for themselves and for the organization, namely improving skills, knowledge, competence, and motivation in doing work so that with this, employees can help the organization to improve performance, productivity, and mutual welfare.

Human Capital Roles

Human role in achieving outcomes for himself is expected to determine the well-being of life. The process in the formation of human capital is very interesting to analyze. In the organization, the formation begins from the preparation of employee procurement, then selection, training, placement, development, compensation, to dismissal. These aspects are fundamental for every employee who joins an organization that essentially performs tasks, principles, and functions in order to achieve common organizational goals.

Human Capital Model

In human capital theory, education is a good consideration for investment. This Sub-chapter will explain the demand for welfare and health of employees who view that health is a durable capital stock that produces output from waktu sehat. Employees inherit an initial amount of investment capital that depreciates with age and can be increased by investment.

Human capital is an important thing for the progress of the organization, especially to pay attention to the needs for employees who work in the organizational environment ranging from education as an investment element that must generate greater and higher profits for the individual himself, e.g.: improved welfare, higher productivity, better future, contributing to the organization. In the human capital model, two things need to be considered, namely individual capital and social capital.

Establishment Of Human Capital

Human Capital (Human Capital) in an organization must be formed in such a way that can be reproduced in the following equation:

$$Hit = f (Ai, Sit, Eit, Hit)$$

Description:

Ai: shows individual abilities

Sit: time spent in school by individual i

EIT: resources used for education

Hit: family background

(Source: [9], and [3])

The formation of human capital begins when employees do self-development through education and training. The above equation is used to describe a kind of multiplicative effect of human resources doing development through education.

The relationship between Human Capital and education

Human capital (human capital) in accordance with what has been mentioned Becker in his theory. Between education and human capital is an interrelated entity, Becker explained that education can provide knowledge and teach about skills that can increase the productivity of workers (human resources) which can have a positive impact in the form of increasing the income of these workers. If education is improved, it is expected that the quality of workers can increase. In the theory of human capital workers who have high productivity and good will get better wages from companies or institutions. On the other hand, workers who have continued their education to a higher level, that is, they have studied more than their previous education, do not necessarily have increased productivity. This can be caused because it could be the level of education that has just been taken, will only be used as a signal to the company that the worker already has a better level of education than before.

In addition to the theory of human capital, a theory closely related to education is a theory proposed by Spence (1973) called signaling theory. This theory assumes that there are two types of workers, namely good workers and less good workers. Good workers have higher productivity, while less good workers have lower productivity. However, if a worker has an equal educational background, then the company will pay comparable or equal wages, even though one of the workers has better productivity when compared to other workers. Therefore, workers who have higher productivity choose to continue their education to a higher level than before to be able to give signals or cues to the company in order to get wages that are proportional to their level of Education.

Based on the results of research conducted [10] in 2015 on education, human capital or signaling ? in the case of Indonesia, this study used the Ordinary Least Square (OLS) model and the Indonesia Family Life Survey (IFLS) data in 2007. In this study the authors found both of these theories have the same influence on the behavior of Indonesian society in education.

Education as a Human Capital investment

Education is an investment of human capital in the form of time and cost that is seen as one of the most important forms of human capital investment (human capital), both for individuals and for organizations. The benefits obtained for the individual are in addition to knowledge, skills, and experience in an indeterminate time will provide work productivity and performance.

The concept of education as an investment (education as investment) has developed rapidly and it is increasingly believed by every country that the development of the education sector is a key prerequisite for

the growth of other development sectors. The concept of human capital investment that can support economic growth has actually been thought of since the time of Adam Smith (1776), Heinrich Von Thunen (1875), and other classical theorists before the 19th century who emphasized the importance of investing in human skills [11].

4. CONCLUSIONS

Human capital is an investment capital that is very useful and profitable for companies or institutions if managed properly based on the theories and concepts that have been written in this article, especially in educational institutions that can be a reference in improving the quality of Education. Human capital management can be done through the educational process with the aim of as administrative requirements and as capital to increase productivity and performance. Because based on research that has been described previously the theory of human capital has an influence on the behavior of Indonesian people in education.

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