

# THE EFFECT OF A HIGHER EDUCATION ON THE HUMAN CAPITAL QUALITY

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**Abstract:** Higher education has a very strategic position to determine the quality of human capital. Therefore, a higher education must always strive to provide quality assurance services to the interested parties. The more quality customer service is given, the more college customer will satisfied that have an impact on the increasing investment of the human resources (Human Capital).

**Keywords:** *Higher Education, Human Capital*

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## **A. Introduction**

The 21st century is characterized as the ingenuousness century or globalization era which is oriented to the quality for every effort and works of the human being (Toffler, 1990: 3). Thus, the demand to the quality of human resources as the main actors for the development is urgently needed.

The above mentioned condition, along with the rapid increasing science and technology implicates an educational renewal demand setting in all areas in Indonesia. It requires breakthrough thinking process to arrive at a new paradigm of an educational unit. Especially, a higher education in obtaining qualified output, outcome, and ready to face the competitiveness. The fundamental reason is that a higher education has a decisive role in progressing human capital.<sup>1</sup>

Educational institutions overall, particularly a higher education has a strategic position to prepare competent and

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<sup>1</sup>Anderson, L. Dan Windham, DG. (eds) (1982). *Education and Development : Issues in the Analysis and Planning of Postcolonial Societies*. Lexington, Massachusetts, Toronto : Lexington Books – D.C. Health and Company.

skilled human resources, for this reason, a higher education must be able to continue to exist in facing various competition where it should be managed based on a new paradigm as it constantly hold a spearhead role for the development and utilization of knowledge and technology, and quality assurance for human resources producers. Primarily the demand of globalization is quality competition to fulfill the global standard, and if it is wished to be in accordance with the demands, a higher education must have a quantum leap exceedingly possible upon the competitors' demands.

Undeniable that nowadays' educational world faces severe challenge because of convergence various impacts of globalization as being described above. These could be solved through knowledge-based solution. The competitiveness capability to prevail over the vary problems will present advantage to its winner. Thus, Porter defines that a nation's competitiveness is as *a country's share of world markets for its products*.

The competitiveness is increasingly depends on natural resources and low-priced labor, but progressively depends on knowledge being owned and mastered by a nation. The knowledge offers a nation to utilize and to process natural resources before throwing into a global market. Available human resources only could support the growth if it is accompanied by adequate knowledge mastery. Without mastering proper and sufficient knowledge, a large population will only produce burden in achieving and maintaining an appropriate welfare level.

Non-negotiable strategic step to answer the problem is by conducting renewal steps and educational empowering, predominantly, a higher education. In line with this that the basic policy of *Higher Educational Long Term Strategy 2003-2010* stresses that all national efforts of a higher educational sub-sector is directed to give real contribution to improve a nation's competitiveness through knowledge-based, and strong internal socio-cultural based technology.<sup>2</sup>

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<sup>2</sup>Depdiknas (2005). *Strategi Jangka Panjang Pendidikan Tinggi 2003-2010 (HELTS)*. Jakarta: Dirjen Dikti Depdiknas. P. 3.

## **B. Discussion**

### **1. A higher Education Conceptually and Contextually**

#### **a. The basic concept of a higher education**

The meaning of a higher education according to the Regulation number 60 of 1999 pertaining to a higher education is school education at a higher level than intermediate education where it educational unit apply higher education. The purpose of a higher education is to prepare students to become society members who capable academically or professionally, able to apply and to develop science repertoire, technology and arts, and to disseminate, to advocate its usage to improve societal life or to enrich national culture.

In the same PP, principally on the article 3 states that a higher education is an activity to produce a well-educated man where it service consists of three college activity pillars, namely, education, research and community service. Additionally, in article 12, it can be explained that a higher education is organized by educational units held by the government or college community in the form of: academic, polytechnics, colleges, institutes and universities.

To develop science and technology, a college and academician are guided by science autonomy. The embodiment of science autonomy at the college is governed and managed by the university senate pertinent.

To interpret the conceptual of a higher education, it can be concluded that a higher education with all its strategic existence in mapping human capital is to prepare the future generation to be able to live independently and to conduct his or her duties as good as possible.

#### **b. Upgrading the Higher Education Quality**

The success of improving and regenerating a higher education sector will determine the success of a nation to face the future challenges. These reforms should be carried out by involving all societal level elements, including private family sectors, politicians and government.

Historical flash has shown that how countries who did not pay attention to an education and made mistake in setting an

ongoing educational system, though tens or even hundreds of years in independence, but still entitle as developed country or even drop behind. On the contrary, the country that succeeds in better arranging its educational system, get important advantage. It is because almost all in civic life, either institutional or individual behavior, start from statesmen, teachers / lecturers, politicians, industrialists and some others. It can not be detached from national educational system influences. Johns initiates a similar case that the existence of a country profoundly dependent on policy accuracy, acuteness thought, broadly figures view which at last rest on the prevailing educational quality system of a country.<sup>3</sup>

The new paradigm of higher educational management according to Bennis, Warren as being distributed covers three aspects, namely:

1. *The road stop here*: an early awareness that must be aware by a higher education that the situation which will be faced in times to come is slightly different from the present time, moreover, the past times.
2. *New times call for new organization*: The nonnegotiable time, a higher education must change its vision, mission, aims, target, rule/benchmark, again, a higher educational success criteria must be relevance with the internal and external of a college condition demand.
3. *Where do we go next*: a higher education that always thinks for the future must be able to make choices for the actions to be taken.

The paradigm target of a higher education to carry out its quality and its graduate's quality is patterned by:

1. Quality development and the courses relevance implementation.

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<sup>3</sup>Johns, R. L., dan Morphet, E. L. (1975). *The Economics and Financing of Education: A System Approach (third ed)*. New Jersey: Prentice-Hall, Inc. Englewood Cliffs. P. 50.

2. University empowerment to be independent and to have an autonomous administration politely, measurably, and accountably.
3. The organization of a higher education is conducted overtly to be evaluated by the community to build mutual trustworthy through self-evaluation and systemized accreditation process as the need to maintain its existence.

The academic slot of higher education is the freedom to choice the courses, graduate competencies, and the curriculum in line with the visions, missions, and the accomplishment capabilities to reach desirable quality. While, the university autonomy slot and a higher education quality is united with the educational accountability unit as the society in specifying the requirements upon the students' outcome quality.

The targets which are offered by a higher education, in particular, the courses which are principally assessed through the fulfilling dimension or societal satisfaction, industrial, professional needs, satisfaction of the educational services, as well as satisfaction of the human resource user, the teaching outcome which is oriented on the quality parameters.

Considering to the problem, it is clear that a higher education contributes to the manifestation of human to be able to build himself and herself to have mutual responsible for the nation which has a strategic role and function to determine the quality of human capital.

## **2. The Influence of a higher education with the *Human Capital Quality***

Higher education is a vehicle to enable a nation to survive and the way to go through that human capital are dignified and able to fight in vast and global of arena life. In essence, a nation development is none rather than to attain progress, independence and human welfare. To reach the development, it is necessary to utilize science and technological values. The key word for the success on the future development is the improvement of a human quality, which in turn strengthening the global economic

competitiveness, increasing productivity, enhancing the additional values, and creating a new employment opportunities.

Hence, it is needed science and technology, innovation spirit, ethic power, as well as ethical which is designed through educational process, including a higher education. It means that it is required to create a higher educational environment as the cultural civilization center of human resource support to ensure the quality and high standard of the physical means, academics, or a higher education management.

In this connection, education is seen as a form of human investment, knowledge and skill process through education where it is not merely a form of consumption, but it is an investment.

Becker also emphasizes that the value of human capital of a nation is not just determined by a number of population or unskilled labor, but it is determined by the intellectual labor (intensive brain). Further, it is stated that a welfare and wealth of a nation is depends on the intelligence and the intellect superiority.<sup>4</sup>

Education and training will improve knowledge and skills, which in turn influence that the more increase work productivity the more will contribute to promote and to create a nation into modern, and has strength to deal with the life problems. Here, education is seen as a factor to determine the quality of the nation living standard which also the main goal to fulfill the mean need and service in reaching the life satisfaction.<sup>5</sup>

Several studies confirm the notion that education plays an important role in supporting the quality of human capital. It is noted by John and Morphet on the importance of education to support human investment. The contribution and educational benefit influences are:

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<sup>4</sup>Becker, G. S. (1993). *Human Capital : A Theoretical and Empirical Analysis, with Special Reference to Education* (third ed.). Chicago : The University of Chicago Press. P. 22.

<sup>5</sup>Cohn, E. (1979). *The Economics of Education*. Cambridge, Massachusetts : Ballinger Publishing Company. P 5.

1. *Increase work productivity.*

Education can increase work productivity. Educated society will get a positive effect, both in working result, psychology, and work motivation. The production process is seen as a transformation of resources, thus, it normally better to use an educated worker for it is more efficient.

2. *Reduction need to fulfill other services.*

Increased investment of education tends to reduce governmental funding burden on health sector, security, etc. It occurs for it can reduce number of unemployment, crime, and violation on the legal system. Through education, the society comes to accomplish to a more prosperous and a better living standard both socially and economically.

3. *Increased social awareness and optimize the quality of the generation.*

Educational benefits are not only felt by students, but also perceived by the public, even the offspring generation or children who are studying. Students in their studying process obtain a transfer of knowledge from well educated previous generation and get educational environment creation that instills social values being developed at school where it be applied in societal life.<sup>6</sup>

Family welfare is generally influenced by the role of education as it will increase the capacity of individuals to fulfill the economic and consumption needs. In this case, a person with a higher education will have a certain economic ability in influencing their status choices. A population growth starts from home with all its economy aspects at a household micro level. When the family's economic status is better, it is expected to be able to have a better concentrate fulfillment of the children's needs. Better attention and fulfillment of the children need, as the future generation, will determine the children growth quality development.

The same sources launch Bowel opinion that there are six forms of work productivity improvements which influences by education, namely:

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<sup>6</sup> Johns, R. L., and Morphet, E. L., *op.cit*, pp. 73-76.

1. Increase Population (*Quantity of product*)  
Workers with higher levels of education will be able to produce better goods and services due to their better expertise, skills and knowledge.
2. Increase Quality Product (*Quality of product*)  
Educated society is seen to be more professionalism and having quality sense where they can construct and produce better goods and services.
3. Increase Product Types (*Product mix*)  
Because of better work result and assorted works of educated workers through their aspirations and innovations that is higher than uneducated workers, both in goods and services, then, the society prefer to choose the product produced by educated workers.
4. Increase participation in labor force (*Participation in labor force*)  
The educated workers are having higher more contribution on working productivity, as their lower absenteeism rates because of illness or other reasons.
5. Increase one's supervision ability (*allocative ability*)  
Through a higher education that all workers are more capable to evaluate talent and to know their own ability to be optimized and adapted toward new technological pattern demands, new product and new ideas.
6. Reach job satisfaction (*Job satisfaction*)  
Educated workers tend to earn a big result and a higher esteem due to their better work quality; they have a greater job satisfaction.

Education and its influence on the quality of human capital can be displayed after the first look at the conceptual basis of the educational economics. As states by Cohn (1997: 4) that educational economics is a study of how human being, either individually or a group of people make decision to utilize the restricted resources in producing various forms of education and training, idea, attitude, values through equity and equality of the formal education amongst different group of people.<sup>7</sup>

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<sup>7</sup> Cohn, *op.cit.* p. 4.



Educational economics is subsequently grown up and develop in investment perspective of human capital, which regards an important connection between education, labor productivity and economic growth.

The human capital theory puts forward by Becker says that the labor is as capital holders reflected in skills, knowledge, and work productivity. If a labor is the major capital, one can invest for himself or herself in order to choose a job which can enhance his or her well-being.<sup>8</sup>

The concept of human investment (human capital) is seen as an entity where its value can be developed through education and training at all levels and services. Similarly, another expert opinion states that human resources would be valuable if the ability, skills and knowledge are in accordance with the life necessity and the development sector provide benefit both to individuals and to society.

In line with this opinion, Becker also sees that the interconnection between income, costs and rate of return with the influence of education can be seen through various phenomena as the following:

1. Wages or income at the productive age
2. Number of unemployment and work opportunities
3. The employment mobility, labor market exposure
4. Distribution of the investor number<sup>9</sup>

Fitz-enz initiates that the investment level of human capital can be measured by three levels, namely:

1. Company level: this level can be measured by studying the relationship between human capital and the achievement of the company goals, including financial strategies, customers, and humanitarian issues.
2. Business units: this level can be conducted by measuring service quality and productivity changes.
3. The management of human capital: The measurements carried out to examine of how far human resources department conducts planning, recruitment, succession,

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<sup>8</sup> Becker, *op.cit*, P. 27.

<sup>9</sup> *Ibid*. P. 15.

improvement, and utilization of human capital at a company and other working fields.<sup>10</sup>

These opinions can be concluded that all organizations or a company is to utilize human resources aim at achieving the goals of the organization or company. Economically, increasing human capital can contribute the personal income or organization, and company benefit. In measuring this rate of return, Fitz-enz presents useable method, among others, by: Human Capital Revenue Factor (HCRF), Human Economic Value Added (HEVA), Human Capital Cost Factor (HCCF), Human Capital Value Added (HCVA) Human Capital Return on Investment (HCROI) and Human Capital Market Value (HCMV).<sup>11</sup>

Leslie and Brinkman through their studies shown that a higher education provided major benefits in economic growth in the United States, namely donated for about for about 15-20% increase of societal economy. Higher education based on his research also proved that to give a great contribution is not only restricted at the knowledge improvement, but also in the form of land extension, modal improvement and labor growth. Higher education as a social investment also indicate the existence of social of return in the form of percentage national income growth improvement and social welfare where it can be measured by Meta Anali approach.<sup>12</sup>

To help the public to be able to pursue higher education, considering to a high influence on the quality of a higher education on the human capital, Birt offers solution for the society to reach low educational cost. The form of the solution is through tax concept and government policy on the tax distribution that is re-subsidized for the societal educational fee.

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<sup>10</sup>Fitz-enz, J. (2000). *The ROI of Human Capital: Measuring the Economic Value of Employee Performance*. New York: American Management Association (AMACOM). P. 92.

<sup>11</sup> Ibid. pp. 97-116.

<sup>12</sup> Leslie, L.L. dan Brinkman. (1993). *The Economic Value of Higher Education*. Phoenix: The Otyx Press. P. 44.

### **C. Closing**

Higher education has a very strategic position to determine the quality of human capital. Therefore, a higher education must always strive to provide quality assurance services to the parties concerned.

The meaning of a higher education is a guarantee on the implementation process of a higher education in compliance with what should be happened and also in conformity with the need. When every higher educational unit and always provide assurance educational quality and it is conducted continuously, hence, it is hope that the education quality will improve nationally.

Improvement of educational quality will have an impact on civilizing the quality of human resources as the nation capital. It is important because nowadays we face various opportunities and at once as challenges both nationally and globally where the activities and challenges could only be reached and answered by human resources or a high modal quality.

The influence of higher education on human quality or human capital could be measured through some approaches such as: Human Capital Revenue Factor (HCRF), Human Economic Value Added (HEVA), Human Capital Cost Factor (HCCF), Human Capital Value Added (HCVA), Human Capital Return on Investment (HCROI) and Human Capital Market Value (HCMV).

Based on above explanations, there are some writer's recommendations as follows:

1. Due to a higher education so influential to the quality of human capital, it should be more pay attention to it and must be always adjust to the demands and expectations of societal development.
2. In order a higher education may have quality or quality assurance, there must be standard that can be raw raft or benchmark to be gradually developed to arrive at the standard refer to national and global in input aspect, process, as well as output and outcome..

### **BIBLIOGRAPHY**

