



## **Economic influential factor for the development of Indonesian national educational sector**

**Abdul Rahman**

Faculty of Economics, University of Asahan, North Sumatera, Indonesia

### **Abstract**

The national economic rate affects the educational sector. The higher the quality of life of a nation tends to create the higher the rate of growth and prosperity of the nation. This paper discusses a common presumption which theoretically describe in more details about the significant correlation between economic growth and rate toward education in Indonesia. The rapid technological developments and more simplified production processes make economic sector much better. Thus, trained person has relatively the better productivity than that of poor lees educated group.

**Keywords:** economic rate, skill, growth, education and prosperity

### **Introduction**

Every society around the world has wants welfare with high economic growth and better educational service. In present regional and global interrelationship, each nation practically develops an adaptable system that regulates how all its members are proceeding to succeed, strives for the distribution of welfare. Government ensures how the allocation of success in that complicated connection among the socio-economic institutions.

Inadequate education and skills development keep economies trapped in a circle of low education, low productivity and low income (ILO, 2008) [2]. Additionally, recent research tends to find a positive effect of schooling quantity on economic growth, and it seems beyond the scope of current data to draw strong conclusions about the relative importance of different mechanisms for schooling quantity to affect economic growth (Hanushek and Wößmann, 2007) [1]. At the beginning of the Indonesian New Order Regime, most of the work required labor with a formal education background. Anyone who has ever received formal education was absorbed in the fields of work in Government Agencies.

Current situation must have be in separated from the government's need for educated and skilled laborers to operate their skills and expertise in the context of industrialization and modernization of state development and it shows that education greatly affects the economic level of a person. For governments, to develop the economic workforce is major goal in funding education (UNICEF, 2007) [8]. Education is understood as a form of social service that must be provided to the public, in this context, education services as part of the public service from the state to the community does not give a direct impact to the economy of the community, so the development of education is not interesting to become the theme of attention, its position do not get interesting attention in the movement of development steps.

### **Theoretical Description**

**Concept of Education:** Education, according to Webster New

World dictionary is a process of training and developing knowledge, skills, thoughts, character and others, especially through formal schools. Educational activities involve the production and distribution of knowledge in both regular and non-regular institutions. Syamsudin (2007: 6) [6] explain Education is an effort that can accelerate development of human potential to be able to develop the tasks assigned to him. Education, argues Syafrudin (2002: 5) [4], is a process to integrate individuals who are experiencing growth into collectivity in society. Therefore, Arikunto (1993: 3) [3] explained that the education is which basically given to the students towards physical and spiritual maturity has a great impact on a national economic growth.

### **Economic Concept**

Economics concerns with an activity which related to people in making their lives, with the use of money people fulfill his consumption. Such as activity is for production and distribution of all scarce resources; it covers both goods and services needed by humans.

### **Discussion**

Both economic and education sectors have been existed to serve for human needs. These two social institutions in the current society that tend to be complex and functional and having high dependence pattern of relationship that formed a systemic model. In practice, we find that someone who has a provision of formal education will tend to reap economic success. Education is very influential on the economic activity of society and inverse. In that context, education activities are framed from the socio-economic reality of a particular society. Economic is a basis for the human survival. Wibowo (2011: 7) [5] states the higher the level of one's education, higher the level of economic life. To support economic development, education has two roles, as a supply symptom and demand symptoms. As a symptom of supply or production, education is needed to increase knowledge and skills so as to increase labor productivity, which in turn will increase income

(community welfare). As a symptom of demand, education is needed to increase the average education of community members which also means to increase the number of potential consumers who are willing and able to consolidate products containing advanced technology. The relationship between the degree of education and economic life is in the sense of the higher the level of education, the higher the level of economic life. In the wisdom of development it assumes that the success of development in the economic field can be used for the development of other fields, including education. However, it is also recognized that education is the main effort in the development of the quality of Human Resources which is the most important factor in the overall development, including economic development. The main function of educational institutions in terms of economic life is to prepare youth to fill productive employment. The following links between education and economics:

### **Economics and Education in Today**

Indonesian society now is different from the life of the past; with the introduction of modernization, an attempt to change from the use of traditional industrial techniques to modern ways. Thus, the sociologists already observed the Indonesia process of social differentiation that tends to be a symptom on the social conditions of the community. In terms of institutional, the process of social differentiation cannot be denied its presence, including economic education institutions and educational institutions in it. The difference in the relationship between the two institutions is quite striking if we compare the application to the traditional society. In such societies all social institutions tend to be melting and not yet segregated in a specific orientation. Family institutions have a dominant role in serving all the needs of the members of education, health, religion and worship, economic continuity and so forth. Therefore, the interaction between family units is not fundamental. While the unity of society is bound by a plot of tribal, clan, widespread or the like, which is essentially a representation of the role of the family institution. That is why the dynamics of traditional societies tend to be routine. It is often seen the village community the pattern of a constructive relationship between education and the economy. The process of provision of planting expertise is applied directly in the paddy fields from the process of planting seeds to harvest. Young people have been familiarized early on in the same activities conducted by parents in managing agricultural land from learning to find animal feed, hoeing, picking plant seeds or plowing rice fields. This also applies to farming and hunting societies. Such learning process in addition to directly relate to the function of education also cannot be separated from the economic corridor. The economic viability of simple society is sufficiently fulfilled if from a livelihood it has ensured survival.

The high level of dependence with the physical environment conditions relatively produce simple climate of thought in terms of economic needs. Therefore, the mastery of the expertise to continue the types of livelihoods by its predecessors either farming, hunting, raising, or the application of traditional crafts have a strong economic function in maintaining socio-economic resilience of the community. From here, it can be seen the functional

relationship between education as a means of provision of economic capability for the next generation in a simple society. Things that happen to a simple society are very much different from the patterns of activity for a complex society. The existence of complex society is the result of the struggle between history, space and time that can stretch the process of evolution of human culture. In it there are symptoms of modernization as one component that sustains the changes of society. Modernity as a social movement is in fact a revolutionary (a change from tradition to modern), systematic, into a global movement that will affect all human beings, through a gradual process towards a homogenization (convergences) and progressive.

### **Education and Economic Growth**

Attention to the human factor has become central in recent times with regard to developments in development economics and sociology. Experts in both fields generally agree on one thing: human capital plays a significant role, even more important than technological factors, in spurring economic growth. Human capital is not only about quantity but which is far more important is in terms of quality. There are various aspects that can explain this as aspects of health, education, freedom of speech and so forth. Among these various aspects, education is considered to have the most important role in determining human quality. Through education, people are supposed to gain knowledge, and with their knowledge human beings are expected to build their life better. The implication, the higher the education, the human life will be more qualified.

It is widely found in the theory that individual with lower education levels including those without a university education have lower financial literacy and lack the necessary numeracy skills (Lusardi in Vyvyan *et al.*, 2014)<sup>[9]</sup>. In relation to the economy in general (national), the higher the quality of life of a nation, the higher the growth rate and the welfare of the nation. It has a presumption in today's modern economy, workforce is no longer needed because of rapid technological developments and more simplified production processes. Thus, people with low education. This theory of status competition treats education as a social institution whose function is to allocate and skilled laborers socially according to the educational level. Better-educated individuals in wage employment are paid more to reward them for their higher productivity (UNESCO, 2015)<sup>[7]</sup>. The desire to achieve higher status leads people to take higher education. Although highly educated people have a higher proportion of national income, an increase in the proportion of highly educated people in a nation will not automatically increase economic expansion or growth.

The theory of class growth or social level argues that the primary function of education is to cultivate class structure and social imbalances. Education in the elite group emphasizes studies of the classics, humanities and other knowledge that are not relevant in the economic development of society. Education is one way in which individuals increase their human capital. The higher a person's education, the expected stock of human capital is also higher. Since human capital, as noted above, has a positive relationship with economic growth, the implications of education also have a

positive relationship with productivity or economic growth. Implicitly, education contributes to the excavation of knowledge. This is not only derived from education but also through the research and development of ideas, because in essence, knowledge that cannot be implemented in human life will be wasteful.

### **Implications of educational reality to the labor market and the self-employed sector**

In an economy with unlimited labor, marks the reallocation of labor from the subsistence agriculture sector (to self-sufficiency) to the capitalist sector or industry sector. Economic growth will take place if the surplus formed by the capitalist (in the sense of going if the surplus formed by the capitalist sector is replanted in the economy) the reallocation of labor takes place because the wage rate in the subsistence agriculture is lower than that of in the industrial sector. Educational institutions are unusual to produce graduates ready to work in accordance with the needs and demands of national economic development. This mismatch then becomes a major issue in the polemic between the world of education and the business world. The way out that had surfaced a few years ago was the concept of education and business. The high level of unemployment among the educated workforce can have a serious impact on the various dimensions of life.

Additionally, the unemployed is destabilizing a nation. University graduates who are not involved in economic activities may result in various social problems. Meanwhile, unemployed secondary education graduates can further heighten the degree of political inertia. From the economic dimension, this problem is a trap of job vacancy. There educational investment is a cost that must be paid by government, parents, and corporates at the level of secondary education upwards. If this workforce is not utilized in accordance with its capacity, there is inefficiency (waste) cost, time, funds and energy. From the social-psychological dimension, educated unemployment is very dangerous. This situation will lead to a decline in self-esteem of the unemployed. If it lasts for a relatively long period of time, this loss of self-esteem will accumulate and can impact on the other workforce. Because unemployed unemployment is in the range of young age, this sense of minder will have a serious impact considering the youth is the next generation and hope of the nation in the future. Qualified and skilled human resources and highly competitive in global competition which we have ignored. The condition of Indonesian human resources, namely, First, there is an imbalance between the number of job opportunities and the labor force. Second, the education level of the labor force is still relatively low. Indonesia's labor force education structure is still dominated by basic education.

Both issues indicate that there is a scarcity of employment opportunities and low quality of the workforce nationally across various economic sectors are interrelated. It is such human resource problem, then it causes the development process that has been running so far without adequate labor productivity. The Indonesians should properly and appropriately exploit the potential of their resources with high human resource capacity as a force in building the national economy. People who do not work or unemployment is a

nation problem that never finishes. There are three barriers to why people do not work namely cultural barriers, school curricula, and the labor market. The cultural barriers are cultural and work ethic.

Indonesia's problem of the school curriculum includes the lack of standard teaching curriculum in schools that are able to create and develop the independence of human resources in accordance with the needs of the world of work. While labor market constraints are more due to the low quality of human resources available to meet. Moreover, economy of the 21st century, characterized by globalization of the economy, is a process of economic and trade activities, in which countries around the world into an increasingly integrated market forces with no obstructions territorial boundaries of the country. Thus, globalization that is definitely faced by the Indonesian people demands the efficiency and competitiveness in the world. Education in terms of time dimension is distinguished into three periods: the short term, medium, and long. However, this distinction cannot be seen physically because the educational process takes place simultaneously in three dimensions of time; in the short term, education is a symptom of education as it is, namely efforts to increase knowledge, skills, and the formation of character or personality. In the medium term, education is an economic phenomenon that challenges the link between educational outcomes and the needs of the workforce, so that what a graduate of an education program is organized becomes the main orientation of education. In the long run, education is a cultural phenomenon that emphasizes the passing of values, ways of feeling, way of thinking, and the way of acting from one generation to the next, so that as a community (society and nation) can maintain its existence.

### **Conclusion**

It was found that the rate of growth and prosperity of the Indonesia was still slow in 2014. The scarce of Indonesia highly skilled workforce made the rapid technological developments and good and services production processes so late. Thus, the education as a social institution whose function is to allocate and skilled laborers socially has many obstacles due to Government budget, parents' income, limited innovation of local and national cooperates. It highlights the integrated systems to achieve better economic which leads people to take higher education. The less educated people have a lower proportion of national income, an increase. Indonesia needs many highly educated people in to push the nation economic expansion or growth.

### **References**

1. Hanushek Eric A, Ludger Wößmann. Education Quality and Economic Growth. The International Bank for Reconstruction and Development / The World Bank 1818 H Street NW Washington DC, 2007.
2. ILO. Skills For Improved Productivity, Employment Growth And Development. International Labour Office Geneva ISBN 978-92-2-119489-7 ISSN 0074-6681, 2008.
3. Suharsimi Arikunto. Teaching Management. Jakarta: Rineka Cipta, 1993.
4. Syafrudin. Integrated Quality Management in Education.

Jakarta: Gramedia Widiasarana, 2002.

5. Udik Budi Wibowo. Collection of Macro Education Lecture Materials. FIP UNY, 2011.
6. Udin Syamsudin, Abin Syamsudin. Educational Planning. Bandung: Rosda karya, 2007.
7. UNESCO. Sustainable Development Begins With Education. United Nations Educational, Scientific and Cultural Organization, 2015.
8. UNICEF. A Human Rights-Based Approach To Education For All. United Nations Children's Fund 3 United Nations Plaza New York, NY 10017, USA, 2007.
9. Vyvyan Victoria, Blue Levon, Brimble Mark. Factors that Influence Financial Capability and Effectiveness: Exploring Financial Counsellors Perspectives, Australasian Accounting, Business and Finance Journal. Available at:<http://ro.uow.edu.au/aabfj/vol8/iss4/2>, 2014; 8(4):3-22.