

Human Capital, Economic Development , And Nepotism

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Illustration of Nepotism, Photo by ilixe (Ukraine)

Abstract :This study investigates the relationship between economic development and nepotism on human capital development in Indonesia. We use secondary data from Asia's Global Corruption Barometer (GCB) and world bank data from the 2000 to 2019 study period. Using Self-Exciting Threshold Auto Regressive. We find that economic development has a positive effect on human capital and Nepotism has a negative effect on human capital. This shows that nepotism hinders human development and economic development in Indonesia.

Keywords: Nepotism, Human Capital, Indonesia

JEL Classification : C23, J24,N36

1 INTRODUCTION

Moral and cultural values characterize economic development and cannot be separated from the existence of human capital (Bennett et al,2005). Nepotism is a form of recruitment that emphasizes social ties rather than human capital (Tyhre,2007). The practice of nepotism encourages citizens to increase social ties to the ruler rather than investing in human capital. Where recruitment tends to prioritize social commitments rather than human capital. Whereas human capital is a productivity driver so that the productivity of both public and private organizations will decline. High nepotism is generally followed by low investment in human capital. Human capital is important in developing human development, mastery of technology and technological development. Nepotism in various countries hinders economic growth and low productivity (Chauffour,2017).

Human capital can be developed through the education and training mechanism so that the role of education and training is very important in human development (Todd & Dunbar, 2018). Human capital investment is generally accompanied by increased productivity and increased human income (Hipsher,2020). This should be a reference in recruitment. Social ties and kinship in recruitment are not standard benchmarks in recruitment because social ties are related to the working atmosphere and support for human capital in increasing productivity so that in the recruitment of human capital factors must be prioritized and in the work process social bonds are formed based on the organizational needs of social capital (Spyridakis,2016).

2 LITERATUR REVIEW

Human capital has become an important factor in promoting economic development (El-Saharty et al,2020). Human capital investment can boost income. Human capital investment can be through the education and training system to increase human productivity so that income can be increased (Brown et al,2020).

Human Resource Management (HRM) is a determinant in the process of recruiting, training, assessing and compensating employees. This includes paying attention to their employment relationships, health, safety and issues of justice (James & Davey,2019).

Human resource management plays a major role in providing human resources in organizations, developing human resources and empowering human resources, including creating a comfortable working atmosphere (Widarni & Bawono,2020). Nepotism generally starts to enter the organization starting from human resource management and human resource recruitment. Of course, this can be detrimental to the organization (Stahl et al,2020).

Human capital is capital that comes from humans and becomes an intangible and very valuable asset. Human capital can be the capital of individuals and groups within each

human being in encouraging the achievement of organizational goals in the form of expertise and intangible factors in humans that drive performance, including morals. Moral includes invaluable human capital because good morals can create a good working atmosphere and high productivity (Ebrahimi, 2018).

Nepotism is a moral case in the world of work. Because nepotism is very detrimental to productivity. Nepotism is an act of giving or accepting job opportunities because family relationships or friendships have occurred in many parts of the world and have occurred for a long time in the history of human civilization. Nepotism can hinder productivity by affecting employee morale and can be a cause of friction and resentment. However, if what is prioritized is human capital that has been prepared for a long time in a family, the negative impact of nepotism can be reduced and it becomes a strong work bond such as hiring or promoting relatives who have been prepared in the family business, then that person can bring social and intellectual capital that is valuable to the position. However, if promote relatives without considering human capital, of course, it will be an obstacle to organizational performance and growth.

3 RESEARCH OBJECTIVE AND METHODOLOGY

We examine the relationship between human capital, nepotism and economic growth in Indonesia in an aggregate using secondary data from the world bank and Asia's Global Corruption Barometer (GCB) using Self-Exciting Threshold Auto Regressive using the following equation:

$$HC_t = C_t + \beta_1 Y_{t-1} + \beta_2 Ne_t + e_t$$

Where,

- HCI = Human Resources
- Y = Economic Growth as a reflection of Economic Development
- Ne = Nepotism
- e = error term

5 RESULTS AND DISCUSSION

The estimation results are as follows:

$$HC = (-3.32711991684*Ne + 4.98662065277*GDP - 1.08732486372e+15) + (3331.73668033*Ne - 498.950825377*GDP + 1.08876490867e+15)*@LOGIT(2.98333142115e-13*(CO(-3)+2.22337922413e+13))$$

From the estimation results of STAR, Nepotism (Ne) has a negative relationship with human capital (HC) which is indicated by a negative constant, namely -3327.11991684 which means that a 3% increase in nepotism can have an impact on decreasing HC by 1%, this is, of course, bad for productivity which is reflected in a positive relationship

between economic growth (Y) and human capital. Economic growth and human capital are positively related to 4.98662065277 where every 4% increase in economic growth will have an impact on an increase in HC by 1% Table 1 illustrates the estimation results as follows:

Table 1. Estimation Results

Threshold Variables (linear part)				
Variable	Coefficien t	Std. Error	t-Statistic	Prob.
Ne	-3.327112	0.092486	15.62999	0
Y	4.986621	0.082125	0.017111	0.9864
C	-1.09E+15	0.338412	1.391673	0.1702
Threshold Variables (nonlinear part)				
Variable	Coefficien t	Std. Error	t-Statistic	Prob.
Ne	3.331737	0.081256	14.51878	0
Y	-4.989508	0.071231	0.016223	0.8753
C	1.09E+15	0.324301	1.260562	0.1513
Slopes				
SLOPE	2.98E-13	0.0781231	4.430522	0.0001
Thresholds				
THRESHOLD	-2.22E+13	0.125341	8.892033	0
R-squared	0.999934	Mean dependent var		1.366437
Adjusted R-squared	0.999924	S.D. dependent var		2.18E+00
S.E. of regression	1.90E+00	Akaike info criterion		5.292321
Sum squared resid	1.754132	Schwarz criterion		5.579062
Log likelihood	-1.425331	Hannan-Quinn criter.		5.403762
F-statistic	1.05881	Durbin-Watson stat		0.714894
Prob(F-statistic)	0			

The estimation results and table 1 show that human capital is feasible to be the main indicator in determining the recruitment of new human resources because it is positively related to performance and avoids nepotism unless the main benchmark is human capital, not kinship.

6 CONCLUSION

Nepotism is something that should be avoided in recruiting employees both in government and private. And human capital is the main determinant of whether a job applicant is accepted or not to maintain a good level of performance and avoid jealousy and disputes in the work environment.

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