

Impact of Human Capital Acquisition on Aggregate Organizational Performance in Southeast Asia

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Organization illustration Photo by Sora Shimazaki (Japan)

Abstract : This study examines the impact of the human capital acquisition on company performance in Asia using the OECD's Human Capital Acquisition Index (OJHCA) using the qualitative method ordinary least squares (OLS). Based on our estimation, the human capital acquisition has a positive relationship with company performance.

Keywords: Human Capital Acquisition, Human Capital, Southeast Asia

JEL Classification : C23, J24, J64

1 INTRODUCTION

The need for talented employees or experts in specific fields of work is necessary in the business world. Employee skills are valuable capital for the company (Sripada,2020). Training and education have become the company's obligations to improve employee skills in an increasingly competitive business world. The acquisition of human capital in increased employee training and education is essential in today's modern era. The OECD presents human capital acquisition index data to see the impact of human capital on performance (OECD,2001). Trained employees can make efforts to improve performance by using their human capital (Widarni & Bawono,2020).

Payroll and education taxes can influence investment in human capital in the workplace. Payroll taxes are negatively related to human capital investment. Taxes increase the cost of investing in human capital because of reduced income. An increase in the payroll tax imposed on employee salaries will suppress human capital investment due to reduced income for workers (Ratten,2021).

Increasing human capital can also be done economically by learning in the workplace with colleagues and supervisors so that work experience is a reflection of learning in the workplace. So that training and education can take place while doing work (Coffield,2000).

From the results of this explanation, it can be concluded that the initial hypothesis or conclusion is as follows:

Human capital accumulation has an impact and is positively related to Aggregate performance

2 LITERATUR REVIEW

Work experience reflects on-the-job training and on-the-job learning or learning. Training and knowledge in the workplace can improve employee performance so that work experience is positively related to performance (Birkhead,2020). Formal education and taxes have an impact on productivity. Formal education is an illustration of the human capital investment that employees have made (Alemán,2020).

Employee education is an important consideration in employee recruitment. Formal education is one of the mechanisms for increasing human capital (MacKay et al,2020). Apart from formal education, work experience is also an important factor in determining employee recruitment. Work experience is a reflection of on-the-job training. Formal education needs to be accompanied by job training or work experience. So that human capital can be formed from education, training, and experience at work (Parker & Crabtree,2020).

Highly skilled employees, of course, can perform better than non-skilled employees. Training for less experienced employees is needed to improve performance and ensure that these employees perform well. Expertise can be formed from experience, education, and training (Preber,2014).

Worker tax or income tax is a tax collected by the government on employee income or employee salary. Of course, this tax will reduce employee income so that taxes are negatively related to human capital investment. So that taxes can be said to affect the increase in human capital, but it is negative. The higher the tax, the rise in employee human capital will be increasingly hampered (Booth et al,2016).

Human capital is a collection of human expertise and abilities in completing work obtained through education, training, and experience to form individual skills that can be used to complete work to earn income. Human capital investment certainly requires financing that can be obtained from previously earned income, so that it is hoped that an increase in revenue through improved performance is expected (Widarni,2020).

3 RESEARCH OBJECTIVE AND METHODOLOGY

This study examines human capital acquisition based on an index from the OECD, which includes income tax or worker tax, formal education, work experience, and job training. We investigate the relationship between income tax, formal education, work experience, and job training on aggregate company performance in Asia using ordinary least squares (OLS) with the following equation:

$$Y_t = C_t + \beta_1 T_{t1} + \beta_2 Ed_{t2} + \beta_3 Er_{t3} + \beta_4 Jt_{t4} + e_t$$

- Where,
- Y = Performance
- T = Tax
- Ed = Education
- Er = Experience
- Jt = Job Training
- e = error term

5 RESULTS AND DISCUSSION

The estimation results are as follows:

$$Y = 0.431617 - 0.412315*T + 1.212131*Ed + 1.415131*Er + 0.872172*Jt$$

From the OLS estimation results, tax affects the aggregate performance of -0.412315 counting scale. If the tax increases by 1%, the performance will decrease by 0.412315. Education has a positive effect along with other variables. Table 1 describes the estimation results as follows:

Table 1. Estimation Results

Variable	Dependent variabel Y		
	Coefficient	t-Statistic	Prob
C	0.431617	1.121623	0.0008
T	-0.412315	-0.124107	0.0039
Ed	1.212131	0.613127	0.0072
Er	1.415131	1.314521	0.0041
Jt	0.872172	1.412621	0.0017

R-squared	0.811412	Mean dependent var	4.31416
Adjusted R-squared	0.806181	S.D. dependent var	6.17255
S.E. of regression	12.2131	Sum squared resid	8.23195
F-statistic	52.1211	Durbin-Watson stat	0.94391
Prob(F-statistic)	0		

Based on the estimation results described in table 1. It shows that the acquisition of human capital has a positive impact on performance. Taxes are a factor that must be determined wisely in fiscal policy because they have a huge impact on the real sector. Improving the quality of education and employment opportunities are the main keys in increasing performance which in aggregate drives economic growth.

6 CONCLUSION

Human capital is an important factor in improving performance. Human capital can be developed and shaped through education and training mechanisms as well as work experience. The acquisition of human capital has an impact on the aggregate performance of companies in Southeast Asia.

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