

# Transmigration and Human Capital Development in Indonesia

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Illustration of Transmigration Photo by Suryaning Bawono

**Abstract :** This paper investigates the impact of transmigration on human capital development in Indonesia during President Soeharto's era in the transmigration program (1969 - 1997) on the development of human capital in Indonesia, especially in transmigration areas. transmigrants at the turn of the 20th century had a positive impact on the development of human capital in Indonesia today. This is evidenced by empirical evidence using the Ordinary Least Squares (OLS) method by adopting the Índice Firjan de Desenvolvimento Municipal (IFDM) method to calculate the index. Human capital development in Indonesia. We find that the transmigration program from 1969 to 1997 positively impacted human capital development in Indonesia.

**Keywords:** IFDM, OLS, Transmigration, Human Capital

**JEL Classification :** C23, J24,N36

## 1 INTRODUCTION

The economic development of Indonesian society groups is currently very broad. Indonesia has a variety of groups that are unique or unusual with various ethnic groups and cultures. Makalah ini bertujuan untuk mendeskripsikan saluran-saluran di mana program transmigrasi dapat mempengaruhi pembangunan sumber daya manusia Indonesia. We studied the characteristics of transmigrants' expertise during the transmigration program period of 1969 to 1997, which may affect the development of human capital, especially the process of developing the education system in the first few decades after their arrival and the persistence mechanism and skills of transmigrants in managing transmigration lands (Setiawan, 2020).

Transmigration in Indonesia has grown rapidly. Human capital development is an important factor in economic and national development (Bucci et al., 2019). The cultural characteristics of the nation are the legacy of social groups that do not change from generation to generation. The transmigration program from 1969 to 1997 did not occur directly because of changes in the workforce (Kebuschull, 2020). the market in Indonesia. The influence of their presence on the formation of human capital in Indonesia has changed Indonesia's face.

The human capital possessed by transmigrants has a higher level effect on the accumulation of human capital they have, meaning that the human capital stock increases per capita as average transmigrants mingle and assimilate with residents both formally and informally, including better education and training due to the assimilation of culture, knowledge, and skills. Transmigration increases Indonesia's economy, especially in transmigrant areas, which means that migrants or transmigrants are more likely to develop education for themselves and their families to grow and develop, including developing productivity and economic development of their families and themselves. The transmigrants who came with human capital had assimilated and spread human capital through the indigenous population's assimilation process. The productivity and economic performance of the areas where the transmigrants lived increased. The human capital owned by transmigrants has grown from generation to generation to the present. The experience of the transmigrant expert changed the importance of education and created economic growth (Parjiono & Rahman, 2019).

## 2 LITERATUR REVIEW

The available education is endogenous to human capital development (Lightfoot-Rueda et al., 2016). Educational development as part of the human capital development process is an essential factor and necessary for transmigrants. Education is also felt necessary for residents because teaching is a driver of human capital development, so it is more likely that citizens expect education in transmigrant areas in the future (Erb et al., 2013). The role of religion is vital in developing social capital. Because faith is based on fundamental human beliefs about the beliefs and beliefs held,

of course, this must be supported by high religious tolerance. The role of religion and cultural assimilation between transmigrants and residents is essential. It is necessary to build social capital between residents by realizing religious tolerance and a culture of cooperation, which is Indonesian society's distinctive culture (Thomä et al., 2014). The development of religious tolerance as an effort to develop social capital cannot be separated from the respective religious education, which teaches peace and spreads love and kindness. The desire to live in religion encourages the need for education, such as Islamic boarding schools for Muslims and churches for Catholics. It centers for other religious education in transmigrant areas by the religions and beliefs of the group.

transmigrants who already have a family create educational demands different from young single male transmigrants (Cohen & Sirkeci, 2011). transmigrant groups with families and already have early childhood have a greater incentive to encourage educational development for their children than single young men who tend to work hard to prepare for their future on transmigration lands. transmigrant associations are essential for providing early education in transmigration areas, where public provision is scarce because transmigration areas generally tend to be empty.

Social capital can be used to take advantage of the group's ability to generate political power and develop its territory (Caramani, 2014). Social capital is an economic and political force in developing regions and countries. The social capital of informal groups has power in politics and the economy in social control. Social capital can be used positively, such as defending the weak and helping each other in the economy and development. Social capital can also be used negatively, such as the gangster and mafia phenomena.

The characteristics of the nation in Indonesia, namely the diversity of ethnicities and cultures of Indonesia. The variety of races and cultures makes Indonesian people more tolerant so that the transmigration program from 1969 to 1997 can run well and contribute to the economy and development of Indonesia's human capital (Jones, 2013). Every transmigration program must bring in people from outside the region and involve the local community so that there is no social jealousy. The purpose of transmigration cannot be separated from the poverty alleviation of the people who are sent. The synergy between population distribution from cities to transmigration areas with the development of transmigration areas must run well (Tanasaldy, 2012). The purpose of organizing transmigration during the Old Order era or the Suharto presidency from 1969 to 1997 was primarily focused on moving people from Java, Bali, Madura, and Lombok to less densely populated areas, cultivating unused land, and strengthening a sense of unity. And national unity aims to improve the standard of living, regional development, and utilization of natural and human resources and improve defense and security.

Transmigration as one of the population programs in

Indonesia, in its implementation, has shown various successes, both in terms of increasing the welfare of transmigrants, creating job opportunities, as well as in terms of developing new villages or growth centers. In areas of origin, transmigration development's contribution is primarily in overcoming limited job opportunities and business opportunities and supporting the development of several strategic infrastructures. This reality shows that transmigration has become one of the "superior" programs in building national independence through developing regional resource potentials. Transmigration can also be a typical example and strategy for developing Indonesia's "original" region and becoming a valuable learning source in developing regional potential. Transmigration is a form of spatial mobility or population migration initiated by the government, one of which is to establish transmigration destinations. However, the transmigration program has the potential to cause conflict in the destination area. Differences in behavior and cultural backgrounds between transmigrants from other locations and residents often cause tensions that transmigrants must build new social relationships based on heterogeneity and plurality related to language, artistic elements, customs, and religious practices. To maintain a harmonious relationship in a new place. Heterogeneity and plurality can cause fragmentation between social groups and, in turn, lead to conflict. However, access to and control over resources, especially economic and political resources between transmigrants and residents/transmigrants, is also a significant trigger for tensions and conflicts that can damage collective survival. residents can also lead to harmonious social relations. Social interaction between individuals while living together in transmigration sites allows the development of social capital. Social capital is based on mutual trust. Social capital is a capability that arises from a general belief in society or some aspects of culture to produce cooperation between elements to achieve mutual progress. This is a cultural dimension that can determine the success of economic and social development. In the context of transmigration as a program to increase equitable regional development and strengthen the unity of the nation, transmigration settlements are expected to develop well and have a positive impact on the development of the surrounding area. Suppose the effect of transmigration settlements is not related to the surrounding area. In that case, it will result in differences in community welfare and can trigger dissatisfaction between regions and open up opportunities for regional political instability. Political instability will be very detrimental to the area in the medium and long term. (Nielsen & Oskarsson, 2016).

### 3 RESEARCH OBJECTIVE AND METHODOLOGY

In the previous section, we described the mechanisms by which transmigrant groups can influence human capital development in Indonesia. We hypothesize that a more significant positive effect on human capital development will occur in transmigration due to cultural and skill assimilation between transmigrants and residents.

To test our hypothesis empirically, we use secondary data

from BPS, which is triangulated with data from the world bank and data from the Social, Manpower, and Transmigration Office related to education starting from kindergarten, primary, secondary, and tertiary education levels from 1969. Until 2019, we also investigated Indonesia's demographic data from 1967 to 2019 and, of course, transmigration data from 1967 to 1997. Health, employment & income data in Indonesia. We process all data by adopting processed transmigrant data in Brazil Índice Firjan de Desenvolvimento Municipal 2018. We process education, health, employment, and income data into an index that we make as a dependent variable called IFDM, which stands for Índice Firjan de Desenvolvimento Municipal.

Índice Firjan de Desenvolvimento Municipal is an index used in Brazil, taking into account employment and income, education, and health, which are the main components of forming human capital. In the IFDM, jobs and income are calculated by considering the generation of formal employment, the level of formalization, the job market, income, real wage claims on the market, legal careers, and the Gini index of income inequality informal jobs. The education includes the frequency of school-age children, the number of elementary school dropouts, the distortion of class age in elementary schools, teachers with higher education in primary schools, the average daily lesson hours in primary schools, the results of the education development index in primary schools. For health, consider the proportion of adequate prenatal care, death due to unknown causes, infant mortality due to preventable causes, and hospitalization sensitive to primary care (Vieira, 2018).

To estimate the effect of transmigrants on human capital, a simple OLS model is used, which adopts the research of Craig and Faria (2020) as follows:

$$IFDM_t = C_t + \beta_1 P_{t1} + \beta_2 AL_{t2} + \beta_3 SH_{t3} + \beta_4 TL_{t4} + \beta_5 GDPP_{t5} + e_t$$

Where,

IFDM = Human capital index adopts Índice Firjan de Desenvolvimento Municipal

P = Education

AL = Assimilated Literacy

SH = Basic Education Participation

TL = Transmigration Literacy

GDPP = Gross Domestic Product Per Capita

### 5 RESULTS AND DISCUSSION

The estimation results are as follows:

$$IFDM = 0.598253 + 0.659124*AL + 1.123652*GDPP + 1.694321P + 0.987354*SH + 0.886954*TL$$

From the OLS estimation results, the Assimilation Literacy (AL) affects the index of human capital development in Indonesia by 0.659124. If the assimilated literacy in Indonesia increases by 1%, the human development index will also increase by 0.659124. Per Capita Gross Domestic Product

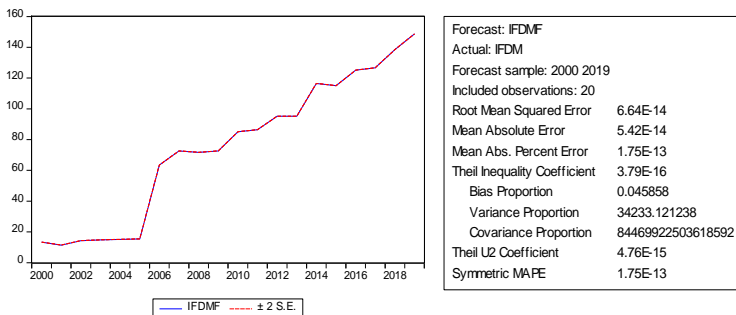
(GDPP) has a positive effect along with other variables. Table 1 describes the estimation results as follows:

Table 1. Estimation Results

| Dependent Variable IFDM |             |                    |          |
|-------------------------|-------------|--------------------|----------|
| Variable                | Coefficient | t-Statistic        | Prob     |
| C                       | 0.598253    | 2.232926           | 0.0008   |
| AL                      | 6.59E-01    | -0.686029          | 0.5039   |
| GDPP                    | 1.12E+00    | -0.922318          | 0.372    |
| P                       | 1.694321    | 3.58E+14           | 0.0241   |
| SH                      | 0.987354    | 2.655914           | 0.0217   |
| TL                      | 0.886954    | -2.7151            | 0.0003   |
| R-squared               | 0.798253    | Mean dependent var | 74.86296 |
| Adjusted R-squared      | 0.797204    | S.D. dependent var | 46.7005  |
| S.E. of regression      | 212.6459    | Sum squared resid  | 8.53E-26 |
| F-statistic             | 952.0832    | Durbin-Watson stat | 0.944391 |
| Prob(F-statistic)       | 0           |                    |          |

The estimation results and table 1 indicate that the Indonesian transmigration program from 1969 to 1997 by the Indonesian president at that time, namely President Soeharto, had a positive impact on Indonesia's human capital. Figure 1 explains the forecasting of Indonesia's human capital development as follows:

Figure 1. Forecasting results of HR in Indonesia



## 6 CONCLUSION

The transmigration program from 1967 to 1997 in Indonesia during the era of President Soeharto had a positive impact on the development of human capital in Indonesia.

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