

Resource Based View In The Employment Issues in Aceh

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Abstract

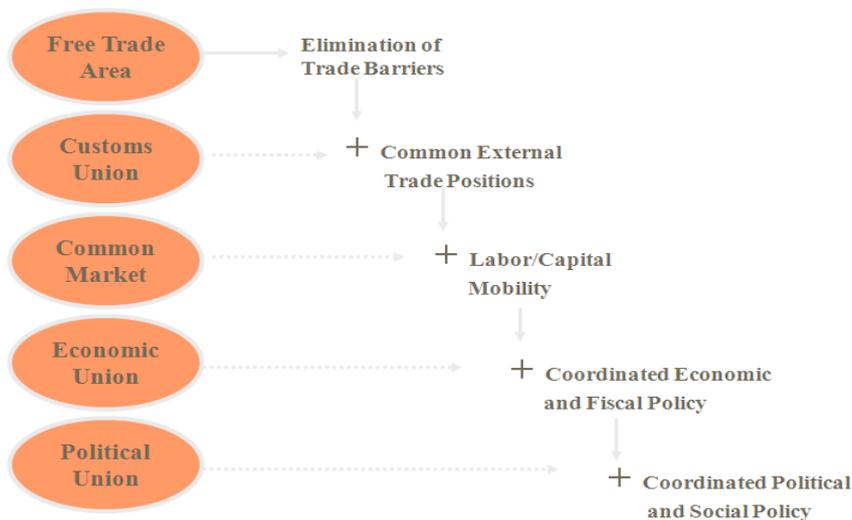
Common market is the type of economic integration that has been implementing in ASEAN since 2015. Called ASEAN Economic Community, they apply labor and capital mobility. Indonesia needs to reform the strategy to face the economic challenges including the unemployment issue. Aceh as the province that closest to ASEAN countries supposed to be potential area, but the fact explains Aceh has the highest unemployment rate in Sumatra. This study figures the condition of labor in Aceh using qualitative study with literatures and secondary data. The focus is on the Resource Based View theory connecting to employment condition. The findings are the workforce in Aceh more than one third is not well educated. They work in agriculture sector. The unemployment is still in large number, which is identified has no competitive advantage related to the market job creation and labor market absorption.

Keyword :Resource Based View, workforce, employment

I. Introduction

Asia is predicted to become the greatest power of the world economy with a large three-axis force that East Asia with China as its center, South Asia with India as its center, and south east asia with Indonesia as its center. ASEAN Economic Community (AEC) is the integration of the Association of South East Asia Nations (ASEAN) region which agrees the cooperation in internal tariff rates, among Member of States in region reaches 0%. AEC was enacted in the end of year 2015 in ASEAN. AEC is expected to boost the volume of trade and investment flows into ASEAN to accelerate the economic growth of the ASEAN member countries.

AEC has 4 pillar, namely a single market and production base, a competitive economic region, equitable economic development, and integration into the global economy. There are variations of perspective and commitment to see the advantages enactment of AEC. Some say the AEC is not very profitable because it is accompanied by a loss of competitiveness of domestic products.



Source : Phatak, Bhagat, & Kashlak, 2009

Figure 1
A Hierarchy of Regional Economic Integration Initiatives

As we can see at the picture above, AEC is a common market model. It is the third step of a regional economic integration, before economic union and political union. The common market leads to the free flow of capital goods and services.

Indonesia is the largest country in ASEAN. Indonesia with the largest area with high GDP and population, but the GDP per capita is relatively small (the smallest is Myanmar), while Singapore as a smallest area has a relatively small GDP but the GDP per capita is the largest. Indonesian productivity in this region is still relatively low, it can be seen from the global competitiveness index issued by the World Economic Forum (WEF) which is still inferior to Singapore, Brunei, Malaysia and Thailand. Data from the World Bank mentioned doing business in terms of ease of doing business in Indonesia is still lower than Vietnam and the Philippines. In the context of trade, comparative advantage in the export of Indonesia still natural products (agriculture and mining) and lower-middle-tech industries (food) and labor-intensive industries (textiles and clothing). It also can not be separated from the low rate of human resources, especially in the creation of value added in small-scale

enterprises (informal) are still relatively high (Minister of Coordinator of Economics of Republic of Indonesia, 2014).

In other side, Indonesia still needs the superior local human resources in order to win the competition. Higher education participation rate in Indonesia is still relatively low. With the enactment of AEC, well-trained labor and foreign companies from ASEAN member countries will enter freely and that could be a threat to workers and local companies, while unemployment rate in Indonesia is still high, about 6 million people from 120 million workforce. Even more, It is also not impossible if the European or USA market someday will shift to Asia and affect the ASEAN until Indonesia. So soon, Indonesia needs the creation of higher added value in the products to achieve a competitive advantage globally.

Aceh is the one Province in Indonesia, located at the western end. Geographically, Aceh is an area close to ASEAN countries, which has excellent trade potential. Its population is more than 4,5 million and the area is about 5,677,081 ha, with forest as the widest area reaching 2,290,874 ha. By this situation, Aceh supposed to be the one province that success in absorb the labor both local labor or international. But, based on data from the Central Bureau of Statistics (BPS) Indonesia (2017), Aceh has the highest unemployment index on Sumatra island with 7.39, with open unemployment rate of 9.02. The total labor force in Aceh Province in February 2017 reached 2.330 million people, growing by about 95 thousand compared to 2.26 million in February 2016, and increased by 72 thousand compared to August 2016 2,258 million people. This is the potential problem faced by the government in this AEC era. Aceh as the closest province in ASEAN is unproductive in competition to AEC, which can affect the wealth of its society in this common market. This might be caused by the Aceh internal resources which is still weak. The government program proved not to be able to trigger economic growth in Aceh quickly, so it is feared that resources in Aceh will be lost with other regional competitiveness in ASEAN. Resource Based View (RBV) needs to be measured in this situation to improve the resource quality. The RBV proposes that the internal resources of the firm primarily drive its sustainable competitive advantage (Barney, 1991; Rumelt, 1984). Thus, this perspective adopts an internally driven approach, as opposed to the externally driven perspective according to which a firm's competitive advantage stems from external market forces and a firm's ideal positioning in a market (Porter, 1985). So this study figures how is resource based view of labor industry in Aceh.

II. Method

This study aims to know the condition of employment in Aceh in this AEC situation by the RBV. The qualitative method is used to provide findings. The Secondary data collected BPS in 2017. Indicators of RBV will be chosen by literature study that provide in result and findings.

III. Result and findings

The RBV has been incredibly popular in strategy and operations management. The RBV argument relies on two key assumptions. First, firms within an industry are heterogeneous with regard to the resources they possess ([Barney, 1991](#); [Conner, 1991](#)). This means that each firm has a unique portfolio of resources. A second assumption is that of imperfect resource mobility ([Barney, 1991](#)). As such, firm resources are difficult to obtain in the marketplace. This could be because of their high transaction costs, because they must be used in combination with other resources, or because they are simply more valuable to the firm that currently controls them than they would be otherwise (e.g., [Peteraf, 1993](#)). Firm resources have been defined broadly as anything that could be “a strength or weakness of a given firm” ([Wernerfelt, 1984, p. 172](#)) and, more specifically, as assets (e.g., brand name) and capabilities (e.g., innovation) that can enable and facilitate the development of core competencies ([Day, 1994](#); [Hunt & Morgan, 1995](#)). For resources to be potential sources of competitive advantage, they must be valuable, rare, inimitable, and nonsubstitutable, jointly representing the VRIN framework ([Barney, 1991](#)). Arguing that nonsubstitutability is merely a form of inimitability, [Barney \(1997\)](#) later replaced this fourth resource criterion with the organizational embeddedness of a resource and, in turn, the VRIN framework with the VRIO framework, emphasizing the importance of a firm to be organized in such a way that it can exploit the resource. Out of the four VRIO criteria, inimitability is particularly challenging yet especially critical for a firm to achieve. A resource cannot be imitated if at least one of the following three isolating mechanisms protects it (e.g., [Barney, 1991](#)): unique historical conditions (e.g., copyrights, patents), causal ambiguity (i.e., the link between the resource and the firm's competitive advantage is not fully understood), and social complexity (e.g., corporate culture, reputation).

Other research integrates the two perspectives by proposing that the firm's stakeholder relationships constitute a strategic resource that, by fulfilling each of the RBV's VRIO criteria, can help a firm achieve a competitive advantage and, ultimately, improve its performance (e.g., [Choi & Wang, 2009](#); [Hillman & Keim, 2001](#)). The firm's stakeholder relationships are

valuable because, if managed efficiently and effectively, they can help a firm maintain or increase its profits, exploit opportunities that may arise, and defend threats from competitors or external forces (Hult, 2011a). In addition, stakeholder relationships are *rare* and *inimitable* because, even if a firm shares some of its stakeholders (e.g., customers, suppliers) with other firms, its relationships with the stakeholders are both unique and impossible for competitors to copy due to their individual historical conditions, causal ambiguity, and underlying social complexity (Harrison, Bosse, & Phillips, 2010). Finally, the potential of stakeholder relationships to serve as an intangible strategic resource that enables the firm to create and sustain a competitive advantage also depends on their *organizational embeddedness*. This criterion represents the extent to which a firm's stakeholder relationships are integral components of the organization and its processes and, therefore, immobile (i.e., not transferrable to a different firm). Thus, the use of RBV in this study is limited to the assessment according to Choi & Wang's theory, 2009; Hillman & Keim, (2001) using VRIO criteria, namely valuable, rare, inimitable and organizational embeddedness.

Based on the data collection in 2017, the number of people working in the province of Aceh in February 2017 reached 2.158 million people, an increase of about 105 thousand people compared to the situation in February 2016 of 2.053 million people, and increased by about 71 thousand people compared to August 2016 of 2.087 million people. The number of unemployed in February 2017 amounted to 172 thousand, decreased about 10 thousand people compared to the conditions in February 2016, which amounted to 182 thousand people. But, when compared with the situation in August 2016, the number of unemployed experienced an increase of 1 thousand people, amounting to 171 thousand people. The lack of rare skills creates a lot of unemployment that can not compete in the local and ASEAN markets. The fluctuation of the number could be meant the market only needed the common skill in non-fixed job. If we see in the ASEAN market wide range perspective, this identified that the rare and inimitable skills are lack in workforce in Aceh.

The Open Unemployment Rate (TPT) in Aceh Province in February 2017 reached 7.39 percent, 0.74 percent lower than TPT in February 2016 of 8.13 percent, and 0.18 percent lower than TPT in August 2016 of 7, 57 percent. With these figures, Aceh Province is the province with the highest 6th unemployment rate in Indonesia and the highest in Sumatra, and in Sumatra followed by Riau and West Sumatra provinces. This condition explains that Aceh's labor management is still very poor compared to other regions in Indonesia, especially in Sumatra. It means that the labor is not well organized. This reflects the failure

which is Aceh as a region with special autonomy with abundant budgets, not like others in Sumatra.

The number of people working in the agriculture sector in February 2017 has increased by 109 thousand people compared to the conditions in February 2016, when compared with the situation in August 2016 also increased by 112 thousand people. The agricultural sector is the largest labor absorber in Aceh Province. However, the population working in Aceh province is still dominated by workers with elementary school education who reach 687 thousand people or 31.84 percent of the total workers. This explains that more than 1/3 employees in Aceh are not well educated which means they are less valuable. They could be working with lack of knowledge and learning by experience in agriculture sector. The value will be increase when they could mix between knowledge and experience they had.

From the explanation above, we can see the unemployment is still very large in number, and more that one third of total employees still not have enough education to compete in AEC. This is not in accordance with RBV theory which states that sustained competitive advantage can be achieved when elements of excellence such as valuable, rare, inimitable and organization embedded can be met.

Perspectives in Managerial Implications

In order to fulfill the valuable element, the Government of Indonesia through the employment field needs to focus more on Indonesia's end regions such as the Province of Aceh through its certification program, where the unemployed workforce is expected to obtain more certification, especially in the priority sectors of the Government. Agricultural sector which is the largest labor absorber is also very needed certification, considering that working in the sector is more than one third of them still educated elementary school. This will have an impact on the added value that workers can generate and increase their creativity in the agricultural industry.

The rarity skills is also a competency that needs to be developed in working and non-working communities. This is potentially in addition to increasing the selling value of experienced workers, for those who work also have the opportunity to get a job even not only penetrated the local job market but can enter the ASEAN job market itself. A number of unique areas such as tourism, electronics, information technology and others are the needs of the rapid development of recent times. Such non-commodity sectors require high

creativity that does not necessarily depend on natural outcomes. This explains that skill investment in the non-commodity sector is a skill investment that is cheap and has the opportunity to grow.

With the ability of the rare and inimitable, the creativity can be a product (either himself or produce products or services) that are not easy to imitate / imitate, so as to be able to compete in the ASEAN market. This rare product must penetrate the free market with the help of industry and trade stewardship, even the ministry of labor can also be the provider of the labor market with unique competencies for the ASEAN market.

With these three elements, the last supplementary element is the organizing of these elements. The integration of capabilities that have been facilitated by the government should be well organized. Organizing can be done by the Central Government and Aceh provincial government. Skill collection is required so that it becomes a road map of labor for the Province of Aceh in the future, and is directed both for local development and the ASEAN market. Skilled and competent laborers are given the freedom to work wherever and which are still not maximized can be further enhanced by the quality of the government programs that are sustainable. It can also boost development indicators especially Human Development Index (HDI).

IV. Conclusion

One third of the workforce in Aceh that is working in agricultural sector is still poorly educated. The highest unemployed in Sumatra illustrates the lack of their ability to work to be absorbed by both local and ASEAN labor markets. RBV which is a strategic asset for continuous improvement of competitive advantage needs to be applied to labor products in Aceh. The workforce that must be equipped with special skills will be the basis for the absorption of manpower both domestically and abroad, with better job position and guarantee and reduce the unemployment rate. Employment management should be more considered by the central government for provinces that have high unemployment rates and who have many low-educated labor force. Manpower skills mapping is urgently needed, and the management of the labor market by both central and regional governments needs to be comprehensive. Quadrant of skill must determined, with element the skill (high-low) and the market share of labor (large). Focus should be improved for ends and coastal areas that typically have low skills and fewer access to job market and creativity. Thus, Aceh is

expected to be able to make a breakthrough in overcoming unemployment and improve the quality of its workforce to enter the ASEAN and even global markets.

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