ABSTRACT

The low quality of human resources is a major problem in Indonesia. The quality of human resources in Indonesia is still low, as indicated by Human Development Index (HDI) which ranks 121st out of 187 countries and in position 6th of the 10 ASEAN countries. The low quality of human resources in Indonesia is caused by poor public education that result in the low productivity, the average wage, and the high level of poverty that causes people not be able to fulfill their needs.

The purpose of this research is to analyze the factors that influence to HDI in Indonesia. In analyzing this research, the writer applied multiple linear regression models with a simple least squares method or the Ordinary Least Squares (OLS). The data used in this research are time series data in the period of 1992 to 2012.

The result shows that the poverty variable has negative and significant influence to human development index in Indonesia; therefore, the decline in poverty rate will increase HDI in Indonesia. GDP has positive and significant influence to human development index in Indonesia, which means when the GDP increases, the HDI will increase as well. On the other side, the government spending on education variable has negative and not significant influence to human development index in Indonesia, this happens because 20% of government spending is not only allocated to education but also allocated for other expenses such as employee salaries and other education expense. So that an increase in government spending every year shows no significant effect to human development index.

Keywords : Human Development Index (HDI), Government spending on education, Poverty, and GDP