

THE IMPORTANCE OF THE INVESTMENTS IN HUMAN CAPITAL FOR THE SUSTAINABLE DEVELOPMENT OF THE ROMANIAN ECONOMY

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Abstract:

People are a very important factor in the production process and for the success of a business. Therefore, we consider it is essential that modern organizations rethink their strategies, make long term investments and invest in people. Their success and survival on the market depends in a big extent on the understanding of these aspects. Romania must be aware, as well, of its importance.

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Introduction

The work quality is an essential component, which influences the labour force that is used. It can be expressed as qualified, semi-qualified and unqualified work, with according consequences on labour productivity. The more qualified work is, the more it can decrease quantitatively and production can increase through its superior efficiency

A society based on cultural diversity must mainly invest in education, in health care and in other social programs. The key principle that must govern in the modern societies the , private or public investment policies, should be to allow and favourize an investment in the human and social capital. This principle could be applied and linked to the systems of assuring welfare and life quality, as well as in the case of other aspects of social-economic development. Traditionally-approached welfare, based on the transferable payments system, on bureaucratic services and the so-called social engineering, must give up its place to the new approaches, linked to the active welfare, continuous education and the development of systems for assuring life quality, by using a set of priority investment programs, similar to those linked to investments in education.

The Definition and Operationalization of the Educational Capital, Component of the Human Capital

*Human capital consists in those people's skills, which are characteristic to them and remain the same in any social environment and can be used on the labour market, in exchange for economic resources of any type. Practically, *the human capital* is composed of:*

- the educational capital, represented by the skills acquired by individuals during and outside the education process, and*
- the biological capital, represented by the individuals' physical skills, the most often synthesized by their health state.*

Human capital has developed itself as a concept in economy, where it is mainly regarded as “estimation of a person’s ability to produce income by labour”²⁸.

The human capital treatment as investment has generally imposed itself, the abilities human capital is composed of could practically be used anytime, in function of the social and economic environment, in which individuals could place themselves at a certain moment. More, this investment is continuous, aiming either the development (the perfecting courses or continuous education, for instance), either the maintenance of the capital stock (periodical medical consultancies, for instance).

Each of the human capital’s components raise problems of defining and operationalizing them.

Educational capital presents itself in two different forms: on one hand, there are the abilities acquired as a result of participating at the formal educational systems, knowledge confirmed by diplomas; on the other hand, there are any other knowledge and abilities that have been acquired during the life time, by personal efforts or by contacts with experts in different fields finalized with knowledge gains as a result of assimilating the knowledge received by interaction with them. For the diplomas-confirmed educational capital, the problem of measuring at an individual level is not very difficult, even if the different used methods could be discussed: the measurement in education years, in instruction grades etc. In exchange, informal education produces educational capital stocks, which are hard to estimate.

Investments in education, in the human capital formation, both at individual level, and at the society level, depreciate themselves if knowledge, competences and qualifications are not regularly and accordingly used.

If, with regard to the relationship between the level of academic and professional education, on one hand, and employment, on one hand, in Romania there is a direct relationship, the situation is very different with regard to the relationship between income and education. Activities which require not only a low or limited level of academic and professional education, but, also, a limited degree of responsibility, are, very often, better remunerated than those which require a high level of academic education and responsibility. In a long run, maintaining such a situation will have negative effects: the demotivation of the population to invest in education and the increase of emigration, especially in the case of well qualified young people. The deterioration or loss of human capital have always proved themselves to be hard to recuperate or replace.

The main characteristics of the European economic environment, and, up to a certain extent, of the Romanian environment, as well, are:

- *Technological innovation* – the accumulation of an impressive volume of knowledge in all fields and the increase of the competition on the market imposes the adoption of the newest technologies;

- *The jobs instability* – employees are forced to change not only their work place, but profession as well. This instability is much more accelerated in the context of the transition from the planned economy to the market economy;

- *The decrease of taxation* – in a long run, with the increase of the competition, the pressures of economic agents on governments will increase, in the purpose of reducing taxation. This means the state will have either to support less and less public services, education including, either to identify other sources for their financing.

The modification of the economic context imposes a fundamental revise of the educational supply in all the countries. Even from the beginning of the years '90, the educational supply in Romania has diversified itself, both at the level of the secondary education, and the superior education, especially. More, in the transition years, this type of supply has responded to the labour markets needs: the increase of the number of specialists in economic, medical, law,

1. Voicu. B., „Capitalul uman: componente, niveluri, structuri. România în context European”, Calitatea Vieții, 1-2/2004: 137-158.

informatics sciences etc. The Inexistence of a system for monitoring the relationship between the educational supply and the current and future demand of the labour market has led to major disfunctionalities: narrow specializations, neglecting the formation of specialists in certain fields and their over-agglomeration, sub employment etc. In these conditions, on the Romanian labour market, sub employment, professional declassification, diplomas devaluation phenomena already manifest themselves, not because they are too many, but because they are not used.

Romania has entered, as other developing countries, in a vicious circle: a low level of development has the effect of limiting investments in education, so in human capital and diminishes the labour quality and productivity, important factors of economic growth.

Another aspect linked to education financing is the one linked to the way of distributing the expenses on education levels.

Adults' Education

Adults' education is the most problematic area of the Romanian educational system. The situation becomes dramatic, as all transition programs are, in fact, programs of inherently changing some human resources, which are already engaged in the society's different sectors. From this reason, adults education and permanent learning should become first rank priorities. This requires urgent steps in the following directions:

- The development of new institutional capacities;
- The change of the mentality that learning ends with getting a diploma or certificate;
- Making the public interest sensitive to the educational system problems;
- Diversifying the education supply during the whole life;
- Including education and formation as a compulsory component of all development programs.

Romania has another problem linked to the formation and education of the human capital: "*the brains-run*". For instance, a lot of doctors and, especially, IT specialists, decide to emigrate. Only by the leave of the IT specialists, Romania loses annually 60 million dollars, as a result of the emigration of 2000 faculty graduates from the IT field.²⁹

Challenges of the Romanian Education

Romania has not yet finalized the elaboration of an integrated national strategy for the permanent education. The main obstacles Romania is confronted with, in its effort to adopt an integrated and coherent strategy in the permanent education field are:

- The existence of historical gaps in comparison to the Lisbon strategy, doubled by the insufficient development of a culture of permanent learning at the population's level;
- The lack of a systematic and coherent debate, meant to imply ministries, public institutions, civil society and the private sector in elaborating, implementing and monitoring the policies in the permanent education field;
- The inexistence of global approaches in the policies regarding permanent education, which should regard the whole education and formation process of an individual, and should comprise, in a unitary vision, both the compulsory preschool education, and, also, the initial professional formation, and adults' continuous education and formation;
- The sometimes significant distance between the law stipulations regarding permanent education and their put into practice at regional and local level;
- the lack of correlation between the priorities established in the educational policy documents and the financial resources allocated for their fulfilment;
- The low implication of social partners in the development and implementation of human resources development policies.

2 *** - Unprofitable export: un IT specialist costs \$ 60 milllion dollars annually, in « Jurnalul Național », 19th of June 2002;

The main challenges for the permanent education in Romania are:

- The low participation of young people and adults to the permanent education;
- The insufficient valorification of the education from outside the institutional framework (the non-formal and informal education);
- The gaps between the education stock, in the conditions of the limited access to education of the population categories that are in the situation of social exclusion (persons in the situation of extreme poverty, persons in prison, persons with special needs, the roma population);
- The limited access and low competences of the population to the digital informational resources;
- The spectre of the Romanian population decrease (by 11% until 2030, according to the European Union projections) and the implications of this reality on the development and use of the labour force competences.

Conclusions

People are a very important factor in the production process and for the success of a business. Therefore, we consider it is essential that modern organizations rethink their strategies, make long term investments and invest in people. Their success and survival on the market depends in a big extent on the understanding of these aspects, and Romania must be aware, as well, of its importance.

The rational integration in the international labour division represents a major, actual and perspective problem of the economic and social development of Romania. The more labour productivity increases, production and consumption must increase at least in the same rhythm, in order to maintain a high level of employment, even more rapid if the number of work places must increase.

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