

The Educational Dimension of the Human Capital

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Abstract

The classic economy indicates the traditional production factors (labour, nature and technical capital) as responsible for continuing improvement of the economy, the currency theories emphasize the financial capital, so that the ideology of knowledge society would identify these factors in human capital and its creative, innovative potential. Financing education followed up by training in the professional field in order to increase the skills and knowledge of an individual supports economic growth, thus the need to develop a national strategies of the educational capital. Ongoing spending toward education and health are investments made specifically for the growth of economy and prosperity of the citizens. Studies confirm the strong links bounded by human capital and labour income and that there are variations of incomes according to the degree reached by an individual during the years spent for education and professional practice, the earnings increase according to educational degree.

Key words: human capital, education, training

J.E.L. classification: I25, J24

1. Introduction

The more imperative thesis regarding the adjustment of the services for education toward the labour market requests, could be replaced with the economic development through reinforcing of the creative capital. The expansion and boosting of a city/area depends on what? The concerns that followed to answer this question constituted themselves in theories attributed to the advancement and sprouting of the economy.

Several theories have pointed out that the material resources are the groundwork of the development and the material resources at the foundation of the prosperity of an area lay the material resources, some invoked technology, others the human capital (HC), others the organization, management, others the position towards the markets, territorial homogeneity or even the natural environment.

2. Literature review - Human capital theory

The economy insinuated itself in all compartments of life today: people are work force or human capital (Becker, 1993), education became an educational service, academic space became competitive, university leadership was transformed into academic management, they talk more and more about the social rate of return from academic research (Mansfield, 1991), about Industrializing Knowledge (Branscomb, Kodama, Florida, 1999), health is a medical service, and the examples may go on.

An extensive incursion in conceptualization's background concerning economy and economics disseminate society's and economy's betterment is accompanied by changes concerning not only the ways of organising and unfolding the work, just the same the economic growth's aspects: assuming that the classic economy indicates the traditional production factors (labour, nature and technical capital) as responsible for the continuing economic successfulness, the currency theories

emphasize the financial capital, so that the ideology of knowledge society would identify these factors in human capital and its creative, innovative potential.

A. Marshall in his research "*Principles of Economics*" published in 1890 states that the most valuable capital is the one invested in people.

A. Smith talks about the existence of a profit gained after investing in education and training. Education becomes a capital, as the financial one, the profit being equivalent to that gained following a financial capital investment, on the pages of "*The Wealth of Nations*", 1776.

G. Becker arguments that economic development is obtained following substantial investment of the citizens and companies into education carried out through training courses with the purpose of achieving expertise and skills needed on the job. (Becker, 1964)

Prior research and studies written by TH. Shultz and G. Becker represent an important source for the ontogenesis of the theory of HC.

How is human capital defined in the dictionary? HC is defined as an asset of an individual shaped by a combination of ability, awareness, education, know-how, skills with the intangible resources of a citizen in order to economic prosper, in the same time prosperity of the individuals and of the community.

Among the economics of education and professional preparation, HCT becomes an archetype, a theoretical perspective recognizing that citizens infuse in their human capital the same businesses invest in equipment. A comprehensive description of the investment in the training can be shortened by the three words: economic and social tool. (Becker 1964; Mincer 1970)

Studies show that people with more education and training have a bigger income, find a job faster and are able to keep it for longer time.

"It holds that individuals and nations with superior education standards will earn more and enjoy more rapid economic advancement than less well-educated individuals and nations." (O'Keefe Sue et al, 2007 concluding the studies of Blundell et al 1999 adding Piazza- Georgi 2002)

The role for human capital is triggering and sustaining economic growth and social development. Eradication of poverty and prosperity is achieved on the grounds of financing education and training. The organizations profit and productivity are directly related to adequate educated and trained employee. (O'Keefe Sue et al, 2007 summing up Romer 1986 and Quiggin 1999)

When does training occur in an individual's life? The wage-earner at the beginning of his career is expected to attend a professional training, consequently younger people incline more for training anticipating longer periods to amortise the investment and existence of higher return rate (Blundell et al 1996) combined with the increase in earnings, HCT concludes.

What are the characteristics of the participants in education and training programs? Citizens that invest in their education tend to participate in professional training programs investing time and money. (OECD 1998).

The growth of efficiency in using the workforce and the adaptation to the changes of economic environment are the result of investing in education and vocational training programs. Researchers describe the HC's components alongside the acquired education and investment in training as being the ability and the on the job learning and experience accumulated over the years. (Long et al 2000)

3. Research methodology

The object of this study is to point out the bond between investing in education and training and increase in wages of the worker and profits of the enterprises. The contribution made toward education precede prosperity and development of the community.

For this reason I have carried out a closer look to the literature on the theory of the human capital, looking into the dominant factors, applicable elements and foremost factors. Numerous literature titles, articles, research were utilized and analysed to complete the task.

4. Listing most important functions, foremost factors and applicable elements of HC

Looking at the human capital as an individual attribute, obtaining knowledge and skills, the literature review points out two important functions of training. The first one is the investment of time and money in education and training. The second one is an identifying bridge connecting skills, worker's and the job required ones.

The main principle of the HCT states that skills acquired through training lead to higher productivity reflecting into increased wages, thus education and training become investments. Employers anticipate training of their employees' expenditure dividend as expected with other investments. The benefits of the investment depend on the training charge, increase of salary costs versus the productivity increase. (Becker, 1975)

Researchers talk about other two factors of the HC, first cost of the training, taking in consideration the organization's and the attendant's contributions, adding to this expense the time required to achieve the needed skills. The second factor is the size of the company supplying for professional instruction. Studies have emphasized worker's higher learning capacities lowers the investment in tutoring programs. It also points out the bigger the enterprise is the more educate their employees are. (M.S.M. van Smoorenburg et al, 2000, p.208).

The study of M.S.M. van Smoorenburg and R.K.W. van der Velden points out that higher educated people participate more in the company's training programs. Part-time employees have a lower rate of participating to training. Those who leave school early working in a different field of their school education are more likely to participate in organization's training. Over-educated individuals have a lower probability rate of taking part in training. (M.S.M. van Smoorenburg et al, 2000, p.213).

Through the HCT, education is defined as a growing factor of individual productivity. Citizens gain knowledge and skills that can be used in social and economic activities remunerated through investing in educational. Pointing out the importance and benefit of each of the three forms of education. Along this idea the importance of lifelong learning (LLL) notion stands out. This investment consists in allotment of time and material resources, the potential result being the growth of wages. Additional studies to discover, understand and link the LLL concept with increase in earnings and economic growth will be done for the future articles from our part. (Pavelescu et al., 2007)

B. Voicu talks about HC's prime elements, which are the formal education, personal skills, health state. Human capital is defined as the abilities exploited on the labour market in exchange of economic resources and made of educational capital – instruction, training, development and biological capital – physical skills, health state. (Voicu, 2004)

5. The educational dimension

When entering the labour market, the fundamental problem for any graduate concerns his work environment, that is the economic environment (the situation on the labour market, the income levels, potential for development) and the social environment (social structures and networks of affiliation, interhuman relations), to which we can add the physical environment of the organization, even the cultural one. Coleman's research proved, even since 1966, that the school results have no connection with the resources that the teaching institution has, either material, human or curricular ones; but rather they are tightly related to the nature and character of the students, measured looking at the number of students with encyclopedias in their home and the proportion with high aspirations. This fact confirms that the university graduates have more opportunities, including about their professional integration. (Ștefănescu F. et al, 2013)

The changes in the occupational structure of a society at a given time influences the professional trajectory of a person and his occupational status acquired, on the individual trajectory acting other factors, too, such as: personality, human, social and cultural capital of his own and of his parents, the residential environment, and motivational factors (income, needs, work conditions, interhuman relations, etc). The occupational structures are flexible, they are modified according to the requests for work force and to the technological changes, production, organization, also according to the offer for work force and its educational level. Such changes, simultaneously to the growing number

of university graduates, could lead to either a constraint of the personnel to accept the existing work places, sometimes under the personal qualification level, or an adaptation of the occupational structures to the work force's height of the professional qualifications. (Ștefănescu F. et al, 2013)

Ongoing spendings toward education and health are investments made specifically for the growth of economy and prosperity of the citizens. Mincer and Becker show on their study the strong links bounded by human capital and labour income and that there are variations of incomes according to the degree reached by an individual during the years spent for education and professional practice, the earnings increase according to educational degree.

Searching the literature, authors develop studies on how non-formal and informal education produce educational capital stocks hard to estimate, direct testing of all the skills being difficult to do. The complementarity of educational programs can be noticed in preparing the workforce, the trained skills can be used according to the economic and social environment in which the individual lives – a continual investment, through training courses, a new concept being formed lifelong education.

6. Conclusions

Financing education followed up by training in the professional field in order to increase the skills and knowledge possessed by an individual supports economic growth, thus the need to develop a national strategies of the educational capital. OECD's reports through cross-nation studies point out the rate of educational investment profit is higher for university graduates than for high school graduates and that the probability for unemployment and poverty is decreased by acquiring training degrees. The prosperity of the region, adding social expansion of the society topping the individual's buildup is triggered by the continuing financing education and skill training programs.

On a medium and long term, Porter (2002) favours educational policies that sustain preparation for a society of knowledge, quoting "*Innovation has become perhaps the most important source of competitive advantage in advanced economies*", thus country's economy has increased, looking at Finland and Taiwan which established and infused in boosting the innovative capacity of its people. Concluding "*Building national innovative capacity will represent the fundamental development challenge facing many countries for years to come*" (M. Porter, S. Stern, 2002, p.15). Differences between countries concerning innovation „*depends on an interaction between private sector strategies and public sector policies and institutions. Competitiveness advances when the public and private sectors together promote a favourable environment for innovation*" (Ibidem, p.2).

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