

Human Capital and Romania's Perspective in the EU

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Abstract. The source of improving people life standard depends, alongside other factors, on efforts oriented towards education, research, and knowledge enrichment. It is also related to development and dissemination of high performance technology, with knowledge development, skills and abilities, professional training able to realize, disseminate, and use innovation. However, these investments in human capital will lead to good results by extending the active life of skilled workers, by improving the general health status of the population, by preserving the environment, by improving food products quality. All these are the more valid for Romania's economy, the more it needs to be integrated in the Western European area, which is a highly competitive area. Or, relative sub-investment in autochthonous human capital might force our country to develop comparative advantages in border fields from the point of view of productivity, to specialize in fields that intensively use raw materials, to turn into a low paid labour market.

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1. Introduction

The study of the issues on human capital in România and the correlation with the theory and practice of economic integration has an indisputable importance, not only for understanding present and future realities of the economic system, but also for the development of economic research worldwide.

Despite the fact that goods and services development were attributed to oriented human action, economists considered only later human capacities as part of capital.

The concept of human capital has imposed in modern economy science during the '60s through the works of Theodor Schultz and especially through the contributions of Gary S. Beker. He developed the human capital investments theory linked to the term of human capital rate of return. Research grant have since given an increased importance to human economic accumulation, this concern being represented by a rapid growth of studies under focus for analysis and debate.

Suggestions on the economic performances of human capacities do not entirely stem from the so-called human capital school, but from other areas of election science. Doing his best to discover legitimate attribution of the Government in education, M. Friedman, one of the most influential economists ever, realizes that human capital investments (similar to expenses

incurred by improving the outturn of non-human capital) determines an increase of work productivity. Moreover, 1976 Nobel laureate maintains that high profit obtained in education reveal the sub investment in the field. Papers published in this field not only justify the expenses for improving knowledge, abilities, skills or gifts but also offer more solid arguments for human capital valorization.

2. The necessity of investment in human capital (1)

Apart from a series of other aspects mention must be made that researchers put more attention into the study of human capital in an era in which the issue of scarcity of resources felt closer due to foreseen food crisis, oil crises (years 1970) or raw materials crisis. Continuous growth of population and intense exploitation of resources brought back the debate on the growth limit, challenging the economic theory to new answers or solutions on the future of mankind. Economists realized more than ever that the accent must be shifted not on the aggressive exploitation of natural resources but mostly on their intensive use; or, the new approach implies more intelligence, better skills, abilities, gifts, more precisely the human capital. They understood that this constitutes by far the richest and the handiest exploitable resource. Since then, the process of creating wealth is oriented mainly on human capacities and on improving their efficaciousness.

Like in common capital, efficiency in allotting rare resources emerges from investments aimed at obtaining substantial effects, quantitatively and qualitatively improved. Among these, efforts, education and professional training are the most important investments in human capital but not the only ones. Obviously, human investment can also mean the resource volume needed for a normal alimentation or funds allotted to ensuring a very good health state. By this it is also understood as well the effort to protect the environment and, generally speaking, any activity that may contribute to improving life quality. Yet, at the basis of these all undoubtedly lie the resources invested in education and research.

Numerous studies published during the last decades show, beyond any doubt, the positive correlation existing between increasing wealth and human capital investment. (2) Efforts occasioned by educational levels (elementary, secondary, high school, academic), bring about significant benefits along with extending the timeframe for training and qualification. Statistic data confirm superior income for those that were awarded university diplomas, as compared to those that obtained different qualification degrees. Even the conclusions delivered by analyzing Romania economy demonstrate that there is a positive relation between the level of studies and the scale of income.

The same data undoubtedly show that there is the same type of relationship between the degree of labour occupation and the education timeline (that is, the dimension of human capital investment). Analyses performed on the Romanian labour market show that the most affected by unemployment are less-educated individuals, while the well-educated are the least affected by this phenomenon. Such a remark calls for one of Bekers' conclusions, according to which income differentiation, linked to education investment, manifests itself, regardless the degree of development of economic systems taken into account. It can be backed by a remark by Samuelson that explains the high percent of unemployment among young blacks in the United States, by their low class qualifications. Romanian statistics also highlight the fact that more than half of top management positions in our society are taken by well-educated individuals, the percentage of every formal degree diminishing with lower grade qualifications such as high school, secondary school and so on.

Nowadays, the human capital theories try hard to center stage the idea that, by increasing the production of goods and services able to satisfy the justified needs of humans (the so-called economic growth process) is due to a lesser extent to the volume of natural resources and to a greater extent to new technologies created by human capital investment. Analyzing the 1960 – 2000 period, J. Vandenbussche, P. Aghion and C. Meghir highlighted the fact that highly qualified work has an essential role in technological improvements by innovation [Vandenbussche, Aghion, Meghir; 2006], their paper coming closer to viewpoints maintained by some other specialists in the field that discuss on the relation between technological advance and economic growth. Practically, the argument of researchers in this field of economic research leads to the conclusion, proven empirically, that accumulating competences, skills, knowledge and technology represent factors complementary to the process of increasing utilities volume made available to us by the economic system [Lloyd-Ellis, Roberts; 2002].

The papers that analyze the duality technology – human factor led in many cases towards the conclusion according to which the source of growth in the efficiency by which economic systems spend rare resources is given by the human capital accumulation. This remark can be proven by comparative analyses showing that the technological outfitting cause different income production [Gould, Moav, Weinberg; 2001].

However, what is worthy to notice is the fact that not only specialized training is in direct correlation with technology production, but also general education. Even if they presuppose a long term horizon in recovering the allotted resources, expenses occasioned by general training, basic education, these too represent an important means by which the employed in various economic fields can have access to, manage, and use new technologies [Krueger, Kumar; 2004].

Yet the generally agreed upon opinion (very important for forecasting governmental policies in what concerns education financing) is that investments in specialty education are still decisive in improving individuals material conditions (by processing natural resources through more advanced methods). Such expenses deliver specific knowledge and competencies to workers, determining a more evident social division of work, which is the basis of national wealth. Arthur Fishman and Avi Simhon are only two of the economists that back this plausible hypothesis.

There are some other voices [Seamus McGuinness] that consider over-specialization as too expensive both for human capital owners and for companies or the whole economic system. Although the workforce that is low qualified (with modest investments in human capital) is much more affected by unemployment, it still has an advantage given by flexibility, as compared to the hyper-specialized one, which is very productive but lacking mobility in between various types of jobs that rapidly emerge and disappear as a result of high speed propagation of technological changes. Such a fear is present in Klaus F. Zimmermann's studies (pointing directly towards the west-European labour market in which we wish to integrate) and it needs to be taken into account so as to highlight the fact that the theories that sustain investments in general or professional education simultaneously advocate for an attitude which is balanced, prudent, and even critical.

From what we showed above the conclusion that might arise is that investment in human capital entails only expenses with general or specialized education. However, latest years theories go further than that. To be economically justified, any investment presupposes a period of recovery and clarification of expected profits. From such a perspective, expenses generated by the increase in human capital stock are no exception. The fundamental idea

attached to this aspect is that an investment is the more profitable, the more we extend the recovery period. For the possessor of the accumulated knowledge, this fact means an extension of life expectancy, especially of the active life.

We therefore touch now the problem of health state, a problem which is absolutely new to the economic science. The things can here be treated from the perspective of improving foods, of bettering the environmental conditions. The analysts studying this issue prove by calculations and statistical parameters that the level of health is a factor explaining the work force productivity, and the conclusion is that differentiated sums allotted to maintaining a healthy organism explain on the whole the differentiated income generated by workers. The human capital theory also deals with the economic performance issue (approached from the point of view of health state of work force) and tries to evaluate the impact of fertility or the decline of mortality on the process of generating utilities.

Not in the least, capital theories analyse the labour market, the advantages of integrating national markets to profitability of human capital expenses, the phenomenon of work force mobility in between various geographical areas. The studies provided by some researchers represent just a small part of the scientific production in the latest five years that deal with this topic. Such papers become extremely interesting for Romanian researchers as they give additional possibilities to understand the phenomenon of Romanian work force migration within the European Union, especially after accession.

Moreover, they try to show to countries importing Romanian work force that migration constitute a source of economic development, despite the fact that immigrants possess less professional knowledge than the their nationals natives. There are also specific testimonials that the concern of employed in countries as The Netherlands, The United Kingdom, is not justified as the impact of immigrants entering these countries labour markets show no significant effect on the income decrease of Dutch or British workers.

3. The area of investment in human capital in Romania (4)

The problem of human capital investment becomes a problem the more interesting to study, the more it refers to Romanian economy realities. Indigenous work force is in full integration process, in a market in which competition is the fundamental rule. By putting out politic and economic barriers, the local possessor of abilities, knowledge and skills competes directly and fiercely with the human capital in a highly performing area. This is the starting point for many problems in România, problems that lay emphasis on great differences in administering this precious resource. A simple comparison of incomes in România, on the one hand, and in the European Union, on the other, shows hard to live by truths. More exactly, national human capital develops a lower production by comparison to the Occidental one.

This situation, in close connection to others, ranks our country, from the point of view of human development indices (HDI), on the last place to occupy by a nation candidate to integration in west-European structures. In addition to that, placing României on the 69 position practically puts us outside the European standards from the point of view of life expectancy, of health status, of life quality, and education level.

The analysis of Human development report (published annually) draws attention to this issue from many viewpoints. Firstly, the remark is that România has the smallest budget allocations for education (3,5% of GDP in 2004) among the European or candidate countries. The same status is shared by research and development expenses (0,4% of GDP). By comparison, Sweden – placed among the first places in HDI ranking - allotted 46 times more than Romania.

The only comment that should be made here is that the other countries allot at least double. Similar conditions are to be found in what concerns the number of researchers for one million inhabitants. Again we are ranked on the last position with a number of 879 researchers/ one million inhabitants, whereas Sweden has six times more workers in the field, and Iceland – eight times more. Especially worrying is the fact that more than half of the 120.000 national clerks do not possess a university diploma. Mention should also be made of the fact that we have the lower number of students reported to one thousand inhabitants (28) as compared to a European average of 35. These discrepancies are synthesised by the HDI differences (0,778 for România and 0,956 for Norway, a country that tops the yearly ranking of the United Nations). Not going too much into details, it worth mentioning that România has the lowest educational indexes in Europe (Education Index) - 0,88. If we compared the above mentioned parameters to GDP on inhabitant realizing a comparative analysis between countries, we shall understand that the economic performance of a nation (reflected in general quality of life) is in close connection with investment in its human capital. Our country is given the same ranking for health services quality, for the volume of expenses allotted to health care and environment protection.

A summary evaluation of human capital in România reveals the chronic sub-investment in this field and its effects on economic performances or national work force. Obviously, there are also competitive employees, but their number is fairly modest compared to cheap labour, thus generating low productivity. Such a situation is easier to notice to work force exportation towards European Union member states. The majority of co-nationals that migrate to work in western Europe occupy mostly low paid jobs, compared to locals, which clearly delimitates the difference in productivity and investment discrepancies in professional training. A Romanian that uses his work resource abroad usually works in activities that preponderantly use physical capacities, which denotes relative sub-investment in his qualifications and abilities. The structure of Romanian export of goods and services emphasizes the fact that national work force is used in such areas as lohn, where remuneration is among lowest levels of salary and productivity.

4. Conclusions

The situation of autochthonous human capital is not accidental. After half a century of socialist competitions with record productions on hectare and five year plans realized in four and a half years, we now discover that the imminent integration in concurrent economic structures of the European Union places us in a quite difficult position. Forced industrialization and cooperativisation at gunpoint prevented adequate training of work force. Exclusive hiring on public domain destructed work etiquette and the feeling of assuming personal responsibility, it de-motivated the employee and separated him of the fantastic objectives of thriving by socialism. The results can be seen, among others, in public administration performances. Today, the Romanian work force lacks concurrent mentality, flexibility and adapting to changing conditions of economic systems, which justifies the difficulty expressed by many Romanians in taking new jobs. A great part of unemployment rate originates in such realities. Moreover, the most performing part of human capital migrates towards areas (countries) where exploitation of own advantages brings about clearly superior incomes.

The consequences of this analysis should persuade the public opinion, private firms and, not in the least, policy makers, by the necessity of allotting supplementary resources to this vital domain to economic development, because there are a lot of studies (unfortunately very few as absolute number in our country and in the central and eastern Europe area) demonstrating that human attempts to increase material and spiritual wealth depend decisively of the performances of this special type of capital. Increased competition on markets that are more

and more integrated apply constraints on people so that they must appeal more often to knowledge; or, getting and using knowledge imply investments in research able to deliver, and in education able to transfer, knowledge to work force and to economic performances.

The imperative of our affirmation is the more valid for România the more autochthonous human potential is clearly underused, by neglecting private or public investments in education and research system. Training and exploiting professional knowledge, skills, and abilities, and cultural values, depend by public consciousness on the fact that only prioritized transformation of investments in human capital can lend it the necessary competitiveness in order to meet the new challenges of modern economy dynamics.

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