

## ***Approaching the human capital in the context of economic development***

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**Abstract:** This paper deals with the benefits of developing human capital on a labour market fully and complexly integrated within the national and European markets, referring to the need of attracting European funds in order to uphold the investment efforts, as a support of growth under conditions of increased competitiveness at European level.

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### **Introduction**

In practice, economic investments represent the central factor of a company's development, with implications for the country's economic development, social development ensure social welfare economics of man, as an investor or employee. Investments can ensure and reinforce the status of material, educational, cultural and health of a nation or an individual person or household.

The prosperity of a nation is primarily the result of economic development supported by an efficient business environment.

If the core factor supporting the development and modernization of Romania is the economic competitiveness, then, at the same time, we should be aware that an economic growth without ensuring decent living conditions, education and high employment is out of discussion. Following this line of thought, the economic development contributes incontestably to the social and cultural performance of the workforce.

Ensuring economic competitiveness, a factor for generating economic wealth, is achieved through supporting the funding of an economy. Thus, the main strategic objectives that Romania must pursue are:

- **Economic and social competitiveness**
- **Regulation of the labour force market**
- **Sustainability of education and health care system**

Structural and cohesion funds can contribute substantially to increasing competitiveness and correct disparities in development, a practice already established in the E.U., to balance the level of development of the national regions in relation to the existing regions in the European Union.

The financial resources obtained thanks to the structural and cohesion funds can ensure only in a certain proportion the coverage of the socio-economic needs of Romania, in order to achieve, in due time, the level of development similar to the standard of living existing in the E.U. member countries.

In the current context of the Romanian economy, supporting the functionality of markets, as well as of the areas **dedicated to the development**, is achieved by **orienting investments** to the development of infrastructure, **services**, and **the increase of the occupancy rate**.

The pace of economic growth must be supported by tight economic policy measures which should steer the regional development directions by catalyzing investments, particularly the ones in human capital. In this sense, the membership of the European Union gives the possibility of Romania to access community funds to support investment in order to harmonize the country's economy with the EU economy. Obviously, the access to funds involves the payment of an annual contribution that can become really a cost, a disadvantage of integration if the economy cannot absorb E.U. funds on the basis of feasible development projects

The membership in the E.U., in conjunction with strengthening the monetary and fiscal discipline, which also implies a functional market economy, constitutes a stimulant for foreign investors, particularly taking into account certain advantages characterising the Romanian context: low cost, high degree of adaptability to the requirements of the market, the existence of a resilient agricultural land, agricultural potential, and decreased production cost of agricultural products. This great asset in the Romanian agriculture must be harnessed by increasing the competitive power of the agricultural products in conditions of rising investment flows towards this sector. Another comparative advantage of Romania is the prevalence of technical qualification of the workforce, which became competitive due to the extended process of relocating production in conjunction with investments in technical improvement of the labour force, as the main fact of the growth of labour productivity levels.

### **The Role of Human Capital in Economic Development**

In Romania, the more efficient the development of society and economy becomes, the more necessary is to rethink the approach of the workforce. Lifelong vocational training, adapted to the requirements of the competitive environment, generates new bases for the development of human resources management.

Human resources stand for the engine of knowledge based society in the E.U. context, the general strategic objective of the E.U., with the purpose of *developing the human capital and increasing its competitiveness on the labour market, by granting equal opportunities of lifelong learning and developing a inclusive, flexible and modern workforce market*.

The measures and the actions taken into account to meet this priority can be grouped in four sub-priorities, as follows:

1. *Human capital development.* Investments made to meet these sub-priorities will focus on: the initial education system (through the promotion of reforms in the context of lifelong learning), learning disseminators (human resources in education), learning content (diversification and quality assurance of education as well as initial and continuing training) and the system of continuing vocational training.
2. *Promoting full employment.* The main measures envisaged as sub-human priorities: increasing the adaptability of the workforce and businesses; development initiatives for social partners; improving the transition from school to the workplace and the promotion of entrepreneurial culture in education and training, identifying and capitalizing all opportunities of integration in the labour market; modernizing and strengthening the administrative capacity of the public employment service.
3. *Promoting social inclusion.* The main areas of intervention envisaged as priority are: the integration in the labour market and fight against discrimination, improved access to and participation in the initial and continuing education for vulnerable groups, the promotion of gender equality and combating the social exclusion of women, the development of an efficient system of social services designed to reduce the risk of marginalization and social exclusion, transnational initiatives in inclusive education and transnational labour market initiatives. .
4. *Development of administrative capacities and good governance.* This sub-priority aims to promote and support the creation of the central and local public administrations to become an important factor in competitiveness, cohesion, progress and development. It will also be targeted as a priority, two other important segments in the process of strengthening administrative capacity: justice, public order and public safety.

The primary objective of human resource management is the development of human capital in line with modern economic transformations and with the development of society towards knowledge and cutting edge technologies.

The concept of 'human capital' highlights the process of manufacture as well as the search of optimum mixed factors. Investing in human capital and diversity of its causes illustrate the complexity of the strategies implemented by both the entrepreneurs (producers) and the work bidders.

At the aggregate level and for a long-term perspective, as we have seen, the study of growth, economic development and qualifications may reveal complex interactions, such as those according to which human capital can be more or less productive depending on the era, which implies either different growth phases or different sources. Human capital has proved to be a prime factor, in particular, of the increase and the development of endogenous economic;

The starting point of the human capital theory is microeconomic, respectively individual choice of human investment. In fact, the analysis of human capital can be defined by extending the economic analysis to the decisions that did not correspond to its traditional sphere. The individual is assumed to be rational, maximizing the well-being throughout life and has a consistent behavior over time. The investment benefits can be monetary and nonmonetary. They reside in the individual market productivity and out of the market. The monetary costs, either direct or indirect, are always particularly important, considering the time devoted to human investment. Human investment is not reduced to a matter of choice. It also means a production process performed by individuals to obtain an additional human capital, incorporated into them. This incorporation opposes human capital to other forms of capital

Human capital price has a value, not a market price. The phrase "human capital" was predicted as early as the sixteenth century (Hales) and 17th century (Misselden, Mun, especially Petty). She finds, however, a barely adequate conceptual framework along with Adam Smith, who revealed the costs generated by the purchase of education and

showed how it can be considered as an investment. The wording of the phrase “human capital” has been delayed and the lack of rigor that characterized for a long time the general theory of capital.

Specialized studies are dedicated, in particular, to human investment in knowledge and skills. Return on this investment is, as a general rule, at least equal to that of non-human investment. Human investment explains with other explains factors, the profile of job incomes obtained during active life. Human investment takes the form of school and university education, training within the enterprise, learning from experience and professional mobility. These different forms of investment are articulated within a process of accumulation of human capital throughout life. The higher the school level is, the more important are the human investments during the active life. These phenomena partly explain the personal income distribution. Individual character of the accumulation process makes it sensitive to the personal characteristics of the individual skills and at the family and social environment. The characteristics laid down and levels of schooling attained seem to be related, but the correlations requires appropriate correlations analysis to avoid over-estimation of the rate of return on investment in education (moreover, it is possible that education should be given benefits arising from certain personal characteristics).

Individual productivity outside of the market through the accumulation of human capital has implications on consumption and savings.

The impact on income through consumption is indirect. However, education has two direct effects on consumption. These can be analyzed using a tool called household production function introduced by Becker (Becker, 1933). Final consumption goods (commodities) are created by the individual or family household starting to their goods and services purchased on the market (goods) and the time spent on consumption. On the one hand, education has a different impact on the effectiveness of the various activities (for example, stronger on reading than on physical exercise). It, thus, distorts relative prices of such services and encourages the consumption of relatively cheaper activities. On the other hand, it increases the efficiency of domestic production on average, education enables multiple services to final consumption at a certain monetary and income at a time of domestic production and consumption. The effect, once becoming real, affects the observed behaviours (Michael, 1972).

Education has two direct effects upon saving, in addition to the indirect effect through income (Solomon, 1975). The first effect is the increase in the average and marginal tilt toward saving, even if all other elements remain unchanged. The second effect is a higher efficacy of investments due to a better perception of inflation, a longer horizon and an amplification of assuming risk.

Another component of the human capital is capital health. Health is required by individuals, because its function enters directly into the utility, but also because it determines the total amount of time available for commercial and non-commercial activities. The individual inherits an initial health stock that depreciates over time, but that can be increased through an investment by using health care and time spent on health. Education increases productivity of the non-commercial investment in health. .

The different effects of human capital imply that the real return on the investment is higher yield calculated only considering its incidence on revenue. Moreover, it has been demonstrated that, in societies with abundant human capital, families tend to be larger, while companies with human capital, tend to be small. At the same time, discriminatory wage differences between men and women are generated in part by differences in duration of the professional activity and professional experience (Mincer J., Polacheck, 1974).

The analysis of the sources of growth and economic development has contributed to the development of the theory of human investment and human capital, starting in the 80s of the last century, contributing significantly to endogenous development and growth theories (Lucas, 1988). The corresponding equilibrium accumulation rate is competitive, without taking into account the effects of human capital accumulation, optimal rate lower in terms of social, which legitimates the intervention. The accumulation of human capital is endogenous to economic system and allows for an explanation of the cumulative mechanism of growth and development without resorting to exogenous technical progress. It resumed the role as technical progress endogenous growth (Romer, 1990). Human capital, however, appears as a key factor for the production of research. It introduces a distinction between the stock of human capital, which is incorporated, and the stock of knowledge that exists in a society and is a public good.

### **Conclusions**

The accumulation of the human capital is a dynamic process, with repercussions on the growth and economic development. The development of market economies clearly shows that social segmentation depends more and more on the level of professional qualifications. One of the significant stakes human capital theories dealing with these qualifications is therefore to determine whether they will allow better understanding of social inequalities. Human capital theories are founded on the distribution of income and patrimony on the ground of the appropriations for education and training. Human capital analysis starts from the assumption that individuals decide in terms of their education and training, medical care and other improvements to their health and knowledge, comparing its benefits and costs.

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