

MODELS OF INVESTMENTS IN HUMAN CAPITAL

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Abstract: *The empirical studies regarding the human capital, applied in countries with large populations (Argentina, Brazil Central and Eastern Europe) show the fact that the financial efforts have a risk to become vulnerable, in comparison with the result, according to three essential aspects: the low value of investments in human capital, on each inhabitant, or on each person with studies, risks to produce more frustration than positive effects on the labor market; the burden of a high taxation in the social-economic area, where the large majority of the population has a low standard of living, as well as in the business areas where the productivity of work is low, and loss of salary income and, on the other hand, to inhibit the accumulation and re-investments of profits; at the unit level, the orientation of investments in encourage of human capital and education, risk to bad to an unbalance between the qualitative –structural accumulation of physical capital and structural-qualitative accumulation of the human capital, especially on short term, that creates new tensions on the labor market, involving new expenses of professional reconversion of workforce.*

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JEL Classification: *I21.*

One of the most controversial problems of the investment in the human capital in general and in education is the multiplying of the costs of instruction in time, both of the education by the school system, as a basis of the professional training, and of the continuation of education after gaining the professional qualification determined by the professional reconversion.

A lot of analytical studies carried out in different economic areas, in the countries of South-east Asia, in the east of Germany draw attention that, after applying the inputs-outputs method, the increase of the costs of the work factor at the beginning growth of the value at the end or a change of structural composition to justify the effort of investments.

The investment in the human capital and education-as a source of the economic growth and workforce- is approached as a global problem, from each there are expected global effects of economic reinforcement, while the real problems of the labor market, there are necessary some punctual strategies.

The developed strategies are focused on models of investments in human capital and of education, as sources of increasing of workforce, they are an open problem for the theoretical and empirical research.

Some studies debate the formation and accumulation of human capital in a cycle-model of life, considering that accumulation of human capital can became the “engine” of the development, other studies – show a model of generations referring to the accumulation of human capital, proving that the redistribution of the income in encourage of education produces effects of positive training on a long term.

From all sub-models from the E.U., the northern sub-model proved to be the most performant one, in aiming at the goals in the Lisbon Strategy, because it generated a macro-economic efficiency, and a social equality.

The northern sub-model was analyzed and it refers to Holland, Finland, and Denmark, it is characterized by a high level of redistribution, by proposing social inclusion, high social assistance, social dialogue and high level of cooperation between social partners and the government. The economics from the northern countries European ones.

The Dutch model is based on the principle of self-support in education and it presupposes a decentralization at all levels:

- The autonomy/independence of creating schools/each citizen who has possibility of creating schools has the liberty of doing it, without any notices or notifications given by the government;
- The autonomy of orientation (schools can be organized and created on the basis of religions, ideological differences or educational perspectives);
- The autonomy of organization (schools are free when choosing the methods or materials).

When referring to the freedom of orientation, while the public schools have the obligation of receiving all the students, the private schools can refuse some who don't correspond to the specific of that school (catholic or islamic specific etc.).

When refer to the liberty of organization, schools from this country have the possibility of choosing the courses, the materials and the textbooks and what salaries to offer to teachers.

The right for education is guaranteed by constitution, so that private and public schools get equal financial support.

What makes the Dutch model different from the finish or the Danish ones is the high degree not liberty which the parents have in choosing the type of school (private or public). Due to the fact that both types of education get funds from the government, there are no financial obstacles for parents when choosing them.

As a consequence of the principle of competition applied in this state, as a result of the school voucher programs, parents can send their children at other school, if they are dissatisfied with the quality of teaching from a certain school.

The expense of the transfer from a school to another is supported by the state. Therefore, this represents a qualitative type of education, that deals with the needs and choices made by parents.

The Finnish educational system – the present one is very well structured when referring to the daily programs: preschool (for children under 6 years old) 9 years for the basis school (children between 7-15 years); high-school and higher education (university and polytechnic school); adults (continuous learning). In the first 6 years of primary school, at most of the school subjects the children have a teacher, who is concerned that nobody to be excluded. This is a way to sustain their self- confidence.

The public Finnish school system from the primary school to the university, includes classrooms, free textbooks, canteen. It is said that this success is based on 3 elements: family, school and social-cultural resources (extra school activities, libraries). The Finnish people consider that children are the most precious, and for their education they want the best professionals in the country. To be a primary-school teacher you need to have good results, social awareness active and volunteering activity. Each university selects its candidates after an interview in order to estimate their communication and empathy abilities.

The Finnish educational system is one decentralized, more based on the equality of chances. The educational reform started in the '70 had as a basis the idea of uniformity.

All over the country, students study up to the age of 16 years, a general basis of school subjects, studying the same textbooks and curricula, and teachers have the same status. The Finnish school have autonomy to administer the money they receive from the state.

The efforts of decentralization from the 70s started by dismissing 90% from the clerks at the Ministry of Education, at present only 300 people work in it.

Starting with 1980, the main engine of the Finnish educational politics was based on the idea according to which every child had equal chances of education, no matter the background, family income or geographical area.

Financing the school system is based 50% on the state budget and 50% local communities.

This way of financing makes the Ministry of Education to define the main principles of educational curricula, letting the community to take the initiative.

For primary school (compulsory between 7 and 16) at the local level they give free textbooks, a hot meal at lunch, medicines and free transport.

There are quite few private schools in Finland, and those are financially supported 100% by the state. They have to respect public school's rules and curricula.

The right for a qualitative education is guaranteed by Constitution and the annual budget represents 6% of the global budget.

Finland has one of the most performing school systems in the world. It has the highest percentage from Europe, of students who go to the university about 66%, and 93% graduate high school.

Finland highlights the importance of research and experiments at school, therefore they form classrooms with most 16 students, who focus on practical experiments; approx. 43% from high school students go to a vocational or abilities school.

The school education is based on the development of thinking and expressing, not on a massive amount of information. In order to favor the creative and free thinking, much of the homework represents a project, students don't just solve problems, but they find useful solutions and different practical aspects.

Although the percentage of the budget from the global budget is relatively similar with the Romanian one, the level of economic development is superior and makes the financing for each student to be of 7000 € a year, while in Romania is 7 times smaller.

A psychologist from Barcelona, Javier Melgarejo, has studied the Finnish school system for 10 years. He reached the following conclusions:

- In the first 6 years of primary school, at many school subjects have only one teacher, who makes sure that nobody is excluded. There is a way to strengthen their emotional stability and self-confidence;
- The students are not forced to compete against each other;
- The school curricula has 608 classes at the primary school, with no excessive homework;
- The Finnish success is based on combining 3 elements: family, school and social-cultural resources (libraries, films extra-school activities);
- "80% from families go to the library at weekends", said Javier Melgarejo, according to whom it is very important to read at home;
- The social Finnish system contributes with many official helping actions for the families in order to set their working program according to their children's school;
- The Finns consider that the children are the most precious ones, and they want the best professionals in the country;
- Each university selects the best candidates at an interview in order to test the communication and empathy abilities.

The Danish school system is structured in 3 stages:

- primary school: 3-7 years, non-compulsory; 7-16 years, free, compulsory;
- general high school: 17-20 years, free.

Although the high schools are coordinated by the Ministry of Education, each of them are free to decide their teachers, investments and salaries.

Private high school are supported by state with 85% from the public sector .As a consequence of the financing of private schools by the state, this type of school is strictly controlled by the state, therefore there are no differences between them and public schools.

The system of educational vouchers works in Denmark, and it is supported by the state the transfer from a public to a private school, but not totally. Only 75% from the total cost of the private school where the student will be transferred. The parents have to pay 25 %of the cost in order to be more responsible.

It is noticed that the average between the expenses of research – development in Romania are far below the level of the northern countries from Europe (Figure no. 1).

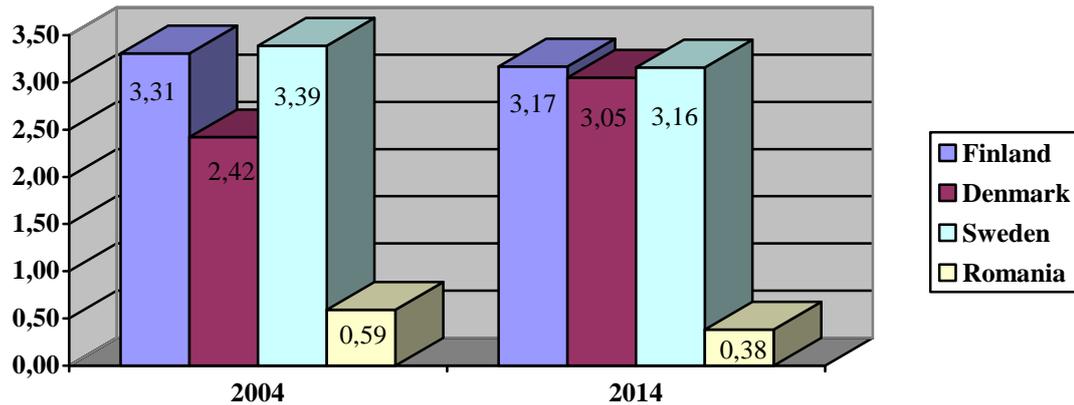


Figure no. 1. Expenditure on research and development GNP (%)

Also, the degree of participation at educational programs for people between 25-64 years is very low in our country. Programs of professional reconversion has become very important for adults thus, is the Scandinavian countries, the system of reconversion is organize in three levels: normal courses, in the program hours (3-5 hours a week) individual studies, on some specialized textbooks, with a course of 4 weeks annual leave and intensive courses conducted in a higher education institution (1-2 quarters of unpaid leave). Besides these schools there are many other firms in adult education in municipal schools of education or study circles.

In Sweden the country that, on average has one of lowest unemployment rates among OECD countries, in the early years of the 8 th decade there alarming rates of unemployment which sometimes reached values of 11-12 %. This led the Swedish government to adopt a package of three programs which included:

- Chance for young people aged 16-17 who have failed in school and couldn't find a job;
- Teams of young people between 18-19 years old located in the public administration and receiving offers of possibility for 4 hours a day to improve their training;
- Encourage young over 18 years old by triggering a set of programs for insertion in the private enterprises, 50% of the salary being offered at first to those companies which facilitated the hiring. The adoption of this set of measures has led to an immediate reduction in the unemployment rate since the first year of implementation.

In recent years is a tendency of moving the focus on from social policies existential protection(unemployment benefits) to increasing costs for professional adaptation to the dynamic requirements on labor market. Sweden annually allocates about 2 % of GDP for

the measures implementation aiming the mitigating of imbalances in the labor market. Sweden has a policy of funding the original vocational adaptation.

Besides assistance fund for the study of adults there is a system of grants and loans which sources of funding a variety categories of funds specially constituted for this purpose:

- Special Adult Study Assistance – consists in granting a 65% grants and 35% loans to those who believe they have the greatest wed of study working for many years but not having the opportunity to study;
- General Study Assistance – form of financing for young people consisting of 5% grants and 95% loans.

Related to companies concerning to train their employees, in Sweden each company is obliged to allocate a minimum of 10% of profit for the Fund for Modernization of Economy which is designed to finance vocational training objectives related to the implementation of new technologies. This leads to an annual participation in adult education courses for those employed in the private sector.

Along with the budget and companies the training courses beneficiaries become part of taxpayers.

In Sweden, the total expenditure made on the assistance of study administered by the Central Committee for Assistance Study, a significant amount is supported by people who are trained.

Romanian education system, compared to other European countries, does not have a long term strategy on which everyone can agree upon and investments from us are ten times lower than in the Nordic countries.

The Romanian state has made progress in terms of education reform but still not approaching the European average. In creased level of education in Romania is necessary to meet changing labor market requirements. If in 2010, 80% of job positions in the European Union asked a medium to high skill level, this percentage shall be 85% in 2020, of which 35% will be work position with a high skill level.

Improving the educational system leads to:

- Reducing unemployment and poverty risk;
- Improving living standards and life expectancy.

Under Law no. 87/2006, were established two national agencies for quality assurance ARACIP and ARACIS, with essential role in promoting and implementing policies on quality education. The two agencies are responsible with the authorization, accreditation and evaluation of external education providers. An important role in ensuring coherence and transparency mechanisms to ensure quality in education and training developed at European and national level, it is the National Group for Quality Assurance in training.

Some of the most important objects of GNAC are:

- Facilitating inter-ministerial coordination of insight integrated training system;
- Supporting the organization of visits of peer learning and exchange of experience at European level;
- Formation of proposals and recommendation to stakeholders on quality assurance in vocational training.

An important concern of governments worldwide is to adapt education and training needs of individuals in the economy, through the description of a real relation between education and labor market need. Funding education system in Romania remains well below the EU average. Efforts to modernize the system are too limited. Look that education remains the basis of every society and that not investing in education is to brake the beginning any step that Romania would like to make.

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