

ROLE OF THE HUMAN CAPITAL IN THE GROWTH OF COMPETITIVENESS – IMPLICATIONS FOR SUSTAINABLE DEVELOPMENT OF ROMANIA

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Abstract

At European Union (EU) level, competitiveness has become a topic of key importance in the context of the significant increase in the gap with its main competitors: U.S., Japan, due mainly to lower performance in areas such as education and training (CVT), research - development and innovation - and the need to reduce development disparities within, between the member states and regions. Given their impact on the achievement of the Common Market, the reduction of these differences is a major EU objective, which is becoming increasingly important with each new expansion. It is also noted that regional disparities within the EU became more pronounced with the accession of various new states, mostly – as is the case of Romania – that are still below the average level of EU development. In this context, the results of all studies and assessments imposed human capital as one of the key factors that can contribute decisively to improving regional, national and international competitiveness.

Keywords: human capital, competitiveness, sustainable development

JEL Classification: J24, O15, Q01

Introduction

Through this work I will try to evidence, on larger temporal horizons, the manner in which Romania could reduce the gaps towards the other Member States, by being aware of the necessity of human resources development and by encouraging the growth of competitiveness at the level of human capital, which will lead, in final, at a sustainable economical development as well as at national level and at European level.

The right evaluation of the human capital status and of the evolution tendencies on medium and long term has a fundamental importance for a realistic projection of the perspectives of a sustainable model for human resources development.

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Causal relationship between human capital and increase the competitiveness of sustainable economic development

For an objective weighting of the situation, the recent studies¹ are taking into account elements as: the human capital stock (the investment per capita for education and training of the occupied population, the health status), its use (the rate of occupation, the unemployment rate, the rate of connection at the multimedia networks, the attendance at the activities which are generating income or value), the productivity (the contribution of the human capital reported at the added value, created, the quality of the education and training, the capacity of occupation during their whole life, investment in research-development) and demography (growth or decline, migration trends, the impact calculated on the labor market).

The very high rate and also the extreme volatility of the economic growth from the last 15-16 trimesters before the final of the year 2008, with frequent periods in which the real growth was way above the potential of the economy (Positive Output Gap), has lead at a phenomenon which is somewhat paradoxically of cohabitation of surpluses and deficits of the labor.

This phenomenon itself represents a manifestation of a speculative excrescence on the market (market bubble/market froth) typical for the periods of economic boom. But, it is evident, that its appearance after a long period of economic decline (more than two decades) has induced a series of developments on the labor market and approaches regarding the development of human resources which have argued imbalances already existent on the labor market.

Per assembly, it could be said that at the level of trimester III of the year 2008, respectively before the exogenous shock random for the global economic depression would have been affected also the Romanian economy, the labor market has reached the potential of occupation at the given level of work productivity (corresponding to the technological level of the productive apparatus as well as to the methods and proceedings for production organization and of the work prevalent in the national economy). This level was compatible from objective point of view with a certain rate enough grown of inactivity as well as with the existence of a relative under-occupation, again enough grown in the area of the subsistence economy.

Therefore, it should be underlined that even in the absence of the shock of the economic depression, which will bring with itself a recoil compared to the level reached at the end of the third trimester of 2008, the developments wouldn't have been so important in the next years because an important jump of productivity have already taken place.

The demographic and the labor market evolutions have a decisive impact on the development vision of the human resources as well as at macro and at enterprise, at community and at individual level. The way of development of the Romanian society in the second half of the 20 century has created the premises for

¹ European Human Capital Index, Lisbon Council, 2007

a series of negative developments, some with a possible character of irreversibility. This is adding at the inherent difficulties of the development process of human resources in the recession and depression phases of the capitalist economic cycle.¹

Education and training are crucial to the economic and social changes. Flexibility and security necessary to increase the number and quality jobs depend on ensuring that all citizens acquire essential skills and update their skills throughout life. Lifelong learning helps to support creativity and innovation and allows full participation in economic and social life.

On the other side, there is a very weak entrepreneurial culture in the Romanian University environment. Many times this takes the shape of a more varied offer of study programs, at a lower taxation level, with bad consequences as well as on the quality of education and on the positioning of the graduates on the labor market. It is evident that an University it should not become a corporation, but it is in the interest of the community and of the citizen, that the University to contribute at the economic competitiveness growth and for a durable development.

Another important segment in determining a causality relationship between the human capital competitiveness growth and a durable economic development is represented by the training of the adults. Yet, until now, there aren't studies which should reflect with fidelity the realities from the field of adult education: either there are no information, are incomplete or there aren't performed in a credible, exhaustive manner. Yet, there aren't data, but not relevant researches regarding the causality of (not) attending of the adults at the education, about their motivation to attend, at the system of the education institutes for adults etc, neither data basis and an organized frame for the information of the public about the educational programs offer for adults (bidding institutes, types of programs, the way of ascertaining etc).

Thus, the market of the educational programs offer, of the institutes for the adult education was developing chaotic with offers which were not conceived always on the quality criteria. In addition, the quality of formation is many times questionable and the low percent of the attendance shows that the educational offers suppliers are failing in proposing attractive offers, adapted to the needs and to the interests of the adults.

Therefore, as an intermediate conclusion for the fast development of the human resources corroborating the education level and the demographic tendencies, the mentioned data are drawing the attention on the necessity of a sustained investment for growing in a short time the proportion of the graduates from the secondary Higher Education.

Also, the growth of the attendance rate at the Higher Education and of the rate of the inclusion of the adults in programs of continuous learning could

¹ European Commission. 2007. „*Strategic report on the renewed Lisbon Strategy for growth and jobs: launching the new cycle (2008-2010) – Keeping up the pace of change*”, COM (2007) 803 final, part I, 11.12.2007.

compensate the high qualified labor deficit for an economy based on a competitive and durable knowledge.

Possible effects on the human resources development in Romania at the horizon of the year 2020, viewed from the perspective of The Global Economic Crisis – Ways of overcoming the crisis

The global economic crisis will radically change the parameters of the operation of Romanian labor market. The unemployment rate will grow thing which will be reflected as well as in the registered unemployment rate and in the level of unemployment rate in compliance to the definition harmonized by BIM.

The labor deficits will become the past following to be replaced by labor surplus as follows the more emphasized contraction of the work request, which could become persistent. It isn't clear for the moment, what will happen with the great number of Romanian workers which are migrating in the area of "former EU member states" (EU – 15). All depends on the way in which those countries, many of them being part of EURO zone will treat the economic crisis. Here is in fact the key of understanding and more than this the key of the anticipation of the evolutions of Romanian labor market.

If these countries will adopt a way of exiting the crisis in an inflationist manner, namely by giving up the orthodoxy of prices stability, approach which is allowed by the existence of an international reserve currency (free of a relative risk of depreciation), than these countries will be able to resume the cycle of relative fast growth, thus is impossible to say when will be reached the maximum of the current contraction and thus will be able to retain the migrant workers and even to attract a greater number of workers, which will unbalance completely and for long term the small emergent markets (small open economies) from the Eastern part of Europe where is placed also Romania.

On the other hand, if Romania will respond, as seems is intending to respond, in a deflationist manner, namely maintaining at the limits of stability of the prices for protecting the national currency exchange and for preventing the re-ignition of the inflationist pressures through the channel of the currency exchange, which between other supposes an excessive attachment towards the doctrine of certain balanced budgets, then this will emphasis the recession movement, the contraction of the request will become more emphatic and on long term, which will create a new incentive for the excess of the work offer thus created for migrating to the economies which will succeed to get out of depression.

In this context and from labor market point of view, the maintaining in the limits of the doctrine of prices stability and of the balanced budgets are involving long term risks which could not be counterbalanced by so named macro-economic advantages on short term.

The continuous change on the labor market and from the Romanian society needs a continuous updating of the knowledge and skills, as well as an adaptability growth of the workers and enterprises. Therefore, the attendance at

the education and training in a continuous manner helps at an active presence of these on the labor market during their whole life.¹

The enterprises competitiveness and the quality of the services depend in a direct manner on the investments these enterprises are making in the human resources development by a continuous training of the workforce. The attendance of the Romanian adults at the learning during their life is still at modest quota although, it should be mentioned that the information on which is based this assertion corresponds to the year 2005 (the year of the last investigation made by the national statistic regarding the training in the enterprises and which results were made public).

But, the tendency registered for the first half of the current decade was obviously a growing one, the progress towards the ending of the 10th decade (the decade of transition from plan to market in Romania) of the 20 century being more than obvious. The Romanian enterprises were multiplying their effort for training their employees, mainly for the continuous one, this evolution being an effect of the massive direct investment in the Romanian economy, irrespective of the character more or less speculative of this one.

Therefore, we could suppose a continuation of the before trend as, for the interval 2006 -2008, the investment in professional training has continued its ascending course, the level we can suppose being reached in the moment immediate before the contagion being of nature to place Romania on another position in what regards the professional training of the adults and mainly, the formation of enterprise.

The financing of professional training more often by the attendant and not by the employer yet consists one of the main barriers for training attendance. Creating opportunities in which the responsibility of financing should be divided and from which as well as the attendant and the employer will identify real benefits for each could contribute to the changing of attitude towards the education and training.

It is considered that important steps in this direction, were made mainly after 2005 when is obvious that the resources being ready to hand of the enterprises for professional training were considerably growing. Therefore is important, that now, in the period of crisis, this trend should not be inverted.

The public effort for FPC plays an important role in the development of the qualification and of the competences of workforce and gives opportunities for all the active groups on the work market, especially in recession periods and mainly of economic depression. The development of some pro-active instruments through which the lack of availabilities of the enterprises and obvious of the individuals should be substituted by the state which should play also in this field the role of “lender of last resort” is of crucial importance.

¹ Kok W. 2004, “*Facing the Challenge - The Lisbon Strategy for Growth and Employment*”, Office for Official Publications of the European Communities

The industry of professional training is a downstream industry, very vulnerable to the economic cyclicality. If in a certain circumstance it is let as “at down devices”, all the gains obtained in the last years will be lost. The support given by the state for the industry of professional training of the adults and usual, of the efforts directed to the professional training of the enterprises and of the individuals and of the communities represents one of the ways of getting out the crisis, with only moderate-inflationist character.

The time represents a significant barrier for the adult attendance at continuous education and training, they having multiple professional and/or familial duties. Even so, there could be developed flexible training forms, adapted to their needs and possibilities as distance learning, e-learning or flexible programs of work-study which should lead at the gaining of new knowledge and skills.

The various knowledge and skills necessary for the personal and professional development are gained also in informal and non-formal context, reason for which their ascertaining and recognition will allow to the workers to re-enter in the formal system of training for obtaining new qualifications as well as for benefiting of the existing opportunities for re-entering on the labor market.

On the other hand, regarding the workforce occupation, the direct investment from Romania in the last years, even it was massive and certainly generating productivity growth, visible as well as in the growth of salaries and in the general growth of the standard of living was realized mainly in sectors with speculation character, of downstream of the chain of added value (services, buildings, assemblies, processes deserving or products realized on other markets, etc).

Thus an occupation, even capable to absorb the more numerous cohorts of graduates with higher qualifications is extremely vulnerable at exogenous shocks of the type of economic depression. It is not creating in real manner an economic structure with a certain degree of autonomy but is perpetuating the character of small open economy of Romania, predisposed at major imbalances of the payment balance. Such structure is not creating the frame for a long term investment in the human resource, only for a jumping investment in the human resource, itself being speculative and vulnerable.

At this moment there is an enough capital of studies and analysis on the labor market, with a reasonable degree of sophistication of the analysis instruments, including on the segment of studying the request and the offer of qualification. What is missing is as well as the capacity of synthesis from behalf of deciding persons which makes that a great part from this capital to remain untapped but also the component of prognosis, including what regards the request and offer for qualifications where the development is in an incipient stage.

The interventions on the labor market, mainly those of active measures type were remained frozen in time from the point of view of procedures at the moment of finishing the transition from plan to market. Meanwhile the market has evolved, which made that this type of intervention to enter in a lethargic phase.

The worldwide economic depression even alike effects of surface with certain periods of the transition from plan to market is different in its substance. Therefore, is necessary to radically change the institutional frame in which are developing the interventions on the labor market mainly during the active measures.

The investment of enterprise in the human resource was in an obvious growth in the last years and another national statistic research could stress even more meant progresses registered in the pick period of the economic growth, namely the interval 2005-2008.

Even so, a series of analysis performed on this investment process as it is shown at the beginning of the current decade, shows in a clear manner the concentration of investment in the human resource in the area of so named speculative sectors, namely of those sectors from the downstream of added value chain of which evolutions are following the economic cyclicality. Otherwise named, a big part of this investment will be lost. This why is necessary that in a depression period, the state should intervene in a massive way in this sector and through directed measures should encourage the investment in the human resource in those sectors of which evolutions are less sensitive at the economic cyclicality.

Thus, another conclusion determined by the above written statements supposes that the human resources development will be concentrated on the growth of investments in education and training, in the insertion and maintaining on the labor market of more persons, on the growth of the work offer quality, of the vulnerable groups. In the conditions of economic depression, the massive intervention of the public power in its quality of “lender of last resort” becomes a determining factor. Even so, it should be made not from outside the enterprise or from outside the community and not from “above the individual”, it should be made in partnership with the enterprise, with the community and individuals.

Also, the outside financing sources and am referring here mainly at the accessing of structural funds, represents an opportunity for Romania to develop its human resources by a quality professional training.

The European Social Fund is one of the European Union (EU) structural funds created for reducing the differences regarding the standard of living and the prosperity in the regions and in the member states of EU and as follows, for promoting the economic and social cohesion. This is the main instrument through which The European Union is financing the strategic objectives of the occupation policy. For a period of 50 years, FSE has invested in programs dedicated to the occupation degree growth in the EU member states. The operational programs which FSE is financing in Romania are taking into account the complexity of the economic and social problematic, following to bring the education and the professional training including the doctorate studies and University research to the request of labor market. Also, FSE supports the adaptation of work force to the changing economic conditions, the growth of attendance on the labor market and the substantial updating of public administration.

The strategy for development and occupation of the work force is the main strategy of EU for ensuring the prosperity and the wealth of Europe and of the Europeans, in present and in the future. In this context, The European Strategy for Work Force Occupation determines the collaboration of the 27 member states for enhancing the capacity of Europe to create better and more work places and for endowing the people with the necessary abilities for those work places occupation.

Vision of integrated development of human resources of Romania 2020

At the horizon of 2020, Romania will have a high performance work force, capable to valuate the comparative advantages of the national economic complex and to ensure a continuous capitalization of these by generating competitive advantages.

The investment in the human resource will be one of the main engines of the productivity growth of the national economy, thus sustaining a strong economic growth close to the real potential of the national economic complex, in a climate of prices growth, including between these the salaries, non-accelerated and playing a role of economic politics of anti-cyclic type.

The public power, in partnership with the enterprises, communities and individuals should ensure the necessary incentives thus the investment in the human resource is channeled to non-speculative sectors of the economy, mainly in those of the upstream of the added value chain and to the activities in which the productive processes have a high added value, thus ensuring as well as the strength of the economic growth and the occupation.

The initial and continuous professional training, as well as the research should constitute the sustaining of the whole investment process in the human resource, the emphasis being put on creating in these fields of economics some scale economies and scope economies and namely of the human resource for being able to cope with the rising competitive pressure from the unique European market and from the global one.

This strategic vision is supporting in its tactical step on 4 great constitutive elements: the individuals, the labor market, the institutional management and the opportunities of learning and self and professional development.¹

There were developed proposals for each of these elements and is considered that the reaching of this features will contribute at placing Romania in the year 2020 at least at the actual medium level of development of the countries from European Union.

With all the progresses performed in the last years, Romania has still an economy based on the intensive consume of resources, a society and an

¹ European Commission. 2008. “*New Skills for New Jobs – Anticipating and matching labour market and skills needs*”, SEC(2008) 3058, 16.12.2008

administration placed still in searching an Unitarian vision and a natural capital affected by the risk of certain deteriorations that could become irreversible.

One of the defining elements of the National Strategy of Durable Development of Romania Horizons 2013-2020-2030 is to link our country to a new philosophy of the development, which is own for the EU and widely spread world wide – that of the durable development.¹

In the Romanian society there is a huge recognition of the fact that the degree of competitiveness of the human capital is represented by the strategic factor of the future development of the country through its vital contribution to the multidimensional modeling and anticipative of the human resources. The competitiveness growth is perceived as a way to the durable development which is in fact, a social learning process in searching of innovative solutions.

Romania has engaged itself in observing the re-launched Lisbon Strategy² reason for which has elaborated the National Program of Reforms 2007-2010 through a participative effort of the institutions implied in the process of identification of national priorities necessities for the continuation and deepening of the reforms designated for reaching the objectives of economic growth and occupation, announced for 2010 and for reducing the economic and social gap compared to the average of EU member states.

Conclusion

In one form or another, human capital development is found in all the theories in a position key determinant of the growth of economic competitiveness, and thus in the process of economic and social development.

In this sense, a key factor of the sustainable economic growth is represented by the human resources, through its qualitative dimension: knowledge, skills, abilities. It is now increasingly talking more about a new type of worker (knowledge-worker), representative of the knowledge economy, which, at the microeconomic level is involved in research and development, innovation, consultancy and lifelong learning, the application existing technologies, and contribute to increasing macroeconomic economy to produce goods and services with high added value sectors obtained based on intensive use of knowledge.

The development of the human capital represents the major objective for applying the future agenda regarding the work force for implementing some integrated politics of active inclusion in the fields of work force occupation, social protection and the education designated for the groups with risk of social exclusion. The knowledge and the innovation constitute the key of success in a global economy, fact acknowledged by EU long time ago. The investments in the technological development and in innovation are remaining deciding elements for

¹ Government of Romania, Ministry of Environment and Sustainable Development. 2008. “*National Strategy of Durable Development of Romania Horizons 2013-2020-2030*”

² European Commission. 2010 „*Document of evaluation of Lisbon Strategy*”, SEC(2010) 114 final, 2.2.2010

the economic recovery. As follows, the stimulation of the creativity should be re-found in the center of politics of durable economic development.

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