

ECONOMIC EDUCATION IN HUMAN RESOURCES DEVELOPMENT

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ABSTRACT

Economic education is a branch of education focused on transferring economic knowledge to an individual. The objective of the economic education is to make economic knowledge available to the individuals in order to influence positively the human resources development. The lack of economic knowledge triggers disadvantages for individual and organizations as money or opportunities are lost. The ownership of economic knowledge enables the human resources development, as decisions are taken efficiently, which creates an important competitive advantage. More and more countries in the European Union are recognizing the role economic education has for the economic development, in general, and for the human resources, in particular. Introduction of economic education in school curriculum aims to facilitate the easy access to information, which provides a fundamental basis of knowledge sharing. A higher capacity of individuals to distinguish between basic economic notions implies a greater knowledge of the factors that influence the economic environment. Economic education encourages the development of human resources generating benefits not only for the individual and the organization, but also for the economy. This approach provides a strong basis to reduce the disparities between the individual and the economies, and to anticipate the down turns of the economic cycle.

KEYWORDS: *competitive advantage, economic cycle, economic environment, economic knowledge, human resources development, school curriculum.*

1. INTRODUCTION

The financial crisis from 2008 challenged the economic education of individuals from at least two perspectives, both linked with the economic behaviour of the individual in households and organizations. Firstly, from the point of view of jobs loss, individuals had to cope with the limitation in resources in order to face daily challenges, which made them act in an even more prudent way than before, seeking for the most economic, efficient and effective solutions when taking decisions about spending, saving and borrowing. Secondly, individuals were faced with the inauspicious consequences of long-term loans in foreign currencies contracted before the crisis, which triggered volatile interest rates that made impossible the repayment after the financial crisis started.

This article aims to provide the insights of the economic education and its influences in the context of a globalized economy, where individuals are deemed to choose the most appropriate alternative when faced with decisions at either personal or corporate level. Therefore, understanding basic economic concepts as, for example, inflation and interest rate encourages the individuals to take advantageous decisions and anticipate the movements of the economic cycle. The attainment of effective implication and accountability of actors involved in the set-up of economic curriculum in

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schools represents the means to better support decision-making at individual and organizational levels, which allow nations to progress towards enhancing the economic security and stability. In addition, this is a key factor in the development of human resources as level of economic skills increases, which enable organizations to become more competitive.

2. THEORETICAL BACKGROUND

Lusardi & Mitchell (2014) highlights the low capacity of most individuals to distinguish basic concepts of macroeconomics and fundamental variables for making financial decisions, besides usual ones (inflation, interest rate or growth), as well as others of major importance, such as risk assessment. Moreover, some authors invoke the lack of economic education as root cause of the financial crisis, highlighting that economic education is essential to increase dexterity in taking economic decisions starting from a greater knowledge of the determinants of the economic environment.

Therefore, a better education, especially an economic one, amplifies the basic notions of the population, which would probably reduce the income inequality mentioned by Piketty (2013). Lo Prete (2013) studies the relationship between both dimensions (economic education and economic development), demonstrating that, indeed, a higher economic-financial education of the population encourages the development of the financial system, so that it generates benefits by reducing inequalities.

The absence of basic economic knowledge increases the vulnerability of the individual, and, furthermore, aims to create the framework for an analysis of the school curricula. The objective of this analysis is to identify opportunities to create methodologies of acquiring economic skills in the area of education. The final goal of this exercise, of which this analysis should be considered as a first step, is to achieve educational systems aligned to the exposures of the economic cycle. Vincent-Lancrin et al. (2019) underlines the little evidence that school curriculum emphasis on innovative teaching practices, which triggers the idea that innovation in education is an essential tool to create the adequate skills to allow individuals to apply their knowledge to reach a competitive advantage of the organizations in which they perform.

An individual possessing economic knowledge is applying it in his/ her household, and would further apply it also in performing remunerated activities within an organization. This will enable organizations to be successful in performing their economic activities having as results collective benefits for both the individual and the organization. In order to reach an economic competitive advantage, organizations should invest in their human resources development by identifying the economic skills related to the activities they perform to ensure the lifelong learning of those skills.

Review of economic literature brings out the idea of investing in economic knowledge to better understand and anticipate the economic cycle. In this manner, the individual would easily adapt to the changes in the economic environment. The costs of investing in economic education for organizations are often paid off in a short and medium terms as human resources increase the capacity of their skills which triggers economic growth for the organization.

3. PRACTICAL ANALYSIS

Recent studies related to worldwide financial literacy indicate the percentage of financial literacy in women is lower than the percentage of financial literacy in men as highlighted in the results from the S&Ps 'Global FinLitSurvey, 2015 presented below. These results highlight the importance of taking immediate actions to address the lack of economic knowledge that affects the individual at both personal and professional levels as money and opportunities are lost.

Table 1. Worldwide financial literacy in adults

	Gender	Percentage from total adults (%)
1	Women	30%
2	Men	35%

Source: adapted from S&Ps 'Global FinLit Survey, 2015

The analysis of the gross saving rate of households in the EU during 2018 ranks Sweden, Netherlands and Germany at the top of the hierarchy.

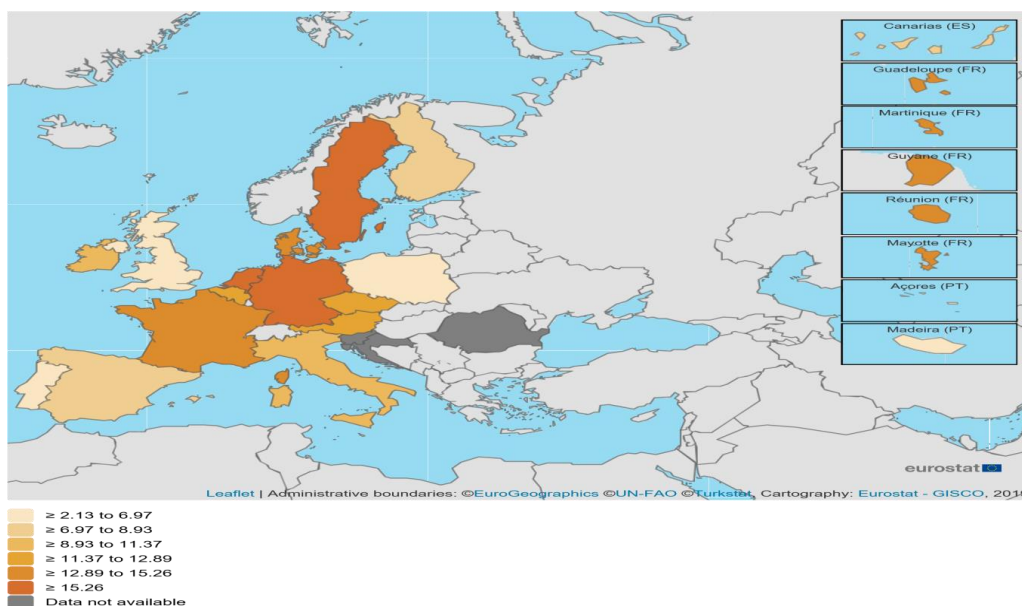


Figure 1. Gross saving rate of households in 2018

Source: Eurostat (2019)

Moreover, the EU average of adult participation in continuous learning in 2018 stands only at 11.1%, with a major gap between West and Eastern countries. Meanwhile, Nordic countries, Sweden (29.2%), Finland (28.5%) and Denmark (23.5%) occupy the first places in the rank, the newest EU Member States occupy the last positions, as it is the case of Croatia (2.9%), Bulgaria (2.5%) and Romania (0.9%).

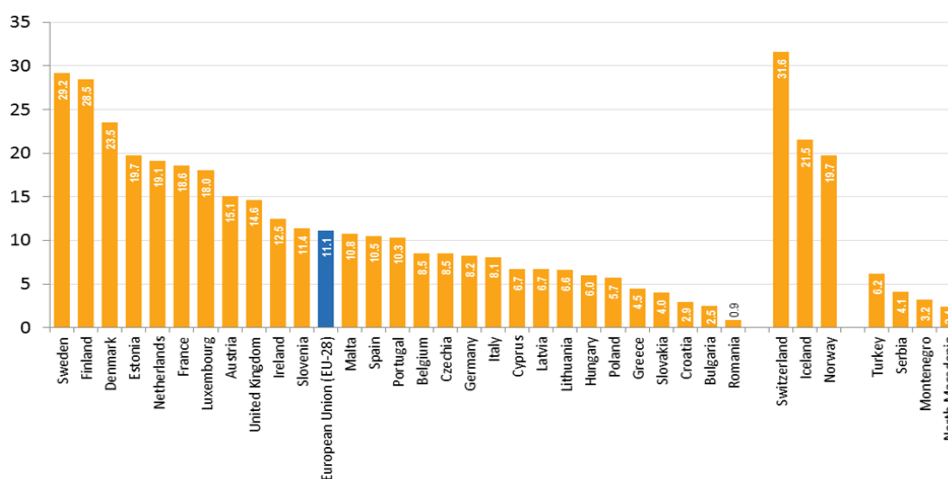


Figure 2. Adult participation in learning in 2018 (% of population aged 25-64)

Source: Eurostat (2019)

If we compare the gross saving rate of households in Sweden and the Netherlands with the adult participation in continuous learning during the same year 2018, we observe linear correlations between both data. This may imply that individuals interested in continuous learning may use their acquired knowledge to boost their personal economies. It is however, interesting to highlight the role of economic education in the school curriculum of these countries. Meanwhile, in Sweden, economic education is part of the school curriculum from the first grade onwards as indicated by the Swedish Financial Supervisory Authority (2019), the Netherlands is the first country in the EU which has incorporated the economic education in the school curriculum at primary and secondary levels as stated in a recent study carried out by the Fundación PricewaterhouseCoopers (2019). The positive relation of economic education acquired at early stages of life of individuals correlated with the lifelong education trigger the opportunity to spend wisely in order to reach high levels of savings. Although it should be noted that the reciprocal hypothesis is also valid, meaning that an individual with a high rate of savings could afford investing in further education to be prepared for the challenges of the economic environment.

Therefore, we identify two key factors in the economic education evolution: the school curriculum and the lifelong learning. The correlation of both elements creates the basis for economic growth in the economies in general and in the organizations in particular as indicated in the figure below.

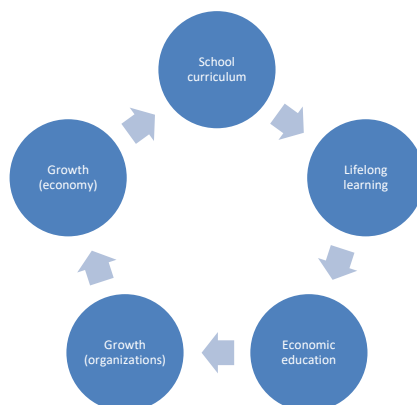


Figure 3. Interdependence of economic education, earning and economic growth

Source: own contribution (2019)

From the side of the human resources development, an employee faced with economic decisions in an organization measures the variables to be taken into account when purchasing goods or contracting services. For the employee that possess a good level of economic knowledge the process of quickly score and rank all the financial alternatives before taking the final decision is often more efficient and effective than the one of an employee lacking economic education. Contrary to some opinions, even if before being hired the human resources do not possess a good level of economic knowledge, the organizations should not underestimate this aspect when designing the training needs map for their employees. This is to say, economic knowledge should be disseminated in training activities of the organizations to allow employees to reach their full potential when dealing with decisions which may have an influence in the economy of the organization.

The comparison of the above analysis related to Sweden and the Netherlands with the evolution of GDP per capita in these two countries during 2018 highlights that the Netherlands recorded the third position in EU-28, meanwhile the Sweden occupies the seventh position. Although during 2018, Luxembourg recorded the highest GDP per capita in EU-28 followed by Ireland, it is to be noted the positive correlation between the economic education and the economic growth in the Netherlands and Sweden, although with a slightly growing path as presented in recent data from Eurostat (2019).

Investing in economic skills increases the capacity of organizations by creating a strong competitive advantage and avoiding operational loses. In addition, these skills enable employees to anticipate the downturns of the economic cycle and take the preventive measures to tackle them accordingly.

4. CONCLUSIONS

From the study has been observed that economic education of individual and human resources development are closely related. Economic education from early age introduced in school curriculum corroborated with lifelong learning of economic notions in adult age are present key factors that influence the development of organizations and economies. Hence, human resources development have positive influences on economic growth for both organizations and economies. The ownership of economic knowledge and skills influences the employee engagement which increases the operational efficiency and effectiveness of organizations. As incorporation of economic education to the school curriculum is connected to economic growth for the two countries analysed in this article, a first step towards setting up an adequate system of educational activities consists of outlining an overall structure which logically links different levels in the educational system together. Integration of economic knowledge in the training needs map of organizations will lead to recognition of employee's role towards enhancement of most adequate decisions, which offers a significant competitive advantage for the organizations as reduces the overall uncertainty linked to the economic environment.

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