

STRENGTHENING THE CONCEPT OF HUMAN CAPITAL BY EMPHASIZING THE BENEFITS OF THE EDUCATIONAL SYSTEM

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ABSTRACT

An asset that can be utilized as capital is known as "capital." Human beings are referred to as "human capital" because of their importance in advancing the educational system and society at large in the long run. Human capital refers to a person's and a group's combined knowledge, skills, attitudes, and abilities, as well as their collective social and cultural assets, such as their capacity to discover, invent, innovate, and be innovative. The aim of our study is to highlight the distinctive qualities and educational benefits of the development of the concept of human capital. Because we wanted to get a comprehensive picture of human resource management strategies for digitizing learning assets and providing students with long-term educational possibilities, we focused on qualitative techniques. Research projects in the future will use the information acquired to develop hypotheses and working methods based on the findings of this study.

KEYWORDS *human capital, education system.*

1. INTRODUCTION

A pioneer of the concept of human capital in the 1960s and 1970s, Theodore W. Schultz showed how investments in human capital are linked to investments in physical capital. Investing in human capital means making a financial investment in human resources to enhance their productivity. This investment's costs will be saved for later use rather than being immediately spent. "A Europe equipped for the digital era," the European Commission's 2019-2024 plan stresses the importance of digital transformation in the European economy and society. No amount of money can be spent on education and training and still expect all of Europe's citizens to be able to live normal, productive lives in the digital age. The digitalization of education has emerged as a prominent trend in the reshaping and modernizing of the educational landscape around the world.

Education that takes advantage of the new possibilities provided by digital technologies is a special problem considering the trend toward digitalization of education. Students' ability to master educational material, the time it takes to complete a task, and how well they understand new information can all be assessed using digital technologies rather than traditional methods, which only allow teachers to assess students' "gross" performance in the classroom (eg based on final grades). Reports are being replaced by laptops or tablets containing all the important academic material that teachers can use to save time and money. Students, it should be stressed, also profit. Today's digital technologies make it possible to complete any work in a collaborative setting, to share thoughts and ideas with colleagues, and to create

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better results in less time than was ever thought possible before. The lack of theoretical frameworks to guide research on educational human resources and their relevance to digitalization and sustainable development means that the area is still in its infancy. A review of the literature and/or existing data, as well as qualitative approaches, will underpin this exploratory study's achievement of its objectives.

2. LITERATURE REVIEW

Human capital theory and education systems have been shown in several studies to be excellent tools for individual and national development, particularly in developing countries (Burlacu et al., 2018). But there are repercussions, especially in terms of policy changes and inequities in educational expenditure, which are described in more detail below. According to human capital theory, decision makers should allocate significant resources to expanding education systems. It is possible that some governments are reluctant to invest in education because they believe that the benefits of doing so will outweigh the costs (Androniceanu & Burlacu, 2017a). As a result, many developing countries today understand the critical role education plays in the promotion of human knowledge (Burlacu & Jiroveanu, 2012). As a result, they invest a lot of money in education to have a positive impact on people's knowledge and skills, as well as to spread positive values, ideas, attitudes, and aspirations that could contribute to the country's development (Androniceanu & Burlacu, 2017b).

Educational results should be viewed as capital, and we believe education should be viewed as an investment in people. The phrase "human capital" is what we will use to describe the education that clings to the recipient. Schultz's 1960 essay on "Forming Capital through Education" was one of the first papers to emerge from a curriculum that began in the 1950s and continued into the 1960s. In the late 1950s and early 1960s, he played a key role in developing the concept of "human capital" from a challenging metaphor to a large-scale, productive research program in economics. Work productivity, education, and creativity are all viewed as essential components of human growth (Burlacu et al., 2021). The strategy aims to encourage people to put money into their own personal growth by focusing on things such as education, training, productivity at work, and innovation. Subsequent human development can be utilized in a variety of ways to stimulate economic growth when combined with physical and natural capital (Burlacu et al., 2019). This problem can be solved using human development techniques to find the most efficient means of generating human capital while using the least number of resources. For an organization's production to rise because of its employees' increased knowledge, training, education, and development must take place inside the framework of the company (Zidan, 2001).

It is assumed under the human capital hypothesis that education is crucial in raising a population's productive capacity (Burlacu, 2009, Nastacă, 2020). Empirical evidence supports this claim. According to proponents of human capital, a well-educated population is more productive than a less-educated populace. However, the concept of human capital stresses how education helps people become more productive and efficient because it allows them to discover and develop their unique abilities, as well as their ability to engage with others and learn from their experiences. To proponents of this notion, education is considered as an investment in human capital, which can be as useful or even more beneficial than physical capital (Woodhall, 1997).

Investment in human capital is justified by three arguments, according to Babalola (2003): the new generation needs to receive the appropriate portions of knowledge already accumulated by previous generations; the new generation should learn how to utilize existing knowledge in order to develop new products, introduce new processes and methods of production and social services; and the new generation should learn how to utilize existing k (Profiroiu et al., 2020).

If you believe Fagerlind and Saha (1997), you should spend a significant amount of money on education in both developing and developed countries. It has been proven that when human capital is invested, the

economy grows rapidly. People have shown that making such an investment pays off in a variety of ways, including professional achievement and financial success. Economic growth is mostly determined by the human capital of a country, rather than its capital or material resources, according to most economists. Economies are built on the strength of human capital (Radulescu et al., 2020). Capital and natural resources are passive factors of production, whereas human beings are active agents who acquire capital, employ natural resources, construct social, economic, and political institutions and contribute to the nation's growth (Profiroiu et al., 2020).

According to Psacharopoulos (1997) and Woodhall (1997), education has a significant impact on a nation's economy, pointing out that the quantity of educational spending is a form of investment in the future of the economy. Increased investment in education and training benefits society, as well as individuals, because it helps build human capital. As a result, the chances of finding a job in the labor market will improve. Economic growth and development can be achieved through education since it motivates and informs people, and it teaches them how and why to carry out certain actions in the first place (Negescu Oancea et al., 2020).

Human capital development is necessary for both economic growth and poverty reduction. By increasing human capital, we may increase labor productivity, enable new technology developments, raise capital returns, and make economic growth more sustainable. This helps to eliminate poverty in the macroeconomic sense. When it comes to the overall output of the economy, human capital is considered a vital component in the production of products and services. Having a college degree increases one's employment prospects and income potential from a microeconomic standpoint (Alpopi et al., 2018). An important part of an organization's output is its human capital, which is defined in this context as the part of education that has the greatest impact on labor productivity and individual earnings on an individual level. Since individuals can be taught these skills, human capital can be seen of as a measure of a country's ability to turn raw materials and capital into finished goods and services (Cohen & Soto, 2007). Because it can be used to evaluate the whole workforce in most nations and is similar across countries, the average number of years of schooling is employed as a measure of human capital by Trostel, Walker, and Woolley (2002). Despite these limitations, the World Bank still considers the average number of years spent in school to be the most reliable and comparable indication of a country's human capital.

Comparable data was used by Barro and Lee (2010) to calculate the world's average level of years of schooling, focusing on the population aged 15 and over. From 1950 to 2010, the database contains statistics on 146 countries. Across the globe, people have completed an average of 8.12 years of schooling, with men completing 8.41 years and women completing 7.84 years of schooling. There is a disparity between the educational attainment of men and women in Latin America and the Caribbean, according to the United Nations Development Program (UNDP). Males have an average education of 8.63 years, while women have an average education of 8.33 years.

Human capital is more heavily subsidized in industrialized countries than in developing ones (Burlacu, 2009). A one-year increase in the average number of school years estimated by Barro and Lee (2010) will increase GDP per capita by 1.7% to 12.1%, depending on the parameters utilized.

School years were shown to be beneficial at a rate of 12.3% to 22.1 %, according to Cohen and Soto (2007). An increase of 1.2 to 2.0 percentage points in GDP per capita can be attributed to a single-point improvement in a country's average cognitive test scores. This hypothesis was tested by examining the relationship between growth and educational quality. Furthermore, in high- and low-income countries, a one-point increase in average math and science scores increases GDP growth rates per capita by 2.0 points and 2.3 points, respectively. Studies have found that education is strongly and positively related to economic growth, and they believe that causality can be traced back to education and growth according to the patterns of accumulation of human capital.

3. FINDING

We will present data on education expenditures (measured as a percentage of GDP) and on the student-teacher ratio from 2000 to 2019 with the goal of illustrating not only the evolution of the educational system in Romania and at the level of the European Union, but also the evolution of human capital in the country.

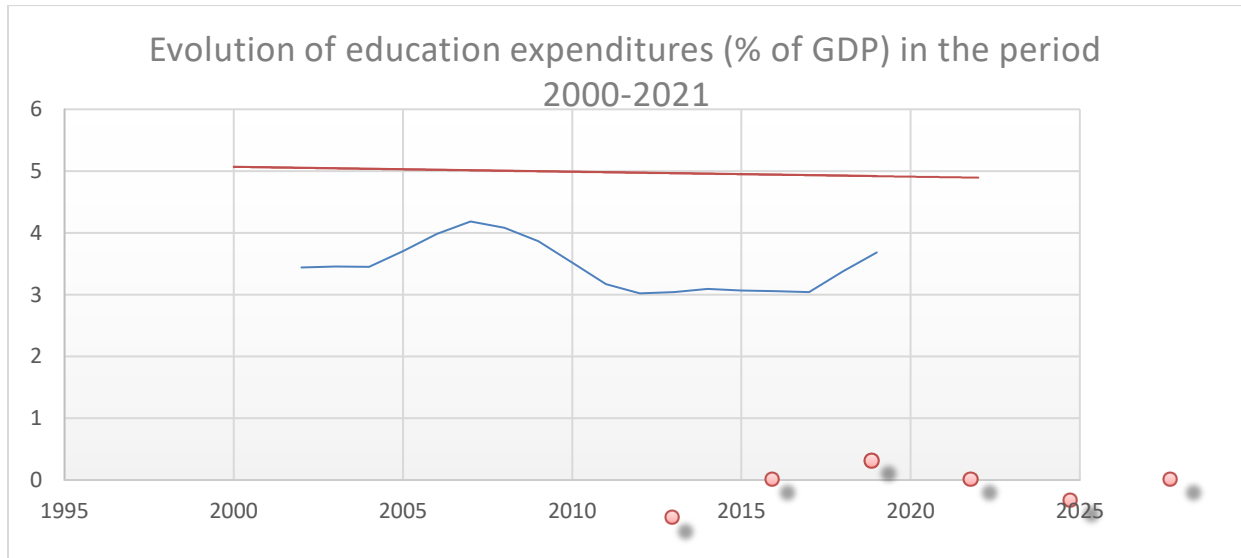


Figure 1. Education spending (% of GDP) from 2000 to 2021
 Source: Own processing using World Bank data

Because the education sector does not receive appropriate support from the state budget, as illustrated in the graph above, education expenditures (as a percentage of GDP) in Romania are relatively low. However, despite the fact that education spending was higher before the global economic crisis in 2008, it has decreased significantly since then (Burlacu & Grosu, 2009).

During the course of the research period, Romanian education expenditures (measured as a percentage of GDP) were lower than the average for the European Union, revealing a significant funding gap in the country's education system.

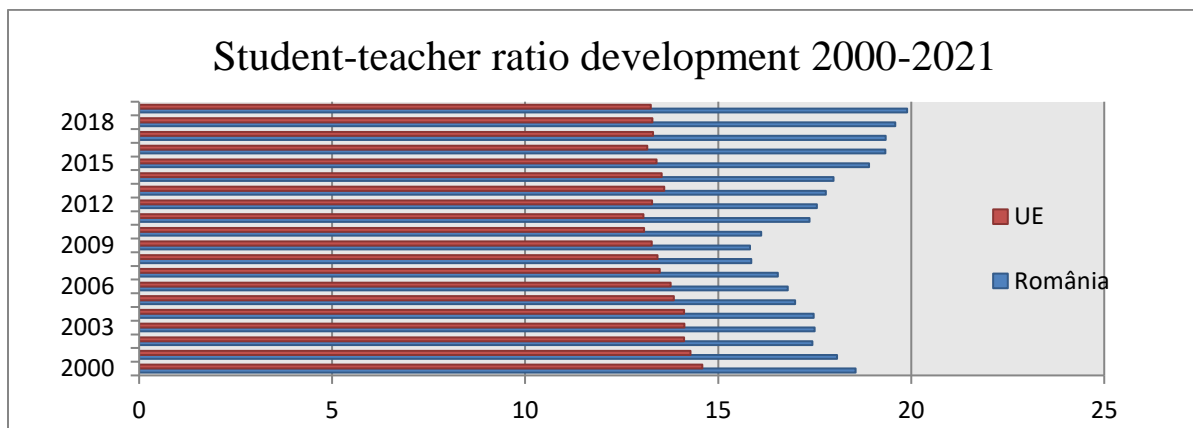


Figure 2. Development of the student-teacher ratio 2000-2021
 Source: own processing of the World Bank database

A significant increase in pupils returning to a teacher in a class was identified throughout the time period under examination, underscoring the serious scarcity of teachers in Romania's educational system at a time when the number of students wishing to get an education is also expanding. This news can be balanced by the government helping those who choose to become teachers by giving them competitive salary, acceptable working conditions, and the confidence that their jobs would be secure.

4. CONCLUSIONS

According to the student-to-teacher ratio in Romania, which is higher than that of the European Union, a teacher is responsible for a greater number of students, demanding not only a higher level of concentration, but also a greater degree of patience from the instructor, according to the data. On average, a teacher teaches 15 pupils across the European Union; but, in Romania, a teacher can educate up to 20 students at the same time.

Over the long term, we believe that the educational system has a considerable positive impact on human capital. Consequently, governments around the world should pay close attention to how money for education is distributed. Furthermore, as evidenced by the COVID-19 epidemic, which broke out in early 2020 and is a real illustration of this, it should invest more in teacher training, schools, and the technology that children should have when they have to study at home.

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