

MANAGERIAL STRATEGIES AND ORGANISATIONAL CULTURE

THE ROLE OF LIFELONG EDUCATION AND TRAINING IN HUMAN CAPITAL DEVELOPMENT

Dina Maria LUȚ

***Abstract:** Investing in education and training systems is an essential condition for economic and social challenges of today.*

The extent of economic and social changes in the knowledge-based society requires a different kind of approach to education and training. This type of society requires a reconsideration of the importance and role of human capital in society. It also requires a reconsideration of the role and importance of education and training. In the new knowledge-based economy, the basic factor of wealth is knowledge acquisition and use, not material factors of production. This paper presents some aspects regarding the role and importance of lifelong education and training in human capital development, as a major factor for continued and sustained growth. It also shows how the priorities on human capital are reflected in the policies of Romania's economic and social development, after EU accession.

***Keywords:** human capital, lifelong education and training, European Union, knowledge-based society.*

1. INTRODUCTION

Human capital, as a component of human resources, is today considered as the most valuable asset of the European Union. Lifelong education and training of human resources is now widely regarded as an essential component of development strategies in the European Union and also in the EU Member States. It is a major factor for continued and sustained economic growth, to improve competitiveness and employment.

Europe and the whole world face a moment of transformation. The crisis has wiped out years of economic and social progress and exposed structural weaknesses in European and global economy. In the meantime, the world is moving fast and long-term challenges – globalization, pressure on resources, ageing – intensify. Education and training are crucial to economic and social change. The flexibility and security needed to achieve more and better jobs depend on ensuring that all citizens acquire key competences and update their skills throughout their lives. Lifelong learning supports creativity and innovation and enables full economic and social participation.

Contemporary society is a knowledge-based society, an information society. In such a society, human capital is recognized as the fundamental factor of overall progress, and experts agree that long-term investment in human

capital has strong propagation and training effects at individual, organizational, national, regional and international level.

2. HUMAN CAPITAL - CONCEPTUAL APPROACH

In the context of accelerating integration processes and globalization of economies is felt the need for terminology and indicators coherent, unified, summarizing the phenomena and processes relating to human capital issues. With regard to our country, adopting the communitarian acquit and alignment to the practices of EU' countries, require a certain compatibility of concepts and methodologies. The approach of presenting a coherent notional package, start from two premises that have the character of economic and social science paradigms:

- in demographic, educational and formative terms, as a potential factor of production, the human capital is a component of the human resources and it shows the both, demographic and formative side of these resources and their actual availability to perform useful tasks, generating income; the human capital is the source of labour supply in the labour market;
- the human capital is a specific form of capital, which has its own characteristics and effects of training and enhancement, who made it one of the major factors of endogenous growth.

Human capital is defined as “all general and specialized theoretical knowledge, the skills acquired in vocational education and training or in workplace experience. This knowledge and skills are used by their owner in the creation of goods and services that produce revenue for both their owner and for society.” (Perç, 2000) Therefore, the human capital shows the quality side of human resources.

In M. Armstrong's view, human capital is a component of intellectual capital. Intellectual capital is “the accumulation and flow of knowledge available to an organization” (Armstrong, 2003, p.47). They can be seen as intangible resources which, together with tangible resources (money and material assets), give the total value or market value of a firm.

According to Armstrong's conception, intellectual capital has three components: human capital: knowledge, skills and abilities of employees of an organization, social capital: accumulation and knowledge flows arising from the networks of relationships inside and outside the organization, organizational capital (also called structural capital) is checked institutional knowledge held by an organization, stored in the database, manuals etc. This concept emphasizes the tripartite intellectual capital, as M. Armstrong noted, that although individuals (human capital) are those who generate, store and retain knowledge, such knowledge is enhanced by interactions between individuals (social capital), generating institutional knowledge that possess the organization (organizational capital). Although knowledge and skills of employees are those that create value, however, organizational effectiveness depends on proper recovery of human

knowledge. This knowledge must be developed, collected and traded (knowledge management), to create organizational capital.

Defining issues, training, development and use of human capital has been a constant concern in economic and social thinking and practice, from classical economics and continuing with post-war approaches. Since the '60s, the issue of human capital has captured the attention of academics, practitioners and specialists in economic and social policy. Study of human capital has become so, new dimensions and meanings. The concept of human capital has been used since 1961 by T.W. Schultz who believed that "all human abilities are either innate or acquired. Attributes that have value and can be augmented by investment, form the human capital." (Schultz, 1961) Theoretical developments around this concept were continued by G. Becker and J. Mincer.

However, the idea of investment in human capital belongs to Adam Smith. He suggested in *The Wealth of Nations* (1776) that the return on investment in vocational skills can be compared with earnings of investment in fixed capital (with the necessary limitations). In Chapter 10 of the book, the author states that "the person who was educated by a major labour and time expense, it can provide an activity to reimburse the cost of his education, with an ordinary income at least equal to the profit made by a capital of equal value." (Smith, 1962) Therefore, it is noted that education was treated as an investment, and educated person was treated with a form of capital.

Technical and technological developments in the second half of the twentieth century have led to increased need for specialists of different professions in all fields. training was increasingly perceived and treated more as an investment. Consequently, early '60s marked the so-called "human investment revolution in economic thinking." Outlays for education were treated as investment flows that build human capital.

Human capital theory, developed by Gary Becker (principal promoter), highlights the importance of education and training for human potential. The theory is based on a model whose assumption is that "education increases the productivity of those who have." (Becker, 1993) Therefore, education is considered an investment in people and this is a new hypothesis in relation to the dominant content of economic analysis.

This new perspective has produced controversy among experts (particularly Marxist economists). Because education was regarded as an investment, the question naturally arose: what is the profitability of this investment, so it can be compared with other alternatives? Such a comparison is useful to provide priorities for allocating public funds to different levels of education, to explain the behaviour of the individual or entity on demand or lack of demand for certain levels or types of education.

In the next period after human investment revolution in economic thinking have been made many estimates of the profitability of investment in

education. Politicians and experts in economics admit, in their majority, the argument that investment in education, properly harnessed, is fundamental and also one of the most profitable investments to achieve a balanced and continuous economic, social and human development. Given examples of the contemporary world, must be made clear that education systems can become the main support of economic and socio-cultural development that meets the aspirations of a nation, but under appropriate conditions for such systems.

In terms of organization, human capital theory highlights the added value that can help people in an organization. Under this theory, people are viewed as assets, underlining the idea that investing in people will bring significant gains. Therefore, human capital theory is the base of human resource management philosophy which supported (as was developed in the 80s) that employees should be treated as an economic asset rather than a cost to the organization. This concept, under which employees are in the same category as equipment and material facilities, was regarded by experts as limited and questionable because employees are able to exercise active control over their professional existence. Investments made by employers in training and developing people is a means of attracting and retaining human capital and a way to get better gains from investments.

Human capital theory argues that it is possible to create and amplify differences between individuals through investment in training and education. Even though the approach in terms of human capital approach was a breakthrough (he tried to justify the income differences between individuals not only through inborn characteristics - the natural qualities of the individual but also in terms of education and productive characteristics acquired by human investment), the explanatory power of this theory has remained low. Although we see a correlation between level of education and training, on the one hand, and incomes earned, on the other hand, it can not argue convincingly enough, the dispersion of income for individuals who have the same duration and content of training. Differences in earnings are explained by variables correlated very poorly. The two variables - the individual's innate characteristics and education - explain conjugate the earning distinction, without being able to determine how much each is owed. In addition to these operational limits of the human capital theory, its assumptions have been challenged as well.

Key assumption of the theory - increasing productivity by increasing the level of education - was attacked both directly and indirectly (through the organization and functioning of the labour market). The result was the enrichment of human capital theory and development of other theories on the subject.

One of these is "the filter theory" (Arrow, 1973), which emerged in the early '70s in various configurations, by the contribution of several authors: Arrow, Taubman, Wales. This theory holds that education does not add anything to the productive characteristics of individuals, but only helps to

highlight certain features (intelligence, perseverance, work capacity, sense of discipline) appreciated by the productive system.

Another theory has come to enrich the human capital theory or to correct its limits, is “the theory of attitudes”, which states that productive apparatus require people, above all, the ability to integrate the division of labour system based on sharing tasks and strong hierarchical control. Therefore, it calls for an attitude of conformism, obedience, docility and acceptance for group work and for the control. Secondary school is organized to develop these attitudes, while at upper levels it has a completely different function, which is to prepare leaders - managers and innovators.

3. THE ROLE OF LIFELONG EDUCATION AND TRAINING IN HUMAN CAPITAL DEVELOPMENT

Although the value of human capital or cost includes several components, the essential active component is education and training. The extent of economic and social change in contemporary society - a knowledge-based society - requires a different kind of approach to education and training. This type of society requires a reconsideration of the importance and role of human capital in the society and above all, education and training. Investing in education and training means to promote growth, given that in the new knowledge-based economy the basic factor of wealth is firstly, knowledge acquisition and use and not material factors of production. Education and training is now a global concept under which they are meeting all aspects of education and training in the formal, non-formal and informal system.

The new knowledge-based society offers great potential for reducing social exclusion and cohesion, both by creating conditions for increasing economic welfare (the economic growth and employment) and by opening new avenues of participation in social life. All these benefits carry a certain risk: the distance created between those with access to new knowledge and those who are excluded, due to inadequate educational and training system. Removing this risk can be made through efforts to improve the competencies, abilities and skills, tackling unemployment and creating jobs. In current conditions, education, through its functions, is an important pillar of economic and social development, as far as meeting the requirements of society and to the extent that is capitalized by using the skills and qualifications acquired through learning. For this reason, education and training is enjoying a major concern and a priority position in EU programs, particularly in developed countries, in close relation to economic, demographic, social and political processes.

The right to education is provided in the Universal Declaration of Human Rights. Over time, content and meaning of this law have evolved quality, from initial education, to the lifelong education and training, as a result of economic, social, cultural transformation, and as a result of transition to the knowledge-based society.

During the period 1940-1960, the emphasis is on initial education, respectively, the acquisition of basic knowledge for the entire population of school age. The major objective of that period is the eradication of illiteracy in the world. Although there have been significant expenditure in this respect, the results were below expectations.

During the period 1960-1970, the focus has shifted from initial education to basic education (preschool and primary education) considered fundamental and binding. This is the starting point of the ongoing process of lifelong education. Therefore, education can not be interpreted only as a means of tuition, but it is the basic factor of fundamental and lifelong learning, beyond the training in specialized institutions through training courses or work in the workplace, etc.

Since the '70s, the focus is, more and more, on lifelong education and training. If at first the initial education and continuous professional training were considered complementary concepts, those concepts were then integrated into a single concept that covers all aspects of education. According to Faure Report (UNESCO 1972), continuous education and training is not only a coherent system, but is the principle that underlies the organization of the entire global system of education and training and, consequently, the development of each of its parts.

The new concept of lifelong education and training appeared as a response, as an alternative to the major problems facing humanity, as a result of globalization, under new requirements imposed by knowledge-based society and knowledge-based economy. In such a society, human capital becomes a strategic asset and the investment in such assets is critical to economic and social development. Lifelong education and training is one of the major targets of the EU and this actually came as a result of the study and understanding of current economic and social environment and the challenges it posed. This concept was reconsidered at each stage of work on European Employment Strategy (EES 1997), as evidenced by the debates which took place in the European Council meetings in order to establish the strategy to be followed every year in this respect: the Lisbon European Council, March 2000, European Council in Santa Maria de Feira, June 2000, the European Commission Memorandum of Lifelong Learning, October 2000 and subsequent European Councils (Stockholm - 2001, Barcelona - 2002 Brussels - 2003, 2004, 2005).

When European Employment Strategy was launched, lifelong education and training was conceived as "all useful learning activity, permanent aimed at improving knowledge, skills and competence." (European Commission, 1999) This way of defining the concept, has created controversy in the debate to cast European strategy for education and training, considering that lifelong learning activities would have a restrictive, controversy finally led to a universally accepted definition: "lifelong education and training includes all acquired learning activities throughout life in order to improve knowledge, skills and

competencies in terms of a person, environment or civic employment prospects." (European Commission, 2002).

According to this definition, the concept of lifelong education and training includes all forms of learning and training, operated by the person during its existence: formal education, non-formal education, informal education. As stated in the European Commission Lifelong Memorandum, "lifelong learning ... must become the guiding principle of education and participation in continuous learning process. (...) Learning is the common umbrella under which all classes should be aggregated to learning and instruction. The implementation of lifelong learning requires that all work together effectively - both as individuals and as entrepreneurs." (European Commission, 2000)

Education and training are central to the Lisbon agenda for growth and jobs and a key element for its follow-up with the 2020 perspective. Creating a well-functioning "knowledge triangle" of education, research and innovation and helping *all* citizens to be better skilled are crucial for growth and jobs, as well as for equity and social inclusion. The economic downturn puts these long-term challenges even more into the spotlight. Public and private budgets are under strong pressure, existing jobs are disappearing, and new ones often require different and higher level skills. Education and training systems should therefore become much more open and relevant to the needs of citizens, and to those of the labour market and society at large.

Policy cooperation at European level in the areas of education and training has, since 2002, provided valuable support to countries' educational reforms and has contributed to learner and practitioner mobility across Europe. Building on this approach, and fully respecting Member States' responsibility for their education systems, the Council endorsed a Strategic Framework for European Cooperation in Education and Training in May 2009.

The Council set itself ambitious objectives in the Education and Training 2010 work programme. In turn, these support the achievement of the Lisbon guidelines for jobs and growth. These objectives can only be achieved by sustained long term effort. There has been a general improvement in education and training performance in the EU. However, the majority of the benchmarks set for 2010 will not be reached in time, while in the case of the vital benchmark on literacy performance is in fact deteriorating. Attaining these benchmarks will require more effective national initiatives. The economic downturn, combined with the demographic challenge, serves to underline the urgency of reforming while continuing to invest in education and training systems to meet core economic and social challenges.

The content and meaning of the concept of lifelong education and training, with its specific issues, vary depending on the existing diversity of national policy and markets policy at a time (supply and demand for education and training), and according to other aspects derived from national

characteristics and priorities. Long-term goal of these systems is to contribute to full expression of individual personality, by acquiring a high quality training, by highlighting their traits and talents, by stimulating their development.

4. PROVISIONS RELATED TO HUMAN CAPITAL DEVELOPMENT IN ROMANIAN ECONOMIC AND SOCIAL POLICIES

Human capital development is one of the major directions of future development of Romania, in order to ensure socio-economic development of European type. Convergence with the EU can only be ensured in the long term and requires the development of two major categories of infrastructure, the physical infrastructure and, respectively, human infrastructure. Developing physical infrastructure (transport, environment, telecommunications and energy) has long term benefits and also medium-term economic benefits, meaning that major investments are generating growth and lead to the development of related economic activities. On the other hand, investment in human capital (through education, training, lifelong learning, strengthening the link research - development - innovation, effective public health policies, social policies and modern occupational) ensure sustainability of economic growth, since an educated and healthy population is efficient and adaptable to the EU and globally.

During the period 2000-2010, the Lisbon Strategy, launched in 2000 and revised in 2005, has provided the framework for coordination between national and European measures in order for European Union to become "the most competitive and dynamic knowledge-based economy in the world, able to have sustainable economic growth with better jobs and more and greater social cohesion" (European Commission, 2000).

But 2010 marked a new beginning for the EU. Economic realities are moving faster than political realities, as we have seen with the global impact of the financial crisis. We had to accept that the increased economic interdependence demands also a more determined and coherent response at the political level. Europe can succeed if it acts collectively, as a Union. Europe needed a strategy to help us come out stronger from the crisis and turn the EU into a smart, sustainable and inclusive economy delivering high levels of employment, productivity and social cohesion. The strategy "Europe 2020" sets out a vision of Europe's social market economy for the 21st century (European Commission, 2010).

Consistent with the programmatic documents of the European Union, human capital development in Romania were improved on four main areas, listed in the Post-Accession Strategy of Romania, 2007-2013, as follows:

1. lifelong education and training;
2. research, development and innovation with significant impact on the economy;
3. increasing labour flexibility and security (flexicurity), improving labour market access by minimizing bureaucratic constraints, by the elimination

of discrimination (based on sex, age, origin, etc.), social inclusion, social protection (social insurance and pensions);

4. improving public health.

In the context of ensuring convergence with EU member states, a particularly important role was the National Development Plan 2007-2013 (NDP) as an instrument to accelerate the process of Romania's economic and social convergence with the EU. Its main goal was to just reduce swift socio-economic disparities between Romania and EU member states.

Priority number four in the NDP 2007-2013 is: "human resources development, employment, social inclusion and strengthening administrative capacity." (Guvernul României, 2005). The overall objective of this national priority is the development of human capital and increases its competitiveness on the labour market by ensuring equal opportunities for lifelong learning and by developing a modern labour market, flexible and inclusive, leading, by 2015, to sustainable integration in employment of 900 000 people. General objective and specific objectives of national development priority, "Development of human resources, employment, social inclusion and strengthening administrative capacity", is achieved through actions grouped into four sub-priorities: developing human capital, promoting full employment, promoting social inclusion; administrative capacity and good governance.

In the context of the NDP 2007-2013 was developed Human Resources Development Operational Programme 2007-2013 (Guvernul României, 2007), which sets the priority axes and key areas of intervention of the Romanian human resources. This program is an important tool in supporting economic development and structural changes, taking into account investments in human capital that will complement and give long-term sustainability of productivity growth. A highly skilled workforce with a high level of education, the ability to adapt to new technologies and changing market needs, is essential for a dynamic and competitive economy. Romania will promote active market policies to increase adaptability and flexibility of its workforce and invest in services for its productive capacity. It seeks to achieve such a high participation rate as the labour market as the foundation of a competitive economy.

5. CONCLUSIONS

Human resource development, sustainable integration into the labour market are possible, while promoting lifelong learning as a principle and framework for restructuring and development of education and training, to ensure consistency between the key skills and formal, non formal and informal learning.

In its current form, the formal education and initial training is not yet ready to meet the specific requirements of the knowledge-based society and of the European labour markets. School is still a lifelong learning resource center, but it is a provider of initial education. This limits the population of adult lifelong learning.

In conclusion, relying on the example of developed countries, we can say that investment in human capital has proved that is the most sustainable and profitable long term investment, with long-term beneficial effects of continued and sustained growth.

Therefore, in contemporary society, human capital is rightly regarded as the main determinant of economic growth.

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NOTES ON THE AUTHOR

Dina Maria LUȚ - “Dimitrie Cantemir” Christian University Bucharest, Faculty of Touristic and Commercial Management Timișoara, 93, 1 December Str., Romania dinalut@yahoo.com