

Investment in Human Capital and Economic Growth and the Development of Basic Literacy as the Basic Unit of Educational Effects (External aims of education)

Hanifa Obralić

Travnik University, Travnik, Bosnia and Herzegovina
obralich@hotmail.com

Tarik Obralić

Travnik University, Travnik, Bosnia and Herzegovina
obralict@hotmail.com

Abstract

Human factor as an essential part of all going in the educational, economic, political, social, cultural, environmental and other plans (external aims of education) directly affects the process of the economic and social development which is directly implied by the educational effects, mainly through the labor productivity growth in a global sense. Education, as a process of socially beneficial and personally applicable knowledge of work in terms of occupation and professions in achieving social communication and social status, is the focus of many scientific disciplines especially pedagogy, psychology and sociology. It is a very complex multitasking, dispersive and variable process with lasting social roles and the basic form of human capital formation.

Education recognizes the concept of human capital in its economic aspect through the investment in human capital, and on the other, through the educational production measured by the monetary system. Meanwhile, it is the product of the educational production behavior in the labor market. Therefore, the need of investment in education is required as the main establishment of human capital investment and economic growth and development of initial literacy as important determinants of educational effects (external aims of education).

Education is one of the main factors for the human capital quality, which is crucial for the international competitiveness of the national economy and sustainable development (Education Policy Analysis, 2002). Thus, in this case, the investment in human capital is concerned. This investment in human capital provides long-term and stable economic growth and the development of basic literacy as determinants of educational effects (external aims in education).

Keywords: human capital, educational effects, academic mobility.

Introduction

In the overall structural policy, the policy of human factors is dominant in a leading economic and social development. It is a fundamental factor towards achieving the global goals. Qualitative strengthening of human factors is directly related to the widespread educational efforts for quality in education in terms of high-quality construction, equipment of educational institutions and a growing number of academics.

Education is one of the main factors of the quality of human capital, which is crucial for the international competitiveness of the national economy and sustainable development

(Education Policy Analysis, 2002). Thus, human (as it is the part of a human being) capital (because it is a source of income and wealth) in one of its forms includes the education as well. As an irreplaceable factor especially in educational production, it stands for a fundamental factor in the implementation of macro-economic, macro-social and macro-political and other objectives.

Therefore, the politics of human factors are more and more taken into consideration in the terms of regional as well as inter-sectorial structural policy. So, we pay more attention to the policy of human factors, which ultimately results in its quality-improvement and that manifests itself in various ways, for example, construction of educational institutions, the requirement of compulsory education in secondary schools, as well as significant increase of students' number who graduated from secondary schools and higher education institutions, which will lead to the increase of academic citizens in general.

The human factor as an indispensable factor of all events in the educational, economic, political, social, cultural, and environmental and other plans directly affect the process of the economic and social development. The development is directly reflected by the educational effects, mainly through the work productivity growth at the global level. Therefore, a human with all his/her characteristics including the education affects the changes in the educational environment (effective environment) applying the acquired knowledge and behavior.

Educational effects define an individual, a man, the human factor that is the creator of change and the fundamental indicator of economic, social, cultural and other changes in the educational environment. For example, educational events are manifested through increased mobility of the human factor in a variety of forms, which are determined by the level of completed education, the successful work, years of service, etc.

Educational effects and human capital

One of the basic elements of the Bologna Process implies transfer of students and tutors, in another word - their mobility. The mobility and the international market of educational services provide suitable opportunities for a different approach. Students' needs for extended knowledge and education in other country at the most prestigious universities are related to the poor facilities and opportunities in their own country. International student exchange programme even before the Bologna Declaration provided and enabled students to complete their studies in another country, or at another more prestigious university. Bologna process has been providing better educational services, greater opportunities to use information and communication technologies and the establishment of compatible curricula that are a new qualitative form of advanced integration. Within the international education, besides social implications (exchange of cultures, acquiring linguistic competence), there are obvious economic benefits which particularly imply the increase of employment and job opportunities. The evaluation of economic benefits, for instance, through employment and job opportunities is a complex process.

Educational effects in terms of mobility, therefore, may be clarified in the case of academic mobility, because the Bologna process provides a temporary (a semester) or a permanent residency of university professors, assistants and students at another higher education institution in the home or a foreign country for the purpose of study or employment (academic mobility) to all members of the academic community (professors, assistants and students)

When it comes to effects, the positive effects of academic mobility, they are reachable at three levels:

- 1 positive effects of academic mobility at the level of the individual,
- 2 positive effects of academic mobility at the level of institution and
- 3 positive effects of academic mobility at the level of society and the state.

Positive effects of academic mobility at the level of the individual, or the individual level, are visible from a content that the academic community can offer to individuals. It is so called a new life in the second and different academic environment with its all economic, social and cultural differences, and work experience which an individual will acquire in a different academic environment.

Professors, researchers and students are carriers of new ideas; they are the protagonists of creation and development of connections in the academic community at the institutional level. They are directly involved in the creation of international cooperation between institutions of higher education.

Academic mobility of teachers, assistants and students can affect the social changes because it is a form of cultural heritage in the development of dialogue and tolerance, understanding and encouraging dialogue and cooperation of different social (especially ethnic) groups creating a great European academic world.

Starting with the economic, social and other criteria, the phenomenon of mobility is particularly interesting, and it emerges as the product of long-term changes in the structure of employment in some sectors of the economy.

The negative implications of this phenomenon are noticeable in the case of transfers of human for becoming more profitable and conspicuous private education at the micro level (in Bosnia and Herzegovina). It also happens at the macro level in terms of the complex consequences of inter-regional mobility of the human factors of varying intensity.

This last mobility of human factors (at the macro level) implies a well-known phenomenon of a 'brain drain' or an 'experts leaving home country'. Both phenomena are consequences of a huge desire for a higher income and overall well-being. On the other hand, it brings the uncertainty caused by economic, technological, social and political development in the region (effective environment).

All these are elements that significantly affect the quality of educational outputs with negative characteristics 'clarified' by those who have left the education process, the unemployed, graduates who left the country, etc.

Actually, human capital is human characteristics that directly depend on the effectiveness of individuals and institutions. So, it is all about a human, his character, his health, physical and cognitive ability, his education and motivation for any type of activity.

Therefore, the relations are the educational effects (external educational and educational goals) which are contained in the theory of human capital. The relations are based on education as a human activity and economic development, as a part of several important components of the educational environment (efficient environment) in which the changes of the environment (efficient environments) have been evident by an acquired knowledge and behavior.

Required outcomes and educational outputs from the education system contribute to

overall social changes in the environment, so that the acquired skills and the competence enable successful action and changes in some part of the educational environment. In our case, the economic is changing. These changes in the economy, as a part of educational environment created by scientific behavior, are actually the economic effects of education. This educational and economic theory can contribute to more a quality understanding of education impact on the economic changes.

This economic, technological, social and political uncertainty becomes a part of daily live and the integral part of human life in which the individual does not feel safe in the labor market. Getting used to such a situation creates a lethargy that necessarily needs to be forestalled by well-designed programs that can be very useful both for the individual and for the environment (state).

By investing in education, we invest in human capital at all levels, from the individual level to the level of the community (state). In the beginning of this paper, we mentioned human capital and human characteristics that are directly related to the effectiveness. The health condition of humans is clarified as an important issue. It has been invested a lot in the human capital by investing in health institutions in order to ensure good health (and longer service life), strength, resilience, energy and the vitality of each individual, as Schultz (1971) stated.

Nominated questions in many ways clearly indicate the educational effects both at the micro level, as well as at the macro level. These cultural effects are defined by Weisbrod (1964) and Jašić(1975) as:

- 1 increasing the income of educated people in contrary to those with no education,
- 2 increasing the income of future generations for better education of the present generation,
- 3 ensuring an efficient mechanism for discovering and cultivating potential talent,
- 4 the fact that education is the tool that provides flexibility in the employment of work force,
- 5 creating an intellectual environment that stimulates research in science and technology,
- 6 encouraging such behavior that respects the legal norms and leads to an increase of responsibility in social activities, and both reduce demand for financing social services from tax, and
- 7 fact that education leads to the tendency of strengthening political stability by developing informed voters and competent political leadership,
- 8 leading to the emergence of "social cohesion" by performing the transfer of a common cultural heritage, and
- 9 expanding intellectual horizons of educated contribution to the increase of entrainment and leisure.

This is all about the educational effects at the micro and macro level, therefore the decision to support and make investment in education are simultaneously made at the micro and macro level. Investment expenses in education (inputs) and the expected benefits of investment in education (outputs) appear at two levels, at the level of an individual and social level.

The investment in education often has the connotation of infrastructure (investment with a strong external economy and the use of education as a public service that is a subject of the market changes). Overall effects of invested funds in education occur through its impact on

economic development of society (the state) and the development, and the welfare of an individual.

The development of the individual or the individual development planning involves the care of society, the help and support of the founder and the state according to its position in the process of providing knowledge and skills which guarantee a career progress. It provides receiving a sense of support in the workplace, encouragement and guidance. Investing in human capital necessarily implies the support and assistance to economic development in two directions:

1. Investing in human capital leads to a more educated population, therefore, it increases the number of educated and creative people who are able to develop new technological solutions and provide valuable achievements at the market, and
2. Educated population strongly affects the overall economic growth and development of basic literacy as a basic determinant of educational effects, which will ultimately enable the understanding, use and transfer of necessary information.

'Knowledge society' has been expanding. It is expected to provide a quality response to European challenges that are in the process of change and the labor market (the enlargement of EU and labor migration, the consequences of the recession, etc.). Education must be better and more efficient, whereas, the transfer of knowledge needs to be more effective (Council, 2002:161-163). In such a constellation (migration, unemployment, recession), the changes are more obvious with no guarantees for the workplace. Workers are in a constant risk of social exclusion (Beck, 2004: 147).

Investment in human capital and the changes in the educational environment

Our consideration is particularly the issue of investment in human capital including investment in education and improving the education itself. It is, therefore, all about the importance of investing at the level of the individual, institution level and the level of society (the state) and the investment in various forms of education.

Many studies and researches indicate the importance of human capital. Investment in human capital is considered to be the most dynamic and creative factor in every educational institution which might improve the ability of individuals in order to contribute to the quality in education production. It stands for the creation of modern knowledge-based economy.

An investment in educational inputs (facilities, technology) necessarily comes right after the investments in undoubtedly the most important part of educational inputs - human capital that can evolve and improve education. Development and improvement of human capital as a key element of educational inputs in the educational institution, or system, improves the quality of educational production or strengthen management and other skills. Recent studies and researches support the hypothesis that investment in education of human capital creates greater effects in educational investment than the investment in other elements of educational inputs (facilities, technology). It is very important to mention that the investment and encouragement in order to improve human resources (personnel) strengthens the motivation of the staff. What's more, the quality of human capital (excluding other values of human capital such as health issues, etc.) is determined by the quality of the educational system, the investment in education and participation in education. In order to prepare and successfully implement a long-term education strategy

at the national level it is necessarily required improving the system in order not to lag behind. The investment in human capital formation needs to be proportional to the needs of individuals, institutions and society, and the community. Boosting investment in education and human capital is a priority in all developed countries.

The quality of human capital that is used in the transformation processes in educational institutions is largely determined by the quality of the education system. It is thanks to the investment and participation in education which is related to the interrelationship between education and the labor market. That's why; we claim that the role of education in economic part of the educational environment is very important. It is well known that individuals with higher levels of education generally have better paid jobs, a higher activity, longer working life, easier employment. The employment services significantly record a smaller number of these workers than those who have completed less education. Investing in human capital or in education as the part of its capital creates other intangible effects such as the ability to access to information much easier, the ability to participate in social life, more responsible behavior in society, the democratic choice of government, the law, etc.

Conclusion

From the above mentioned, there is a statement that human capital is the biggest capital of institutions. Therefore, the investments in its development are a priority. Acquired knowledge together with its application strengthens the institution and makes it more competitive in the labor market. Investing in human capital encourages qualitative changes in all aspects of the educational environment, especially those in the field of economics (the problem of poverty, unemployment, etc.).

The impact of investment in human capital achieves the most visible changes in the field of economics (economic growth) as one of the major aspects of a social return on investment in human capital. In the field of economic development (and social development), education has a significant role. The link between increased levels of education and economic development is more visible in developed countries than in the countries in transition. The clarification of economic growth in terms of the quality of education is more important than the quantity of education in developed countries as well as in developing countries. The problems of unemployment and poverty are particularly visible in countries in transition (such as Bosnia and Herzegovina). Therefore, the increase in investment in human capital is required. When it comes to investing in human capital, it generally refers to the basic determinant of human capital theory which requires the return on investment in human capital at the level of the individual, institution level and the level of society (state).

The last level is particularly our concern. Therefore, the return on investment in human capital, which is manifested at the level of society (state), or as a part of educational environments (education), plays a significant role.

Most visible changes of investment in human capital are achieved in the field of economics as the main social aspect. Education stands for the top priority in all economic policies. Meanwhile, positive outcomes for the unemployed, the poor and the excluded are expected. Education, as the main priority of economic policy, is supported by the Europe (European Employment Strategy) encouraging investment in human capital and lifelong learning (learning society, knowledge society). Investing in education at first seems to

support knowledge in terms of achieving the expected results that are visible in the increased production of education (number of graduates).

Human capital theory, no matter how clearly is formulated implies important following issues:

- a. human capital measurement, and
- b. measurement of the return on investment in human capital.

a) When it comes to the human capital measuring, we can observe the two methods of measurement. The first method of measuring human capital takes into account the results of achieved population's educational level. These educational achievements are observed through a formal education (average schooling), and the educational structure of the working population.

Since human capital unquestionably includes the knowledge, abilities and skills acquired through informal and experiential learning (whereas knowledge about them is rarely available), it incompletes the total quality of measuring methods of the results of the achieved population's education level.

The issue of measuring the quality of education and its impact at the level of human capital is a matter of measuring educational achievement, which is achieved by international measuring principles (PISA, TIMSS).

b) The issue of measuring the return on investment in human capital simply provides opportunities for multiple measurements. Measuring return on investment in human capital is applicable at the level of:

- Individual
- Institutions and
- Society (state).

Our concern includes particularly important measurement of return on investment in human capital by the company (the state). It might be recognized through all the subsidies for education, through other support (income taxes) that are not taken into the consideration by individuals who measure the return to education.

Return on investment can be measured from the microeconomic point of view (the increasing years of education affects productivity and earnings of the individual), and on the other, it can be measured at the macro level (a rise in education impacts the level of GDP and productivity).

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