

IMPACT OF INVESTMENT IN HUMAN CAPITAL AND RISKS ARISING FROM THESE

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Abstract:

This paper aims to examine the importance of investment in human capital in Romania and the European Union in order to establish the main developments in this regard to consider the risks that we take when we invest in people who are the future of human society.

Education is the starting point of investment in human capital formation, which is considered the part of the wealth of any nation. This is the main argument to consider that labor resources are based on theories of economic growth and development of any management policy models of labor markets.

Key words: *labor market, employment, investment, human resources, development.*

JEL classification: *J01, J08, J18.*

Introduction

At global level, the role of the intellectual labor, which means that the resource assessment work will take account of increasingly more necessary skill level, such as:

- ✓ level of training,
- ✓ skill level,
- ✓ experience,
- ✓ ability labor.

To differentiate between "human capital" and "intellectual capital" we should take into mind that the latter is the sum of human capital and structural capital, according to Edvinsson and Malone (Edvinsson, Malone, 1997), which considered that this refers to the experience of intellectual capital applied to the organizational to organizational technology, customer relationships and professional skills that give the company competitive advantage in the market. Intellectual capital is the source of wealth for individuals and for organizations.¹

Economic studies conducted to date, highlighting the expansion of scientific and technical knowledge contribution to labor productivity growth. If we think of Japan's remarkable results obtained in the postwar period, Salrero Okito, one of the creators of "miracle" Japanese appreciate that one of the reasons for the rapid development of his country was "an abundance of cheap labor, good quality and Education able to cope with sophisticated technologies. "In fact, employment, education and education have been priorities of Japanese society.

Therefore, as Romania go forward in developing this new economy, it is obvious that it is particularly necessary skilled workforce able to make optimal use of new technologies, and flexible, adapting easily to new situations. For this training in computer science have become very common in companies, according to statistics. Because in this ever-changing economic environment the emphasis is on applying ideas and innovation, only companies that will have the ability to adapt to new concepts and technologies will survive in the information society. The training is required of managers and staff, implementation of successful economic practices, policies to encourage economic activity and privatization of state firms that can not withstand the market. But to do so requires investment in human capital, and unfortunately our country can not boast about them.

The analysis of the Human Development Report follows that Romania is among the lowest budgetary allocations for education between the European Union member states. At the same time, the budget for research and development is insignificant and therefore, Romania has an estimated 900 researchers / million inhabitants while Sweden has six times as many people working in the field of research and development, and Iceland eight-fold. What is worse, is that of local officials for more than half do not have a university degree and the number of students reported to the population of Romania is very low compared to other European Union

¹ Andreea - Monica Predonu, "The Necessity of a Qualified Workforce", Magazine "Knowledge Horizons" nr.1-2/2012, vol IV, ProUniversitaria Publishing House, Bucharest, pp. 117-120.

member states. Therefore, our country has the lowest education indicators in Europe.

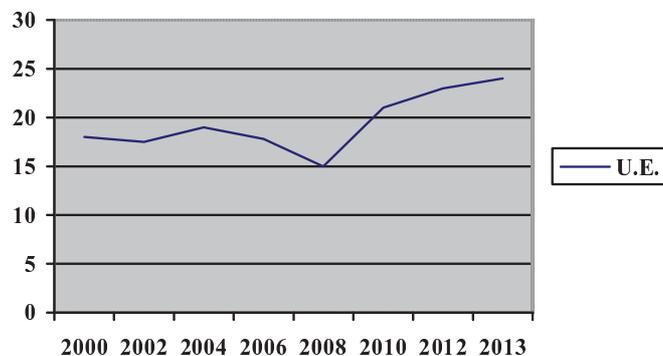
The concept of risk can be defined: "The risk is often associated with negative outcomes, although there is the possibility of positive consequences, people usually associate with the risk of losing".¹

An important role in avoiding the risk that young people in the Member States of the European Union to become a "lost generation", they have specific programs of education and training, including internships and training programs of high quality in the framework of the European Union "European Youth Guarantee".

NEET represents young people who are not in employment or education or training. In the European Union people NEET are considered one of the most problematic categories in the context of youth unemployment². Therefore, the future of Europe depends on 94 million young Europeans who are aged between 15 and 29 years. If they do not invest in these young people, the risk of unemployment among young people grow increasingly more. In figure. 1 shows the rate of youth unemployment in the EU, namely in the 28 Member States.

As we know, the European Union (EU-28) has 28 Member States from 1 July 2013, when integrated Croatia.

Picture no. 1 - Youth unemployment rates from EU-28, January 2000 - July 2013



Source: *Youth unemployment rates, EU-28 and EA-17, seasonally adjusted, January 2000 - July 2013.png*

¹ Ana-Maria Dinu, Ovidiu Rujan, "Technique foreign trade operations" ProUniversitaria Publishing House, Bucharest, 2013;

² <http://www.eurofound.europa.eu/pubdocs/2012/541/ro/1/EF12541RO.pdf>

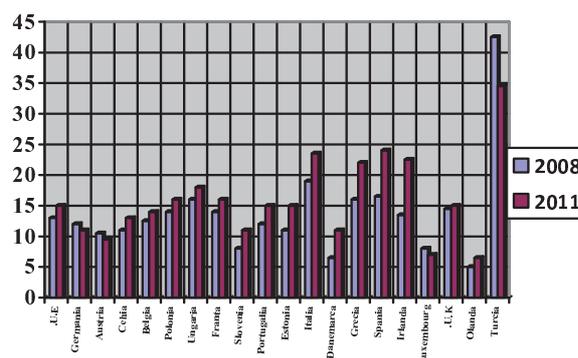
First, in Fig. 1 we can see that the unemployment rate among young people is increasing since the economic crisis hit us. How Ms. Cristina Bălăceanu said in his book "*Sequential approach of the Romanian economy before and after accession*", economic crisis is the turning point in the economic cycle when the expansion phase gives way to depression.¹

But at the same time, the euro zone was maintained during this period of time a youth unemployment rate lower than the EU average, until 2012, when the rate of youth unemployment in the EU has been superseded by the Eurozone. Hence, the euro area has greater stability. All of this figure shows that the best time with a youth unemployment rate the lowest was in the years 2007 and 2008.

It is therefore very important to make investments in human resources to increase productivity and decrease unemployment, especially of youth. European Union Member States have a high rate of young people involved in professional programs. In 2011, this percentage was over 70% in Austria, Belgium, Czech Republic, Finland and the Slovak Republic. But most have not had more than 40% of students in such programs are: Estonia, Ireland, Greece, Hungary, Portugal and the United Kingdom.

Commission directs Member States to maximize the benefits of learning through training at work to facilitate the transition of young people from school to work. However, there are still many young people who are not in employment or education or training. In figure. 2 summarizes these young people and how their number has evolved during the years 2008-2011.

Picture no. 2 - Young people who are not in employment education or training (2008 and 2011)



¹ Cristina Balaceanu "*Sequential approach of the Romanian economy before and after accession*" University Publishing House, Bucharest, 2010, p.182

Sursa: http://ec.europa.eu/romania/news/25062013_investitii_educatie_ro.htm

Figure 2 shows that the European Union remains on average, that is not a special case in this area, such as, for example Turkey, with most young people who are not in employment education or training.

Therefore, we must realize that approximately 15% of young people aged between 15 and 29 years, the European Union, not in employment nor in education or training. But in Greece, Ireland, Italy and Spain, over 20% of young people were in this situation a few years ago. EU statistics show that the situation has worsened in 2012 for Greece, Italy and Spain.

For this reason, the European Union has agreed to launch annual report "An Overview of Education 2013," the Organization for Economic Cooperation and Development (OECD), which examines the education systems in 34 OECD countries, including 21 European Union Member States and Argentina, Brazil, China, India, Indonesia, Russia, Saudi Arabia and South Africa. This report looks at the problems facing European education and EU Member States need to address working together and realizing the importance of policies aimed at modernizing education and provide greater opportunities for young people to study or following the training abroad.

Equally important are unemployed diversion programs to reduce their numbers and contribute to higher living standards. Also considered a target for developing countries aspiring to flexicurity labor market, and the rapid economic growth and joins global knowledge-based economy, encouraging the development of services sector is a key factor for national competitiveness. Expansion and diversity of services will be one of the main drivers of flexicurity labor market. Also in this area will occur and rapid changes, that a service will create another service and jobs will follow. Specialty practice has shown that the dynamics of new jobs created in the service sector surpasses that of a job loss due to the introduction of new technologies. This is intended to Romania promoted through employment policy (eg the Internet, which at first was intended only as an information-communication channel has expanded in the sale, purchase, auctions, more than that, many activities took mail, telephone and not the television). With regard to unemployment, they will have a positive future outlook.

The workplace of the future in the field of administrative and services will be integrated with the computer, covering phones and videophones connected to a smart grid. These terminals will process a quantity of information than ever before and will provide substantial support

to those who work with such information. Services will be decisive in terms of employment in the future, as there is a major difference between the conveyor belt work or work carried out in a mine and a service activity, labor policies could benefit again fully exploiting this situation, the potential flexicurity. For example, one of the most popular places to be a specialist in online marketing.

But it is normal that these services require a certain level of education and training continues throughout life in all areas of activity, which requires adaptation and adjustment in the smallest details of the education system. However, from the perspective of economic development there are many reasons for developing economies to promote services. Since the expansion of this sector helps create national wealth, there is a direct link between high levels of GDP / capita and the intensity of services in an economy, especially due to the delay in the sector, which exceeds that of agriculture or industry. Moreover, in economies that put great importance on service people tend to "climb" up the social ladder in a much faster pace. Countries like Romania, which has great resources for professional and scientific workforce, have much to gain by developing this industry services.

A very important role in this context has the financial support of training and human capital accumulation does not only expenditures on education, but also training of the workforce. It has a much broader scope because it includes:

- a government spending on public goods supply,
- a population health,
- a public order and national defense,
- social protection,
- an environment,
- a pollution control etc.

Meanwhile, James Canton, says in his book "*Future Challenges. The main trends that will reshape the world in the next 5, 10, 20 years* ": In the absence of changes in education, more and more companies will turn to outsourcing to other countries to find talents endowed with the desired skills, thereby increasing unemployment in the United USA.¹

So, since providing public goods is dependent on the state budget and the income thereof, taxation, that, according to income tax rates, goods

¹ James Canton, "*The challenges of the future. The main trends that will reshape the world in the next 5, 10, 20 years* ", Polirom, Science, 2010, pp. 118

and properties depends, ultimately, the size of resources distributed public funds for investment in human capital. This involves drawing a dividing line between empirical models of economic growth and employment work, promoted by the International Monetary Fund and the World Bank, which recommends practicing austerity budgets in public areas unproductive and other reference models, which recommends increasing government spending for training and human capital accumulation.

In addition to this demarcation, empirical studies on investment in human capital applied in certain states with a high population rate, such as Argentina, Brazil, India, and more recently in Central and Eastern Europe, shows that the expenditure is likely to which are sensitive compared to results obtained for the following reasons:

- reduced value of investments in human capital trained incumbent on a person threatens to cause frustration rather than positive spillover effects on the labor market;
- an increased tax socio-economic environments in which most of the population has a low standard of living and business environments where productivity is low, likely to inhibit the accumulation and investment of profits;
- orientation of investing in human capital and education are likely to generate a structural imbalance in the balance between quality of human capital accumulation, especially in the short term, creating new distortions on the labor market, involving new expenditures of labor retraining thing.

However, we must bear in mind that investment in human capital and education is a multiplier for the cost of training and education. In this regard, analytical studies undertaken in different economic areas shows that applying input-output method, the rising cost of labor input is unable to drive a similar increase in output value or a change in its structural composition that justify increased investment effort.

At the same time, there are some effects of aggregation vicious on investment in education, training and retraining of the workforce. The diplomas, certificates and professional certificates as the main instrument of accession on the labor market and employment of senior and better paid, demand for diplomas, certificates and professional certificates is growing. Therefore, in these conditions, a phenomenon depreciation of graduation diplomas, which propagates from lower levels to higher education system,

and the same social status are asked to fill a need, over time, individual costs social and increasingly larger.

Fruits investment in human capital are collected medium and long term in all states competing for progress and prosperity, but especially new countries joined the European Union, which is one of the problems in the field. Therefore, investment in human capital, ie education, training and health concerns:

- training and training-scientific human resources available,
- HR adaptation to structural change of the economy imposed by scientific and technical progress on the basis of efficiency.

Also, due to the current economic crisis, the job market remains tense. For these reasons, governments pay particular attention retraining and retraining of the workforce.

Conclusions

Human capital in Romania and the European Union in this field indicates that exit a subinvestiție and its effects on the economic performance of the labor force will be felt more than ever, the productivity of labor resources.

In our country, there is cheap labor, so less productive, although there are competitive employees, but their number is small compared to cheap labor. An example is the export of labor to European Union member states.

In conclusion, the Romanian workforce lacks competitive mentality, flexibility and adaptability to changing conditions of the economic system which justifies the difficulty that many Romanian accept new jobs. For this reason we have this unemployment.

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