

# THE ECONOMIC STREAMLINING OF INVESTMENTS IN HUMAN RESOURCES

## DJELOTVORNJIJE ULAGANJE U LJUDSKE POTENCIJALE

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**Abstract:** *The striking manifestation of the knowledge revolution and many mutations produced in the world economy have led policymakers, especially within the most developed countries, to address these realities in a forward looking and pragmatic vision ensuring the transition to the new economy. Therefore it was found mandatory to bring into the fore front the need of investments into human resources enlargement. Taking into consideration the labor productivity and life quality empowerment is necessary to align, globally speaking, the strategies of investing into human capital education and health. Promoting the new economy based on spin-offs design, the financial aid must support the intellectual capital progress.*

**Keywords:** *economic streamlining, development, investments, human capital, strategy, economic advantage*

**Sažetak:** *Iznenadujuća revolucija znanja i mnoge promjene u gospodarstvu dovele su do toga da političari posebice u najrazvijenijim zemljama predvide i osiguraju tranziciju u novu ekonomiju. Stoga je postalo neophodno osigurati ulaganja u ljudske potencijale. Uzevši u obzir produktivnost rada i kvalitetu života, globalno gledano neophodno je osnažiti strategije ulaganja u ljudski kapital, obrazovanje i zdravlje. U promoviranju nove ekonomije financijska pomoć je neophodna kako bi se osigurao napredak intelektualnog kapitala.*

**Ključne riječi:** *gospodarska djelatnost, razvoj, ulaganja, ljudski kapital*



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## 1. Introduction

The evolution of the argument that investment in human factor is, above all, a complex social and individual phenomenon, which ensures its interaction with different levels of essential economic structures, that is enrolling on a permanent upward trend evolution. From this point of view, a fundamental function of the investment in intellectual capital is to select and provide valuable social experience for the assimilation of individual integration within the broader economic structures. Moreover, the effects of globalization on world economic life sets the guidelines for promoting the dimensioning of investments in human factor, under the aegis of continuous adapting to the new economy.

On by the fact that only networking human inter-communication generates the economic system development. taking on many dimensions, the investment into intellectual capital can provide the complex relationships between the micro, macro and mondo-economic level [1]. Therefore we are highlighting the intellectual capital role as a strategic resource for the new and complex economy.

Therefore, the amplification and diversification of international economic relations after the end of World War II has allowed, in particular, to the most developed capitalist countries to achieve significant economic expansion, investing heavily in education and health and in promoting human capital as a fundamental pillar for management reform and redesign. Thus, the attention should be focused on the economic efficiency of investments into human resources.

## 2. Quantifying human capital investment streamlining

The investment in human resource quantitative analysis reveals that Romanian economy, investment in education is not a priority. While analyzing the evolution of the 2002-2007 period, it was brought to the fore an increase in the share of investment in education from 0.84% of total 27173.5 RON level of 2002 to 1.24% of total 98417.7 RON 2007 level, even though the involvement in economic development of education is included at the end of the list of investments next to the investments in health, so life quality is thought not to be needing any reinforcements. The economic dimension of investment into human capital can project the creation of a conducive environment for labor productivity dimensioning, using a responsible and skilled human capital through the work processes. Therefore using the essence of:

$$\boxed{I_w > I_{FS}} \quad (1) \quad \text{si} \quad \boxed{\frac{W_1}{W_0} > \frac{F_{s1}}{F_{s0}}} \quad (2)$$

Where:  $I_w$  - index of labor productivity growth,  $I_{FS}$  - index of wage growth,  $W_1$  - labor productivity in the current period,  $W_0$  - labor productivity in the base period,  $F_{s1}$  - current payroll period;  $F_{s0}$  - payroll the base period [6].

Of course, taken into consideration this and the aspects analyzed above, is found to be needed the enforcement of human capital investment having in fore front the correlation between labor productivity growth index and growth index fund salaries, as the first needs to overtake the second in a context of investment maximum efficiency. Therefore the human resource, although a strategic resource that can ensure economic progress, is not recognized as the fundamental pillar of the economy. As we can see below, the investments direction:

Million lei -current prices-

Net investments, national economy activities	Year					
	2002	2003	2004	2005	2006	2007
Total, of which:	27173,5	35651,2	44869,9	54566,0	72891,0	98417,7
Agriculture	3167,9	2093,7	2468,1	2122,3	3843,6	3312,6
Industry	10463,4	13394,0	17992,4	17702,5	23728,0	27229,9
Construction	1774,3	3423,9	4154,7	7919,4	10943,7	23978,6
Trade	3023,1	4901,8	6180,6	7336,7	10001,5	12816,0
Hotels and restaurants	331,5	481,5	750,4	936,6	1249,2	1600,9
Transport and communications	3713,4	4397,4	5462,0	5208,3	8686,5	11317,0
Financial intermediations	1058,5	1678,6	1665,0	1414,3	1677,4	2011,1
Public administration	882,0	4534,3	1168,3	1638,8	1516,3	3940,1
Education	229,9	1230,2	196,3	184,7	174,3	960,6
Health	252,2	1156,6	286,7	326,7	1130,8	458,6
Other activities	2277,3	9563,0	3642,6	4297,2	8841,4	7068,1

Table 1. Net investments, national economy activities 2002-2007[2].

Moreover, globally, in terms of public spending on education, Romania shows only a 4.2% share of gross domestic product, while in Denmark for example they provide education a share of 8.3%, Sweden a share of 7.2%, Germany was also more cautious in terms of public expenditure for education by allocating only a 4.6% share of total GDP.

This quantitative analysis reveals that both investment and public expenditure evolution of human resource reservation is, overall, still low.

-percentage %-

Public expenditure for education, % in Gross National Income						
Romania	Sweden	Denmark	Germany	United Kingdom	Slovenia	France
4.2	7.2	8.3	4.6	5.5	6.0	5.7

Table 2. Public expenditure for education, in 2006/2007[3].

### **3. Strengthening endogenous and exogenous variables influence over the economic efficiency of investments in human capital**

The main factors influencing the efficiency of commercial enterprises are: the volume of goods sales or volume of trading, the size of trade margins charged by commercial enterprises, the size of commercial pricing, spending that movement, human resources, financial and material used in trade ; structure of groups of goods outlets, labor productivity, the forms of movement of goods, technical progress, movement speed, level and enterprise level management of business units, business staff incentives, forms of pay prevailing in trade; degree use of labor utilization of technical-material base, utilization of financial resources, level of organization of sales of goods, commercial technologies used, the training of commercial workers, the structure optimization staff [4]. It is therefore apparent that endogenous and exogenous variables row are interconnected and interdependent, the central pillar being represented by the supreme factor: the intellectual capital [5].

Thus, targeting economic investment to human resources is not an end in itself but a means to respond to increasingly large and frequent changes in the environment, restrictions, requirements and opportunities of contemporary economic context.

Dimensioning to support economic investment in human capital mention that the main rational ways to increase economic efficiency of commercial enterprises in the current economic and financial crisis characterized by mondo-economic level, will be embodied in:

- Extended the transfer of know-how resulted in the academic spin-offs design;
- Increasing efficiency and productivity of production factors of human, material and financial;
- Intensive use of existing technical and material education resources;
- Development, modernization and upgrading the technical and economic of education materials;
- Development, improvement and optimization methods and use of intellectual capital.

From this innovative perspective, the economic efficiency of investments in intellectual capital could have a direct influence on society by improving quality of life, education and promoting socio-economic values.

#### 4. Conclusion

Analyzing the economic efficiency dimensioning of investment in human resources need, it was, therefore revealed the promotion of final decisions sustaining the implementation of financial projects aimed at modernization and industrialization on the basis of:

- Utilization of labor (human resources);
- Utilization of technical and material;
- Utilization of funds;
- The companies' management capacity.

Forwarding the intellectual capital investments algorithm it is requires, besides the force field analysis that influence the final decisions, the impact analysis of variables that are in direct dependence with the economic progress. Therefore, the economic analysis will highlight the fact that the sizing efficiency of economic investment in human resources at mondo-economic level will only bring economic and social benefits. The interdependence between economic growth and human capital quality, determined the implementation of policies that support the return of "brains" in the country of origin, while ensuring the favorable conditions for their development in the workplace, in the purpose of promoting the maintenance and improvement of life quality for them. Therefore, respecting also the economic correlation equations, the investments into intellectual capital have to be enlarged under the aegis of obtaining maximum labor productivity and maximum competitiveness.

#### 5. References

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