THE ROLE OF HUMAN CAPITAL IN THE KNOWLEDGE SOCIETY

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Abstract: *Economic development depends on the ability of nations to understand, interpret, select, adapt, use, transmit, diffuse, produce and market scientific information and technological knowledge in line with national culture and development goals. The main factors that the impact depends on are: status and level of education; requesting information from the private sector; public policy to orient the institutional structure of the state towards competence; quality and development state of functional market mechanisms in order to enable information to be manifested as a production factor by incorporating in products and their marketing.*

The need for individuals to use information technology becomes an active requirement for their professional education by affecting financially, intellectually and psychologically, requiring them to have additional qualities that can only be acquired on the basis of their expenditure (private expenditure on education) or from the collectivities (public expenditure directed towards education). The ability to use information technology is an intrinsic requirement for every job, the way individuals are educated for both existing jobs and new jobs must be adapted.

Keywords: human capital, the knowledge society

The knowledge society assumes the use and efficient exploitation of all types of knowledge in all kinds of economic activities. This can not take place without a major transformation in the human capital, the way of education and development at society level.

Both the concept of the knowledge society and the human capital know a multitude of approaches, which require an examination of the main theories.

In his book "The Age of Discontinuity" in 1968, P. Druker introduced for the first time this concept of the knowledge society, and in literature we find it used alternatively and as the digital society or the knowledge economy. Noteworthy is that a number of different terms are used in the literature but they suggest a conceptual similarity. Thus, in 2003, the World Bank considered that "Knowledge Economy refers primarily to the use of ideas at the expense of physical abilities and the application of technologies to the detriment of raw material transformation or cheap labor exploitation. It is an economy in which knowledge is created, acquired, transmitted and used more efficiently by individuals, businesses, organizations and communities to promote economic and social development. A. Schleicher, 2006, considers that the modern knowledge economy reflects a broad transition from the land, labor and capital economy to the one where the main components of production are information and knowledge. Lundvall (2006) defines the current society as a learning society, that is, the society in which the ability to acquire new skills is essential for individual success.

It can be argued that the industrial revolution has led to a strong increase in the use of knowledge in practical activities thus laying the foundations for structural and qualitative changes in the world's economies and boosting competition between countries and changing

some competitive advantages. Globalization and the implementation of the knowledge society have led to the strengthening of the role of human capital in the economic development of countries and regions, increased exports and competitiveness.

A major challenge to the knowledge society is the ability to measure by means of specific indicators the level reached by a country on the road to building the knowledge society. The first measurement trials date back to 1996 in the OECD when the first set of four pillar indicators was developed in 2001 and later expanded to five pillars: a stable economic environment open to efficient market functioning; ICT, innovation and technological diffusion; human capital; entrepreneurship and business creation.

In terms of defining human capital, literature also offers a multitude of definitions. It is regarded as the set of knowledge, qualifications, skills and other qualities that contribute to the production (Good, 1959). In the article "Investing in human capital," Th.W.Schultz believes that the result of investing in human capital through education and training is much greater than investing in physical capital: "consider all human abilities as native or acquired. Attributes ... which are valuable and can be developed by proper investment are called human capital. By investing in themselves, people broaden their range of options."[2] From Schultz's perspective (1979), it is the sum of the entrepreneurial skills that are valuable and rare to be amplified through education, training and experience, and in Mincer 1981's approach, human capital is viewed from the perspective of purchasing capacity either through formal or informal education at school and at home, through training, experience and labor mobility.

It can be seen that in the center of the human capital theories there is the idea of investment in education seen as a way to increase human capital and labor productivity. According to human capital theory, the increase in knowledge or human capital increases productivity in the market sector of the economy where money is produced and in the non-market sector where goods are recorded as a function of utility. To realize the productivity potential, the individual should be encouraged to invest in formal education as well as in training for work. The most important motivation to invest in education is related to the accumulation of a stock of human capital, materialized in knowledge and skills, leading to an increase in productivity and implicitly the potential gains the individual hopes to achieve (expressed in monetary and non-monetary terms).

Economic studies of investment in education have highlighted a *generally* positive correlation between human capital stock / education and the level of economic development.

The notion of human capital and investment in education has had a strong influence on analyzes of labor markets, wage formation and other economic themes such as economic growth, health spending, or migration studies. Given that investment in education contributes to the formation of individuals' earning capacity and thereby increases the income they earn over their lives, it is accepted that they also represent investment in human capital[3].

The analysis by PE Petrakis and D. Stamatakis in "Growth and educational levels: a comparative analysis"[4] shows that economies with a significant human capital have a higher

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[2] Th.W.Schultz –Reflection on Investment in Man, The Journal of political Economy, Vol.70, No.5, Part 2

[3]Woodhall, M. (1997), "Human capital concepts", în Halsey, A.H., Lauder, H., Brown, P., Wells, A. (eds.), *Education: Culture, Economy, Society*, Oxford University Press

[4]P.EPetrakis, D. Stamatakis , Growth and educational levels: a comparative analysis, Economics of Education Review 21 (2002)

growth rate, and the 2000 US Global Education Database (GED) indicates a positive correlation between the level of economic development (using as an indicator: gross national product per capita) and the level of education (using as an indicator: the enrollment rate in the secondary and tertiary cycles of the population of school age, the school age being defined according to the legislation internal). World Bank[5] in 2002 also highlights that education and investment in training are some of the strongest known tools through which poverty and inequality can be reduced to lay the foundations for sustainable development, sound governance and effective institutions.

In order for the effects of education on the development of human capital and economic development to be positive, certain criteria should be met, namely:

• Both the quality and the quantity of education measured in years of study, the percentage of GDP allocated to education, the results obtained, the school attendance rate, the school performance to be high and the educational offer to correspond to the present and future requirements of the labor market;

• there is a stable socio-economic and political environment as well as an accelerated economic growth;

• Differences between individual earnings, salaries must correspond to the level of education of the individual.

Work training differs from one individual to another, from one stage to another, and is directly related to the short, medium, or long-term production strategies of various economic agents. In this respect, the European Commission has developed a European framework of professional qualifications and lifelong learning for a better correlation of education and training with the needs of the labor market.

However, the polarization effect due to the risk of insufficient number of jobs offered for certain sectors of activity, the risk caused by a structural imbalance between the needs of the economy and the outcomes of the educational system, can not be overlooked. Robert B. Reich (1997) develops the idea of polarization[6], where *"the rich become richer, and the poorer and poorer."* His analysis shows that low-skilled workers fall within a relatively satisfactory degree of security, because in a globalized market, they are strongly compelled by cheap labor from underdeveloped countries. Neither from the point of view of the highly qualified worker, one can not speak of a high degree of security as most trades are disqualified because the old occupational categories have to be redefined according to the new technologies but also because of the inability to cope with requalification upon request .

In order to identify educational inconsistencies emerging on the labor market (skills shortage and inconsistency of qualifications), a solution should be found for the quick adaptation of the education and training system to labor market transformations in each country by investigating employer's views on the relationship between the performance of the educational system training and labor market requirements. It is possible to analyze the different categories of imbalances / inconsistencies that arise between the level or type of education /

[5]World Bank, 2002, *Achieving Education for All bz 2015: Simulation Result for 47 Low-Income Countries*, Washinton, D.C: World Bank http://www.worldbank.org/education/pdf/EducationBrochure.pdf - Hannum şi Buchmann, 2003, p. 1)

[6] Robert B. Reich, Education and the next economy, 1988

training of persons and the specific job requirements and assessed their impact on the efficient functioning of the labor market.

One of the most complex problems in the analysis of economic activity is represented by the competitiveness theme, which has been caused by the increase during the last decades of competition at local and global level. At the same time, the world economy is deeply marked by the phenomenon of internationalization of business, increasing interdependence between states, economic integration at regional, European or even world level. It is natural that developed economies have high research capabilities and competitive strategies are based on innovations that enable specialization in high added value products and services.

A number of international bodies focus their efforts for measuring and identifying indicators that highlight the state of development of countries from the perspective of competitiveness, human capital and the knowledge society. Noteworthy is that measurement indicators, regardless of how they are aggregated, have overlapping areas, which leads to the idea of links, at least in terms of indicators and factors influencing the development of the knowledge society, human capital and competitiveness .

Conclusions

In general, human capital studies have shown that countries that invest more in human capital (education, research, health) are those with the most significant economic performance. The most eloquent is the economic boom in the second half of the last century in some Southeast Asian states, namely South Korea, Hong Kong, Singapore, Taiwan, which massively invested in education. We can therefore say that long-term economic development cannot be conceived without a solid investment in human resources, thus emphasizing the crucial importance of human capital.

Implementing information technology-specific elements means increasing the capacity to achieve and drive a competitive market. In an information-based economic system as an active presence, economic agents can capture and analyze complex, complete and real-time information, so they have free access to the market; those who participate in a business are chosen on the basis of their competence, unnecessary transaction costs are cut, the bureaucratic phenomenon will no longer be obscure, limiting to the strict necessity, the bureaucratic act becomes simple, thus it will be natural and transparent; not the complexity of the operations involved by a business is contrary to the individual manager's reasoning requirements but a synoptic graph of their deployment with multiple returns and intersections which makes the act of communication extremely difficult.

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