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Human well-being and educational investment efficiency

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Abstract

Society's attitude to investments in human beings changed due to the ideas contained in the theory of human capital. Nowadays it is proved – these investments provide a production effect, the benefits for the individual and the benefits to the government. We can say that investments in the education today become tomorrow a competitive advantage. Therefore the well-being and sustainable economic development of nations depend on the human capital. That is why the paper considers human well-being and its key factors, the relationship between the human well-being and human capital, and criteria for estimation of investment efficiency in education. The quantitative analysis was carried out using dependencies between education and wages, graduates' wages and their profession, education and unemployment. Non-monetary income from educational investments is shown in this paper. A conclusion is made about the benefits from educational investments and their impact on human well-being. It is proposed to pursue a special policy in the field of development of human resources and investments in the human capital.

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1. Introduction

Well-being is a provision of a minimal level of prosperity for citizens (social group, family, and person) including material, social, and nonmaterial benefits. Human well-being is characterized by a number of determinants among which the level of productive force development and economic relations play a central role. The higher productive forces the higher the population well-being. Productive forces are determined by a combination of physical and human capital i.e. means of labor and human labor power. The latter includes production experience, knowledge, and labor skills that drive physical capital. Thus, human capital is the principal part of productive forces of society.

The socio-economic development of society in the early part of the new century is characterized by the increasingly larger role of the human factor. Nowadays, the human capital is regarded in a new fashion: it determines a raise of the competitive capacity of the country and provides the well-being of its citizens. In this connection, investments in human capital are the integral part of the successful economic development. Thus, for example, in the USA the human capital investments amount to over 15 % of the gross domestic product that exceeds gross private domestic investments in fixed-capital assets (Bazarov, T.Yu., 2011).

In Russia, the achievement of a sustainable economic development, the human well-being, and modernization of economy is impossible without improvement of the entire education system involving people of all ages and walks of life who have different abilities and varied backgrounds. As a result of development of the market economy, the demand for tertiary education in Russia has become considerably active.

It is obvious that in terms of ever-lasting demand for high quality education, the previous methods of financing are unable to provide the high level of large-scale specialist training. In this context, the education system faces the problem of creating new methods of financing that could provide the expanding production of specialists with high professional standards taking into account the prudent management and redeployment reduction of the economy's

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resources. In fact, it means to deny a full budgetary financing of higher vocational education and transfer to its investment by consumers. However, the possibility for tertiary education in Russia to develop in terms of increasing private expenses is rather equivocal and requires the assessment of its efficiency.

2. Body of Research

Such criteria as wages, employment, and living standard allow the assessment of educational investment efficiency. Let us consider them below.

Worker's wage is one of the most important criteria of assessment of educational investments. Higher level of education, greater the ability of people who will adopt new information, acquire new skills, and adapt to new technologies (Bartel, A.P., & Lichtenberg Frank, R., 1991). Labor efficiency of people having a higher level of education increases, so the wages would increase also. Thus, the level of education directly depends on the wages. Figure 1 presents the diagram of this dependence, reported by the United States Census Bureau.

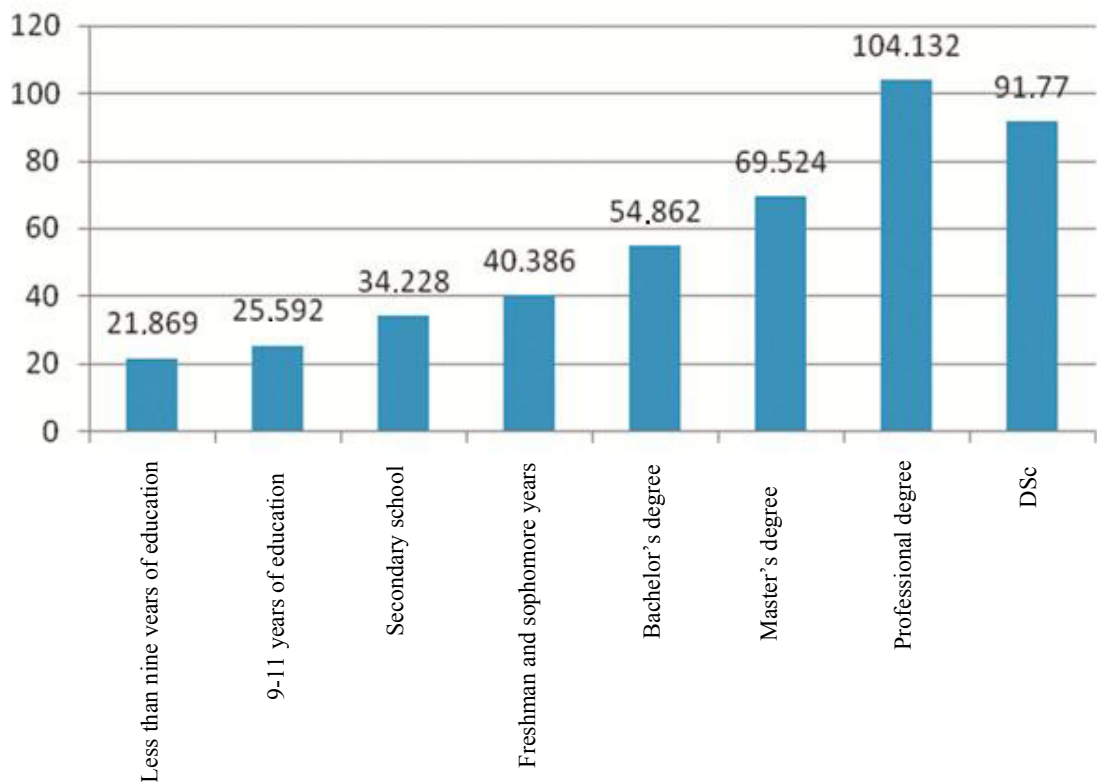


Fig. 1. Dependence between wages (USD) and level of education (USA, 2009), adapted from (U.S. Census Bureau, 2010)

According to D. Nesterova and K. Sabir'yanova (Nesterova, D., & Sabiryanova, K., 1998) who in the 80s and early 90s studied the efficiency of investments in the human capital, those investments in education yielded weak benefits both for secondary and tertiary education, namely: 2.3 % and 5 % respectively. In the authors' opinion, it is comparable to 3 % annual interest rate of that time period, and hence, stays at a reasonably low level.

If benefits from educational investments are considered as a duration process, the share of income and expenditure on education at a certain period of time shows a higher yield of investments made in a higher level of education. The demand from companies for highly skilled specialists is observed to be growing.

Figure 1 contains a plot of the time-dependent wage increase for workers with tertiary education as compared to those with lower levels of education. Although wage increase is observed for all employees, the difference between wages of university graduates and secondary school leavers is obvious, so that the efficiency of investments in tertiary education is confirmed again.

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