

Role of human capital in economic growth in georgia



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Summary

The role of human capital in economic growth inclusive

The paper describes the current poor state of the economy Georgia, is justified in the circumstances outlined in his speech, and the necessity of realizing the objective of inclusive economic growth, the role of human capital.

It is emphasized that inclusive economic growth implies, on the one hand, the involvement of the general population, economic wealth and growth process, on the other hand, economic growth brought on by the use of the good of all citizens. Inclusive growth, employment and income generation to feel the goodness of people, and not by the state economically stronger and then they increase social assistance.

Argumentative, that inclusive growth – one of the main conditions for the development of human capital. That's why Georgia should be invested in developing human capital. Personally competitive people without kokurentunariani firms, while firms in the competitive category – international competitive state. The author's proposed classification of reproduction of human capital.

Keywords: human capital, Inclusive economic growth, competitive

Foregoing labour's goal is to characteristic Georgia's disadvantageous condition in economics, substantiate the inclusive economical growth's objective need and silhouette human capitals role in its realization.

What is the condition of Georgian economic security by general indicators?

Real GDP on each soul in a well-appointed country must contain minimum 5000-12000 US dollars. But in Georgia index is equal to 3596 US dollars.

That's why it is on 115 place worldwide. Unemployment rate must be 5-6%, but in Georgia it's 16%. Investments Share in GDP must be 25%, when it is 5-10%. It means Georgian economic is in a user type. It is used 90-95% of GDP, but on investments goes only 5-10%. There is a Georgian saying: "The one who prefers today's egg to tomorrow's hen, tomorrow will eat less egg and less hen". Living wage in Georgia is 37%, when it mustn't exceed 10%. Foreign trading helps economic to grow only then when import and export are balanced. But in Georgia import exceeds export by 3. 5. Usually in market basket native production must prevail, but in Georgia imported production holds 75% of market basket, which means native market is more keen on import exceeding export, then performance rise. Georgia has more employed citizens abroad (750-800 thousand) then in Georgia itself – 600 000(" Weeks Palette". 16april. 2014.). That is why compatriots from abroad send about billion dollars to Georgia and sometimes danger appears of Holland disease and etc.(U. Samadashvili. BusinessBases. Tbilisi;" Universal". 2013. p. 430).

Therefore Georgians demand and delivery's biggest part comes from abroad.

This means that there is neither user nor producer. It has only middle-men.

All this expresses Georgian economic amorphizm.

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From worldwide practices, the way out of this situation and to rise populations prosperity is fast economical growth.

So why government of Georgia pays attention to inclusive economic growth and what does inclusive economic growth mean? Inclusive economic growth on the one hand means to include population in economic wealth growth process, and on the second hand, inclusive growth profit, people must feel by employment and raise of income and not by governments social help. (N. Khaduri. Georgian economic main problems. „Ekopalletete“ 24-02-2014). This kind of method of approach don't give good effects on people. It makes them passive and holds economic development.

What made Georgian government to choose the inclusive economic growth? In spite of the fact that economics grew last 10 years, the increased wealth gathered in narrow group of people. That's why it wasn't able to decrease poverty and reflect economic growth on population's general prosperity. This deepened hole between rich and poor, which was one of the main reasons of social rejection and apathy. (I. Gharibashvili. Our strength is our intellectual resource. World2014. p. 134).

That's why on basis of long-term, steady and inclusive growth economic policy's goal is to decrease poverty and to achieve population's general and differential prosperity, to give chance, opportunity to population for having income and by helping socially the least poor layer of population. Herewith, in times of “ steady development” needs of nowadays generations must be satisfied, by not harming future generation needs and not engender the possibility of resource exhaust and environment degradation.

For one's part, long-term, steady and inclusive growth need not the instability's stability (which takes place recently), or not simply steadiness, but prognosed stability. Without prognosed stability the thought about investments, more of that, the long-term foreign investments and their positive effects is exceeded. Though the investments are the same for economics as fuel for a car. As car can't move without fuel, so economics without investments.

From the experience of developed countries, the guarantee of steady and prognosed stability is middle-class, which is populations 50-60%. Nowadays middle-classed population in Georgia is 25%. Middle-class is some kind of "buffer", which abuts (marks off) the countered sides, rich and poor, and doesn't give them the ability to collide. The more thin is the "buffer", more danger appears of collision. Because when society consists of only big part of poor and less rich, there is a bigger chance of countered sides to collide, the danger of revolution and correspondingly danger of country's political instability. Herewith, in the society consisted of only rich and poor classes the thought about effective, innovative economics and democratic and impartial, free elections is exceeded. (U. Samadashvili Business and innovative economics. Middle-class formation source in Georgia. International scientific-research conference 24-25 May. 2013 Kutaisi). Unfortunately, in strategy "Georgia 2020" the need of middle-class formation isn't considered, which is in our point of view needed to be foreseen.

According to strategy "Georgia 2020", one of the main braking factors of economic growth is weakly developed human capital. In fact, the

government and us the individuals, try in every possible way to conserve <https://assignbuster.com/role-of-human-capital-in-economic-growth-in-georgia/>

resources for education and science and don't consider the fact, that the expenses from cheap and low-quality education is bigger than expensive but high quality education. Moreover, we often brag that Georgia with its cheap labour power is attractive for investors. But we forget that cheap labour power means low qualification, low income and low income means low standard of life, poverty. It must be accented that low qualified worker and innovations, advanced technology are incompatible, which naturally inhibits progress and construction of economics established on education. This fact is confirmed by the researched post Soviet Union territories conclusive article from Russian publication " Vlast", where is sad that Moldova by GDP's percentage index, spends the most money on education. Moldova increased index from 2004's 6. 8% to 2012's 10. 9%. According to educational field Ukraine is on the second place, but Georgia is on third from the bottom with 2. 9% and Georgia outruns only Armenia and Azerbaijan by 0. 1%(Weeks Palette. 16April. 2014.).

From the aforesaid, if we really want to have long-term, steady and inclusive growth of national economics, which means universal and differential prosperity, we will need to invest into weakly developed human capital, because investments into education because of the long-term economic growth is same as physical capital (new installations, buildings, roads and etc.). For example, in well-appointed countries investments into education and science increases GDP level by 40%, and in 5-7 years, when these investments will give full effectiveness, their negate exceeds oil and gas production negate.(Magazine" Commentary". 2003.#1. p40).

Nowadays, to settle the modern economic problem Georgia need people with modern economical knowledge, many years experience , inner renovation ability, knowledge of world languages, techniques and technologies and tolerable human characteristics, because without competitive people its unimaginable to have competitive firms, and without competitive firms there will be no competitive country.

From the aforesaid, we think that, like the manufacture, educational reproduction can be realized by reduced, simple and extended reproduction. (it's about mastering the stored progressive theoretical-practical and experienced knowledge by mankind in our own speciality).

In reduced knowledge reproduction, worker doesn't fully posses in his speciality stored progressive, experienced knowledge, which means personal noncompetitiveness. This kind of man, usually can't find job similar to his speciality and stays unemployed.

In simple knowledge reproduction, worker fully posses in his speciality stored progressive, experienced knowledge, keeps his business contract, positive image and work place. In this situation we have personal competitiveness.

In extended knowledge reproduction, worker not only posses in his speciality stored progressive, experienced knowledge, but he does one's bit in knowledge development. In addition with that worker posses inner renovation ability, knowledge of world languages, tolerable human characteristics, business contract and positive image. In this case, we have workers personal competitive advantage. This kind of personal competitive

advantageous man doesn't search for a job, but job searches him. This types
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of characteristic Georgian will be competitive not only in Georgia, but in world's arbitrary countries.

Educated and personally competitive man, except the aforesaid, has a lot of positive effects, that is he has an influence on other person's economical state. For example:

1. The more is man educated and expert, the more higher is his productivity, the more he does one's bit in national economy development and, accordingly he gets much more income. For example, in USA higher educational man till 65 years receives 3 million dollars income, and man without this education receives 1. 5 millions. [P. Samuelson, V. Nordhouse. Economics text-book. Tbilisi. 2005. p133].
2. Education and high income are means of high standard of life. Better future is precondition of generation's upgrowth.
3. Educated and profitable man in order to satisfy his rich and various intellectual values, he himself pays service fees and with this he finances intellectual wealth's productionary field (cultur, science, sports and etc.) development, that is he assist the market to become more cultural.
4. Educated man chooses better program in elections which means he supports better future and development.(L. Khalcerovich. Government in transitional period. 2002. p. 118).
5. Educated, economically and socially active person is a main subject and creator in knowledge established effective economical and

democratic, civil society, which we are trying to build and without it no one will accept us in united Europe family.

Unfortunately, today in Georgia one of the fierce problems is “ brain drain”, that is immigration of educated people’s main part to economically developed countries, where higher standard of life awaits them. But if we foresee that human capital has a lot of positive external benefit, “ brain drain” leaves people who still are in country in worse poverty, then they would be if immigrated compatriots were still here. We think that decrease of qualified cadres in Georgia isn’t a way to have better future. That’s why, to overcome this, we think that, aforesaid problem must be governments main task in long-term.

In order to develop human capital in Georgia is needed: Development of labour power orientated on labour market needs, which means educational, professionally occupation level improvement and labour market informational system reinforcement; Social welfare, which means public assistance system improvement and integration of disabled people in economic processes; Qualitative and accessible health care maintenance. (Georgian social-economical development strategy).

In the end, we Georgians are poetic, lovers of singing, dancing and feast, but it’s really important to realize that it is the 21 century: 1. New economics age. 2. Knowledge age. 3. Information age.

1. Why is the 21 century age of new economics? Because, by this period economic resources, especially non-reproductive resources (oil, gas, coal and etc.) are limitable. By world’s energetic council’s statement

there is 43 year stock of gas and oil worldwide.(See. „ New Marchant“ 2007. #2. p. 16). At this rate real GDP's steadiness growth and indefinite needs maximal satisfaction must not happen by use of more production space, labour and capital, but by effective use of existed resource, that is by innovative economics. Subjects of innovative economics are: scientist, inventor and businessman. Scientist's function is to improve the scientific knowledge of universe. The result is discovery. Inventor's function is to transform discovery into new consumer value. Result invention. Businessman's function is to transform invention into goods, inventions utilization. Result innovation. As for economics, is a science of searching for ways that help using existed limited resources effectively.

2. Why is the 21 century age of knowledge? Because, in modern economics decisive is knowledge, not the natural resources, labour and capital. Modern industry and its factors and products are science-intensive, knowledge-intensive and not labour-intensive and capital-intensive. Good example of this is Japan industry, where process of manufacture continuous, but people don't nearly appear, also this kind of manufacture result is a sample of how we can have maximal result by minimal expenses.
3. Why is the 21 century age of information? Because, modern economics effective function, real manufacture and personal factors effective organization is greatly depend on right management decision. Right management decision needs operative and reliable information. Long times have passed since information spreading means were horse riding, pigeon and fire light on a tower. Modern means of

communication spread the information worldwide with speed of lightning.

Some prove that in USA and generally in west the reason of higher education is that they highly developed economics. But this connections between economics and education is not one-sided, but mutual. High, good education is a meaning of economical development and high income and vice versa, high income is a meaning of having good education system. This for Georgia as for less developed country is undoubtedly foreseeable.

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