

## HUMAN CAPITAL - HOW MUCH IS DONE TO INCREASE IT IN ALBANIA

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### **Abstract:**

Scientific economic thought decides human capital as a very important factor for economic development of the country, and increasing its welfare. Albania is a country with great natural wealth, it needs skilled people to manage it. In the first years of democratic changes, a large number of intellectuals emigrated, and even went to study at the foreign universities also a large number of excellent students who continued the qualifications up there. The long transition and huge differences with the developed countries in terms of living, wages, social activities, where they were located, made them to change mind and did not return to Albania. However, from the foreign experience and international suggestions, it is noticed the need for having prepared staff in every field, this encourage the government to take the initiative and decisions to establish facilities for employment and other conditions that staff would return. Movement is called "brain gain" and it has attracted a significant number of qualified individuals who are already working in universities and public administration. Another way that the state is using to increase human capital, is also training abroad, in various scientific centers, and using the excellence fund, including the Albanian students who have completed university studies excellent. For this purpose are undertake several reforms in high education and there are done continuous changes of laws for higher education. Are done adequate measurements by the Albanian state to increase human capital? For this reason, I have prepared several questionnaires, which were done to the management staff of local government, public administration of the city of Shkodra, some professors at the University of Shkodra and are showing results. Finally, the author provides some thoughts, based on the results indicated.

### **Preface**

Economists of several centuries ago thought that a country is considered rich if it owns the natural wealth, and later on, Adams, replaced in this definition, natural assets with physical capital (machinery), and now, according to contemporary economists, the wealth of a country is based on the quantity and quality of human capital.

For human capital there is no single definition, but it is accepted that is the existence of capable people of producing products with a greater value.

Human capital is mainly acquired by high and professional education of individuals. This education is not obligated (such is usually the initial 9-year system), however recently, the majority of youth are seeking to pursue higher studies beyond secondary education. It is clear that this has its benefits, it creates more possibilities to find a job even as fast as possible; better payment compared to an unskilled worker, higher social prestige, etc.

The high education has its costs. The economic cost is the main cost, it consists of direct and indirect economic costs. Direct costs consist of "living expenses" which includes the cost of high school and / or university, registration, purchasing books and other educational material, rent the dorm / house etc. Indirect economic costs consist of "profits without ripe" for example when pursuing university studies, you can not work (in general) therefore you can not earn money.

Analyzing costs and benefits of an education, some just do the obligated education, some others continue secondary education and others continue university studies and even more. If we will look and analyze it objectively, it is clear that following higher education it has economic and psychological costs but it gives greater employment opportunities, that comes by diploma of higher education.

Economists of scientific research have shown the importance of education in providing skills and competencies that are the basis of economic product. It is clear that education affects the quality of life: the best educated people have a better health care, lower unemployment and a greater commitment to social and political life. Measuring the dimensions of these goods of

education is an important priority of research; to draw conclusions in this area is necessary to use a better measurement of the characteristics of people in a variety of areas of investigation to follow in time the same individual.

Indicators of education today are many. Some refer to input factors (number of teachers, learning costs, etc.), others refer to the intermediary and output factors (percentage of graduates, the average number of years of education, etc.). Which of these indicators is the most important, depends on development level of the country. Indicators identify large differences between countries. Within a country, the unequal results of learning are important mainly for young people, who being in the last positions, risk to be excluded from jobs being paid better.

### **What is human capital**

The capacity of a society to produce necessary goods and services to satisfy its needs depends on the quantity, quality and combination of available resources. Human capital is included among the economic resources available to a society together with the environment and physical capital.

According to OECD, human capital are "knowledge's, skills, competencies and other attributes of the individuals that facilitate the creation of personal, economic and social welfare"

European Commission extends the concept beyond education, experiences and professional competences, and health, because all these elements determine the productivity of the workforce.

Human capital is today reflected in many legal acts of EU policy. According to economic theories, human capital is an important source of growth and innovation, a determining factor for sustainable development and poverty reduction and inequality. To form human capital, individuals / families and collective, support some cost, which some researchers consider as investments that a country supports for their future, in a logic of socio-economic sustainability.

### Human capital in Albania

Our country has enough natural wealth and favorable geographical position, therefore, to have economic prosperity, intellectual skills needed in many areas: policy-making, to build present and future policies, management, for management of central and local government institutions, businesses and other public and private institutions, health etc. Coming from a system and state, who led the country on the edge of the abyss, all governments coming one after another, after 1990 year, took no steps to prepare a new generation of politicians, economists etc. in the best universities worldwide, which would be useful after a few years on top management institutions, but remain in charge of policy, people with backgrounds from the socialist system, most of them with positions from the socialist party, who are delaying the construction of market economy and are keeping the country in a transition so long. In the early emigration removed about 50% of teachers, researchers, intellectuals, estimated at about 66% of those scientific titles, have migrated from Albania or not returned, after conducting studies, though are sent from the public. This continues even today with students that stand out after graduation. Practice of sending out for specialization, have completed many other countries before many years, but they have been forced to return, to contribute for a certain period of time - i.e. to leave the experience gained to other persons. This foreign experience was not enforced either in quantity or in the involuntary return.

Last years showed a trend towards the development: politics assured NATO membership, already we have visa-free travel to EU countries, in terms of global crisis things have gone very well and we know only economic growth, although not at the levels anticipated. Development strategy was built 10 or 15 years for the country as a whole and in particular for several regions of the country. Importance is given to education, human capital. The government took several measures to increase it:

- a) Expansion of higher education, regardless of infrastructure needs, the new law was drafted for Universities in 2007, still continue to intervene with the necessary adjustments and amendments;
- b) Initiatives "brain gain"- the return of the brain, which realizes the return of specialized personnel overseas, creating facilitating conditions. Of these incentive packages for the return of the brain, at the end of 2008, there were 100 jobs in universities and 20 jobs in administration. [1]
- c) Excellence Fund for financial support to excellent students to continue studies in one of the 15 best universities of the world and financial support for doctoral students, with condition that they will contribute in the country for at least three years.
- d) programs TEMPUS, ERASMUS, CEEPUS, etc. which allow students the opportunity to pursue studies up to one semester a year at a foreign university and qualifications and exchange of experience for professors.
- e) The project-law for pre-university system, which aims to improve quality of secondary education, in those directions: natural sciences, technology and communication. All these measures serve to increase human capital, but are they enough?

Do all institutions have in their focus, the commitment of skilled workers, employment on the basis of the rules of the institution or the employment decisions are made by political or other interference. Are government measures also extended to local institutions?

To get answers to these questions, opinions and suggestions, have formulated a questionnaire and distributed to employees of local government, university and some of the most important public institutions of Shkodra. 90 questionnaires were distributed, of which 76 or 85% responded. Analysis of questionnaires is realized by means of SPSS software and Excel.

The participation of institutions in this questionnaire was carried out as follows:

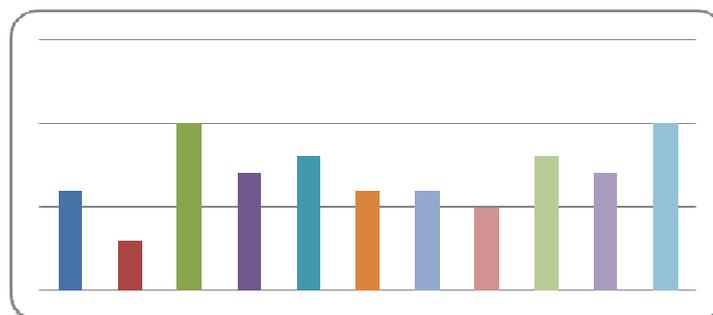


Fig.1

Selection of individuals was random, their age is distributed according to this chart:

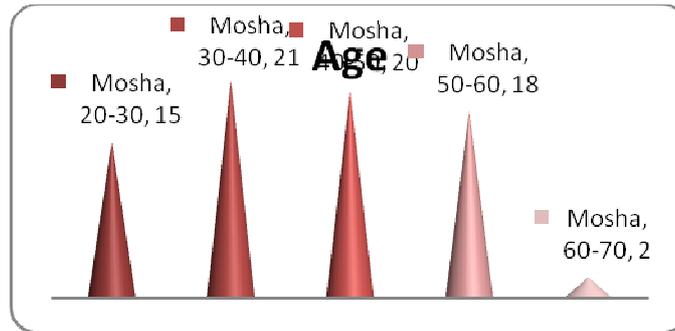


Fig.2

Of whom 27 are male and 49 female. Question: Does your institution employ contingent "brain gain", 23 respondents are answered positively and 53 negatively. If so, how? Responses are presented in the table:

Tab.1

Number	0	1	2	4	5	Total
<b>Institution</b>						
Municipality	6					6
Prefecture	1	2				3
Parish		10				10
University	4			3		7
Electric	8					8
Waters		5	1			6
Tax	6					6
Health	5					5
Social insurance	10					10
Post	8					8
Mortgages	5			1	1	7
<b>Total</b>	<b>53</b>	<b>17</b>	<b>1</b>	<b>4</b>	<b>1</b>	<b>76</b>

From this diagram note that within an institution, the answers are different, so also there are employed by the brain gain-of and there aren't.. This shows that employees are not well informed about this measure by their government. To be informed on how are hired new employees in those institutions, were included in the questionnaire the following questions, which are showing the respondents' answers. Specifically, the question: "Do you think that your institution applies regulation for approval of new employees, Are answered " YES " 44 people or 58% of respondents, and 32 people" NO "(or 42%). Obviously, the answers to the category "YES" or "NO", are not always from the same institution, see the table 2:

Tab. 2

Employment regulation	YES	NO	Total
<b>Institution</b>			
Municipality	6		6
Prefecture	3		3
Parish	7	3	10

University	4	3	7
Electric		8	8
Waters	3	3	6
Tax	6		6
Health	3	2	5
Social insurance F. advance	4	6	10
Post	4	4	8
Mortgages	4	3	7
<b>Total</b>	<b>44</b>	<b>32</b>	<b>76</b>

So from the table, it is also here that people from the same institution, give different answers. Therefore can be different reasons: the experience of their employment or information derived from administrative offices. The question "Is your institution working on increasing capacity and training of employees' responses are" YES "of 58 respondents or 76.3%, and 18 people, or 23.7%, answered" NO "

While the question "Do you have in your institutions employees who perform post-graduate qualifications, 65 people are answered Yes or 85.5%" yes "and 11 people or 14.5% of institutions are answered " NO ", because apparently they are unaware of qualifications performing of their colleagues. Even the question "Do you think that our country needs higher qualifications, even outside the country, the majority, namely 72 respondents or 95% answer" yes "and only 4 people think" NO ".

The question "Where do you think the country needs high qualified staff, with options: Politics, Economy, Justice, Applied Science, Other", some respondents listed only one option, thinking that was asked only one option; others have been described that can provide more than one alternative, see the figure 3:

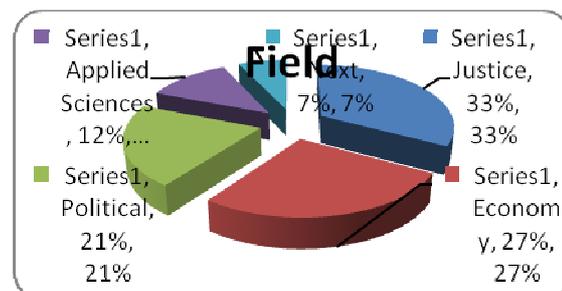


Fig. 3

Respondents noted that, the most necessities qualifications in our country are those in law, economics and politics, of course this need is felt because it is exactly justice that needs to have more justice, then the economy, so it can raise the welfare of the population above , which still remains at low levels, although there are done many improvements and then politics, which should build economic and other policies to achieve the desired levels and not become an obstacle or a reason for turning back, as has occurred during this transition.

But who will build these policies? Naturally, the central government but, as is increasingly move towards decentralization, even the local government also has its share. The questionnaire contains the following questions, which would clarify the question mark perhaps above: "Does a local government need more qualified staff?" Respondents answer: 70 people or 92% "yes" and 6 people or 8% "no". "Are there specialists employed in your institution with the "suggestion" from political parties?" 50 people or 66% responded "yes" and 26 people or 34% answered "NO" "Is there a mediocre employee in your institution?" 47 people or 62% responded "yes" and 29 people or 38% "NO".

Another question in the questionnaire asks "What initiatives of government do you support to increase human capital, with options: brain gain, fund excellence; qualification according the new law of high education" and responses were, fig.4:

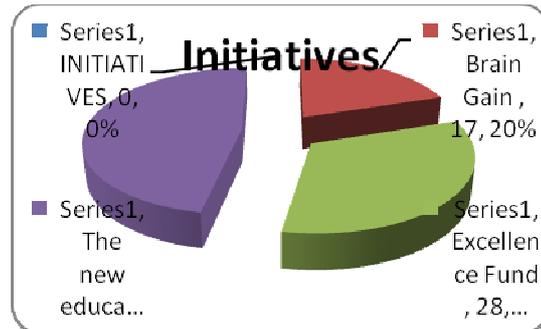


Fig.4

INITIATIVES	
Brain Gain	17
Excellence Fund	28
The new education law	40

Notable that more respondents evaluate the new law on Higher Education, which could provide a higher level of education of personnel, then the fund ranks of excellence and then brain gain initiative. In the questionnaire is also putting a motion to express its opinion on other possible measures to increase human capital in the country. The respondents have these answers:

No answer	26
financial support for scientific	2
financial support to infrastructure in universities	1
load reduction in the auditorium of the lecturers	1
Stop employment by the party, with merits and competition	15
demand for better quality education, especially in universities	3
reward according to the performance of employees	5
Augmentation experiences, international qualifications	4
qualification and continuous training	7
strong demand for law enforcement	3
Hardening of an increase in professional schools	1
Continuous control to the private universities	3
New people in management in politics as well as in institutions	4
Justice and fairness wherever	1
increasing investment in medicine, law, education	3
wage increase in all sectors	4

It is noted that 26 people or 34% of respondents have not given any thought to other measures to increase human capital in Albania. Others have expressed one or more suggestions to make it possible, according to them, enhancing human capital. Most of them have suggested that new hires should be made in regular competition, without political interference, then comes the request for qualifications and continuous training of specialists, then

the bonus for their performance, new people in management and international training, wages increase, quality increase in education and in particular in universities, the implementation of laws etc.

## CONCLUSIONS AND RECOMMENDATIONS

- Human capital and investment for it, will bring steady growth of income on physical capital.
- Education- the important factor for the growth of human capital, therefore should be increased the budget for education, health (compared with regional countries, the budget is lower)
- Should be taken measures to raise quality at all levels of education, which is not being taken seriously. The same for professional education.
- Uncertainty for a normal life and problems created by politics that causes cramps are reasons of the stagnation of the initiative "brain gain." Strengthening democracy and creating more attractive conditions could promote brain gain.
- To expand the fund of excellence, sending the best students after first year, at prestigious foreign universities, to continue studies for politics, law, economics, medicine, applied science, etc., with condition that they will be back

- and work in the country for a certain time.
- Conduct training for employees of the administration of institution's administration to increase the capability of drafting and managing projects.
- Conduct training to increase leadership skills of the institution, that is based on taken care for employees, honesty and transparency.
- The remuneration of employees should be done according to their ability and their dedication.
- The investment for scientific research in the Universities. Faculties of universities in districts are not administered independently, they have no financial rights.
- Preparatory cycles for university studies will have their impact to qualitative growth, that are planned by government program for 2009-2013, up to now nobody has spoken to their realization.
- Requirements for growth of human capital should be past even to private institutions.

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