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## Higher education and training as crucial pillars in creating the competitiveness of nation

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### Abstract

The article tries to accent that one of the fundamental challenges and tasks of the contemporary national economies in an effort to create and maintain competitiveness is to develop and upgrade the human capital through a qualitative educational system and a system of continuous training of the workforce. Using the data from the World Economic Forum (WEF)'s Global Competitiveness Reports the paper presents the interdependence between the quality of the educational and training system and the level of competitiveness. The paper is focused on the South East European (SEE) countries and the quality of their educational and training system as one of the reason of their competitiveness lag. Through the correlation index the paper confirms the differences in relationship of education and training/competitiveness index between SEE, Central European and Baltics (CEB) economies and some EU members.

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### 1. Introduction

The paper highlights the role of higher education and training system in enhancing the competitiveness of nation. It examines the quality of higher education and training system of some SEE countries according to the Global Competitiveness Reports of World Economic Forum. The pillar of higher education and training of SEE countries will be first compared with that of CEB countries and the EU15 members. The paper will elaborate the reasons that

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might be crucial for the pillar quality lag. Second, through the correlation analyses it will prove the reliability of competitiveness on the education and training quality.

Knowledge and skills of human resources are dynamic categories that are acquired through the process of continual improvement of the educational and training system that allows flexibility and adaptability of the human factor in accordance with the market needs. Within the knowledge-based economy, the creation of knowledge and its effective transfer in industry is a key factor in increasing the competitiveness of nations. Investing in quantitative and qualitative development of higher education means investing in knowledge, skills and abilities necessary to create greater productivity and higher added value. According to Schultz (1993) the human capital "is a key factor for increasing and sustaining competitive advantage, so maintenance of competitiveness requires human capital to become a tool to increase productivity" (p.16). Rastogi (2002) emphasizes that "human capital is an important input, especially through the continuous improvement of knowledge, skills and capabilities" (p.198). Becker (1993) notes that "the costs of education and training are capital investment that have a return value" (p. 25). Benhabib and Spiegel (1994) notice the crucial role that human capital plays in the process of technology absorption.

The quality of the education and training system is a key requirement in the process of creating more added values in the production of goods and services and in increasing the investment attractiveness of the SEE economies, but at the same time they are one of the major flaws in the creation and promotion of competitive capacity in all SEE economies. According to Borensztein, Lee and De Gregorio (1998) "there is a strong complementary interaction between FDI and human capital" (p.121).

The empirical results within the WEF's Global Competitiveness Reports show a high portion of differences in the level of growth of educational and training aspects of human capital. So the qualitative level of human development is determined and identified as one of the main weaknesses in the creation of competitiveness in all SEE economies.

The research analysis confirms the positive correlation between the quality of human capital and competitiveness, so the investment in education and training process should be a key weapon in the whole process of competitiveness creation for all SEE economies. It is useful to determine if the actual measures, policies and level of investment employ by the SEE countries are good enough to ensure higher level of competitiveness. Through the research we can realize that any investment in the improvement of the quality of human capital through the educational and training process can lead to higher competitiveness of nation. The education and training process for the SEE economies would have a role of multiplier, because it will improve and contribute to technology readiness and innovations, which are the main weaknesses in the competitiveness of SEE economies. The SEE economies should follow the experience of the advanced EU economies and former transition economies actual members of EU, which use investment in human capital as a reliable recipe in creating competitiveness and also as a power tool in overcoming any kind of economic crises

## 2. Method

The first research method used for this study is a correlation analysis. It helps in investigating correlation between the higher education and training system and Global competitiveness index. It is found out the strong positive correlation of 0.86 between them. Also we realised that differences in the level of quality of education and training system lead to differences in correlation index. Individual correlation index made for the separate group of economies confirmed the strongest correlation of 0.89 for the advanced developed economies of EU and the lowest correlation of 0.28 for the developing countries in SEE.

Using the method for linear regression it is identified how the disparities in education and training system between the economies with different level of development can influence the competitiveness index. The formula 1, for regression analysis, helps to detect what value of the quality of education and training system lead to higher competitiveness. So it is useful to predict how the changes in education and training system influence the changes of competitiveness

$$y = 0.92 + 0.74x \quad (1)$$

Correlation and regression analysis are based on the data for indicators of competitiveness analysed and exposed in the annual Global Competitiveness Reports prepared by the World Economic Forum.

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