CHAPTER : X

HUMAN RESOURCES

Economists have long been aware of the importance of human resource development. Adam Smith stressed the importance of education in the Wealth of Nations, especially the professional aspects of education and the affirmative contribution of useful abilities both at the individual and societal level. "The acquisition of such talents, by the maintenance of the acquire during his education, study or apprenticeship, always costs a real expense which is capital fixed and realized, as it were, in his person. Those talents, as they make a part of his fortune, so do they likewise of that of the society to which he belongs." Even Alfred Marshall emphasized the importance of education "as a national investment" and in his view the most valuable of all capital is that invested in human beings.

The wealth of any nation is intrinsically dependent upon the power to develop and effectively utilize the innate capacities of its people. It is often remarked that countries are underdeveloped because most of their people are underdeveloped, having had no opportunities of expanding their potential capacities in the service of the society. Under such circumstances the development of human resources is an essential prerequisite for economic development.

Human resource development is the process of increasing the knowledge, skills, and the capacities of all the people in a society. In economic terms, it could be described as the accumulation of human capital and its effective investment in the development of an economy. In political terms, human resource development prepares people for adult participation in political processes, particularly as responsible citizens in a democracy. From the social and cultural point of view, the development of human resources helps people to lead fuller and richer lives, less bound by traditions. In short, the process of human resource development opens the door to modernization.

It has been universally recognized that human factor is as significant as capital, natural resources, technology and international trade in the acceleration and sustenance of economic development. Of the three key resource-factors: human, physical and financial, which determine a country's capacity for economic development, the human resource factor appears to be the most strategic and critical. Therefore, of late the formation of human capital and strategies for manpower development have increasingly occupied the attention of public policy makers, the business community and the scholars.

Having admitted that 'human-capital formation' is as meaningful as 'physical-capital formation' the most crucial task before the developing nations is that of designing appropriate human resource development programmes and strategies. The essence of a strategy of human resource development is the achievement of an effective balance in choices between policy alternatives. The nature of this balance depends upon the goals of a society, its level of development, and its leadership. A country which fails to achieve a proper balance will produce the wrong kind of high-level manpower it will
invest in the wrong kind of education, it will allow the perpetuation of the wrong kind of incentives, and it will emphasize the wrong kind of training. Obviously management of human resources is more complicated than that of non-human resources like capital, technical know-how, etc. This is because a component of human resources is Education which seldom has precisely the same purpose as investment. For instance, in Education the purpose is not merely the material benefits which are to accrue to the individual and the society but also the non-material and intangible benefits like the quality of life including levels of cultural behaviour, tolerance of dissent, civic consciousness, humanism, spiritual fulfilment, etc. Empirical studies have demonstrated that education tends to stimulate some forms of socially productive behaviour and to diminish some forms of socially counterproductive behaviour.

Human resources have further two-pronged relationship with economic development. As a resource, people are available as factor of production for combination with other factors in productive activity. As consumers,

the goal of economic development is to maximize realization of their desires and aspirations. Thus, any analysis must consider the human element in both its roles as producer and as consumer. Human beings are the active agents who accumulate capital, exploit natural resources, build social, economic and political organization, and carry forward national development. The human-resource approach to national development is people-oriented.

Human resources are developed in many ways. The most obvious is by formal education, beginning with primary education, continuing with various forms of secondary education and then higher education and research. Secondly, human resources are also developed "on the job" through systematic or informal training programmes in employing institutions in adult education programme and through membership in various political, social, religious and cultural groups. A third process is self-development as individuals seek to acquire greater knowledge, skills or capacities through preparation on their own initiative.

by taking formal or correspondence courses, by reading or by learning from others in informal contacts. Two other processes of human resource development are improvements in the health of the working population through better medical and public health programme and improvement in nutrition, which increases the working capacity of people via increase in man-hours of work as well as higher expectation of life. Obviously, improvements in health and improvements in nutrition are related, and, like formal education, may be both a cause of economic growth and a result of it.

Education is the most potent tool of development of an individual in his myriad activities of living and growing up in a society. Certainly, an individual benefits from the development of his faculties and anything that enlarges his opportunities to participate would enrich him personally. On the other hand, from the nation's point of view, education becomes an instrument of human resource development.

Education has become mandatory with regards to the pervasive role of modern technology which pre-necessitates increased specialisation and diversification. The absorptive power of modern techniques is a function of skill development. An increasing gamut of skills depends on man's discovery of his abilities, exploration and acquisition. Various skills synchronise in the complex production process. High-technology industries need "high skill intensive labour". Thus the achievement of rapid economic growth makes it imperative to emphasize the quality of high-level manpower required for development.

Initially growth models considered labour homogeneous. Every worker's contribution to output was assumed equal. However, this is an unsatisfactory assumption in contemporary relevance, because workers have varied skills, work habits, attitudes, amount of cooperant physical capital and other factors. Each worker is embodied with two kinds of factors of production. The first might be called "raw labour" - that capability for unskilled physical work that anyone without physical impairment can perform. The second is of course, human capital. The heterogeneity of the labour force stems partly
from the differences in the distribution of human capital among workers, broadly dividing them into skilled and unskilled. Apart from this difference in skill and dexterity the labour force is segregated on demographic attributes like: (a) Population size and growth, (b) Age - Structure of the population, (c) Occupational structure of the labour force, (d) Birth rate, (e) Death rate, (f) Life expectancy, (g) Family size, (h) Density of the population.

"Demographically, the investment in human capital formation would be more profitable for (i) younger people with longer working lifetime (ii) people in societies with lower mortality rates, (iii) individuals or groups that are most likely to enter and remain longer in the labour force. Investment in human capital takes a variety of forms. Investment in health and nutrition can be analyzed in terms of 'efficiency'. The benefits of health investment may take the form of greater vitality and productivity while at work lesser absenteeism from work, or longer working lifetimes reflected in higher survival rate.

Investment in education has been guided by the following principal approaches: (1) determination of the relationship between expenditures on education and growth in income or in physical capital formation over a period of time in one country, (2) the residual approach in determining the contribution of education to gross national product, (3) calculation of the rate of return from expenditure on education, and (4) making inter-country correlations of school enrollment ratios and GNP.

The basic weakness of the ‘investment in human capital approach is that it tends to think too much in terms of applying material resources, such as providing more educational buildings and equipment, to increase human capital. This ignores the fact that in most developing countries the really serious limitation to the formation of new human capital is the meagre initial supply of human capital in the form of limited number of qualified people. The various alternative uses of these very scarce human resources give rise to crucial problems of choice: first, between using them in directly productive occupations or in


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the teaching profession for further human capital formation, and second, between various ways of using a given teaching capacity. These considerations lead us to the problems of the educational policy for economic development which defy easy solution.

Economic development requires a class of exceptionally able people with high qualifications to provide the dynamic leadership. But in most developing countries powerful forces are working in the opposite direction. The government are faced with popular demands for equal educational opportunities. These demands can be met only by spreading the existing teaching capacity so thinly over everyone that it becomes ineffective. Consequently there is a general lowering of academic standards.

In human resource planning the critical areas of choice are as follows:-(1) in all levels of formal education the emphasis on quality versus quantity; (2) in secondary and higher education, the stress of science and technology versus law, arts and humanities; (3) in skill development, the reliance on pre-employment
formal training versus in-service training; (4) in building incentives, the conscious manipulation of wage and salary structure versus dependence on market forces; and (5) in the general rationale of human resource development, consideration of the needs and desires of the individual versus the needs and desires of the state.

In building technical skills, particularly at the craft level, countries may choose to place primary responsibility for training on the formal educational system or they may attempt to shift most of the burden to the employing institutions in cooperation with labour organizations. In practice, training and retraining is a continuous lifetime process of human development, and thus the employing institutions cannot escape responsibility for some training. Ideally, the role of the schools, particularly at the secondary level, is to produce broadly educated persons who are readily amenable for further procreation. But some training must be provided prior to employment by the schools and more can be

offered through various kinds of "sandwich", extension, and part-time refresher courses for those already employed.

Unfortunately, owing to the structure of the educational system and the existing vocational and technical training programmes which are not closely geared to the specific situations prevailing in most of the developing countries, these countries still face critical and crucial shortages of strategic skills along with an army of unemployed and underemployed manpower.

We are thus faced with a curious situation of the coexistence of sectoral glut and sectoral shortage. Under such circumstances problems defy easy solution.