

EDUCATION AS A DETERMINANT OF DEVELOPMENT IN WORLD ECONOMIC CRISIS

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Abstract:

In Serbia, as in almost every other country, education as an important development factor draws attention of its scientists and experts generally who examine it from various sides. The very organisation and functioning of educational system represents the subject of hot disputes and thorough analysis carried out by experts from this field in almost every country worldwide. Although the Human Resource has always been very important factor of economic development, in the age of new informational and communication technologies it comes out to the first place. The review of relevant literature shows that on the microeconomic level formal education and training are of significant importance on employees' productivity and salary. The situation is very similar on the macroeconomic level, where Human Resources determines largely the growth of aggregate labour productivity and through that the economic growth also. Regarding the importance which Human Resource has for the economic growth, education and training of workforce represent imperative for every country. Furthermore, special attention should be paid to building of Human Resource in education because it is the sector of strategic importance.

Keywords: human capital, education, knowledge economy, economic development, creative capital, economic growth

1. INTRODUCTION

Contemporary world is distinguished by the immense velocity of transformation processes, both at state level and globally. This has been substantiated by world economy crisis that was poured out from the USA in waves and primarily overflowed the countries of EU and then the countries of southeast Europe, Russian Federation and the rest of the world. It is evident that the foregoing crisis will contribute to the expansion of numerous social and economic problems in the countries in transition such as Serbia. Globalization and sustainable development occupy priority level at international agenda. It is about popular and interdependent themes that include series of important questions such as: economic development and growth, poverty, income allocation, development cooperation and education. This is the reason why globalization births global development ideas. The development concept based on the education is similar to this, professing to be the universal development paradigm relevant to the countries worldwide. This is a new development approach significantly different than still dominant conventional development paradigm (Jovanović Gavriović, 2008, p. 91).

Sophisticated technologies have replaced people in the age of globalization and as a result the creative sectors have been promoting human capital. In these conditions creativity emerges as an ability of solving complex problems and creating the new knowledge. Concentration of knowledge still occurs in a few highly developed countries. This is the reason why modern knowledge and skills imply specialized staff, high technology and financing. Moreover, this explains why despite the global economy the poor countries export educated or talented staffs while the developed countries transform the knowledge into the market value. As a result, undeveloped countries import products and services of the developed countries (Jovanović Gavriović, 2008. p 92).

Social infrastructure, as regarded by the world economy science, includes numerous and various activities nowadays: education, health system, culture, social programs, scientific research and development, public sector, political organizations, state authorities and nonprofit organizations. Although formally different, these segments are characterized by the fact that their products and services are specific goods which are mainly not implemented on the market according to economic laws but represent common goods for the whole society or the specific sectors (Rikalović, 2008, pp.109-110).

The significance of this study is in finding the possibilities of the market approach to the education in Serbia in the midst of the world economy crises and at the same time adjusting it to the European standards which are derived from the fact that the contemporary education methods are also so called 'knowledge technologies'. To use the European standards and new methods in education in Serbia means to plan, organize, manage and control, transfer and implement them into our society which is complex, interdisciplinary process today as well as highly solicited process that evolves together with the development of scientific knowledge, theories and experience.

2. STATE AND PRIVATE EDUCATION

In today's society, where democratic tradition and market economy are highly developed, responsibility for education is assumed by various subjects. State is no longer the sole agent of social community responsible for education and educational policy (Ristić, 2001, p. 89). Since the European harmonization of standards which took place after the Bologna declaration convened in 1999., both the content and aims of the university policy have undergone complete change. The initial humanistic and social goals have been replaced by the competition model present in the world of trade and business. Accepted without reservation, media promotion of university classification puts emphasis on economic approach to European and worldwide higher education (Bogdanović, 2005, p.25).

It has been almost fifteen years since the great political changes in Serbia happened. Along with them, serbian universities as important carriers of progress and change underwent complete change of system as well. Still, changes within the whole society due to the unstable policies and difficult economic situation, created difficulties which slowed down democratic processes themselves (Ibrahim, 2000, p. 56). Alternating governments kept leaving the question of financing universities inadequately dealt with, there was no strategy for the development of higher education, all of which lead to uncontrolled rise in the number of private universities without the accreditation system having been

completed. During the '90s there was a collision of private and state education although this decade had seen a very small number of students attending private faculties. All of these social and political circumstances under which the state university functioned lead to an enormous number of students enrolling in faculties of humanities and social sciences, meanwhile the faculties of technical and basic sciences were left with insufficiently filled capacities. As a result, education saw a number of wealthy and prosperous faculties capable of investing financial means and introducing innovations in the teaching and learning process, while on the other side, due to their lack of financial resources, stood a fair share of faculties barely able of organizing basic university courses.

Today, private universities (along with a rising number of state universities) are affiliated to companies and, as such, take active part in the diploma market whose social value is measured by the market value and wages given to "educational investment" carriers (Reich, 2001, p. 86). Recently noticed wave of students' orientation from public to private sector is not at all a relevant indicator of validity of "proprietary" education, nor of the more qualitative financing of education. System of education funding (from public to self financing) represents one of the key instruments for the development of education policy and maintaining government monopoly at the time of global economic crisis. Artificially created financial crisis lead to continued reductions in state fundings intended to finance public education system. In order to compensate for their loss state universities resorted to new methods, especially evident in the area of scientific research funding. Meanwhile, private faculties kept becoming wealthier by the day. This contrast between the wealth of private universities on one side and hardships which state higher education institutions are going through on the other, forced them to adopt the same logic (Selingo & Brainard, 2006, p. 47).

Tuition fee increase soon became the only means possible for the resolution of financial problems at state universities. Since the year 2001. the cost of tuition fee has almost doubled and in order to compensate for the shortage of financial means it must be modified again until it reaches almost four times its initial amount when the payment of tuition fees in developed countries had just been introduced for the very first time (Newfield & Bohn & More, 2006, p. 55). Today, most of state faculties and higher education institutions are trying to save private funds which they have acquired from projects of special importance and projects evaluated as profitable. This creates ghettos of excellence within the institutions which are slowly but discretely losing their status so as not to disturb large masses (Fantasia, 2004, p.10). With the exception of scarce few members of elite, slogan of privatization comes down to following: pay more to get less (Gould, 2003, p. 18). However, the leading figures in the university sphere disagree with this tendency that has been getting stronger by the day for the last fifteen years. The desire for the general accessibility of knowledge, autonomy of governance, opening-up to social movements, bridge between directed research and public education: these are the things that acted as the pillar of university system. Today, we are faced with the weaknesses of this structure (Galbraith, 2004, p. 10). Quality education is reserved for the wealthy, investments support only quick income generation, a great social stratification is observed, there is a competition that generates additional costs, a concept of asset ratio at the top of the pyramid (Charle, 2007, p.10).

At present time, predominantly because of the world economic crisis, it is necessary for Serbia to establish new egalitarian vision of knowledge use and education funding. However, such a choice will more likely be imposed by the Serbian society as a whole than the university itself. Our state universities ought to accept concept of financing that would put emphasis on market orientation. This is necessary to point out because the concept of free education is incompatible with market economy. Rectors and deans become managers getting assistance from administrative council which operates entirely under their control, just as it is the case with the great financial institutions. Both budget and university premises are at their disposal, they have direct influence over the student admission, conduct their own employment policy regardless of state in the public sector. In other words, they run their universities/faculties as if they were an enterprise, while the rightful owner, the state, (still) does not ask of them to render an account (Berdanov, 1996, p. 21). Rectors and deans are in fact nothing more than service providers to those students whose education is partly being paid for by the state and partly by the students themselves. If there were no students, there would be no institution for them to run. That is why the management of state universities/faculties should carefully consider the amount of tuition fees and conditions which students work under, for they should bear in mind that the founder and the main owner of these institutions are still the Republic of Serbia and its citizens and not themselves. Privatization of several segments of higher education and a number of certain higher education institutions is inevitable for public and private education are no longer antipodes. They are,

in fact, educational segments in mutual interaction, complementary and convergent at the same time. Perhaps it is more important to educate young people in “coproduction” for those sectors that demand higher skills, wider knowledge and more intelligence capital. This way, the changing structure of education would result in change of the workforce structure (Collectif, 2003, p. 64).

Having said that, it would be advisable to rethink the idea of reforming the Serbian education model on time. To look upon the leading countries of the world that have already completed their education system reforms and that have entered the 21st century with efficient and competitive educational model. For the explosion of knowledge and increasingly popular concept of world as a “global village” draw attention to the importance of realizing how important higher education, as well as human resources and personnel management for the life of one people are (Garrigou, 2001, p. 54). Activities directed towards fortune making are no longer work, nor capital, nor land (Karavidić, 2007, p.29). The fundamental resource is knowledge itself. Productivity of knowledge work and knowledge worker is the challenge of the 21st century. Knowledge reflects intellectual, moral and spiritual personality growth which is enabled to function and cope with the current world economic crisis precisely thanks to knowledge.

3. ECONOMIC FUNCTION OF THE STATE IN THE EDUCATION SYSTEM

Economic situation in Serbia has a great impact on the education system. The main concerning issue is how to overcome the existing crisis of financing the education system and catch up with the developed countries in the area of international redistribution of knowledge and expertise, that is, how to be included in the contemporary international knowledge development. When it comes to the economic aspect of education the developed countries currently use enormous human potential and financial funds for it. They constantly increase investments in the human resources since the human knowledge is the key for the economy productivity.

In order to obtain a more realistic picture of the financial status of education we need required comparative data on the share of total education expenditure in GDP through an extended period of time or at the time of comparative study by several countries. In comparison to the other countries of the world, Serbia is below the required level of allocated funds for the education system. If we take into account the development of the economy and the size of the gross domestic product differences are enormous (Ministarstvo prosvete i sporta, 2005, pp. 28-32). Systematic approach to the financing of the education gives the opportunity of the analytical insight into the rationality of spending funds allocated for the education. Thus, for the optimal planning of expenditures in education the achieved level of economic development must be taken into account. However, the international comparison of Serbia and EU is also important because the economic theory doesn't give the precise answers to the following questions: 1. How high should the public expenditure for the education be? 2. What should the structure of the expenditure be like during the global economic crisis?

Existing financial system of education in Serbia has the characteristic of state financing together with the special type of budget system since it is based on the organizational principle with its all administrative characteristics (Ratković, 2007, pp. 15-19). However, we can easily say that today's situation of education in Serbia doesn't have good characteristics. Financial funds for education are decreasing due to the economy situation of the country because of the general economic crisis worldwide. Reduction in the quality of the education system comes as a result. For years, the debate has been rising whether to invest more or less than the existing funds. The representatives of the education institutions have been pointing out that the funds invested in the education are below acceptable level resulting in severe decline of its quality which will be hard to reinstate. At the moment, this problem cannot be rationally resolved as the economy and education status needs to be considered in much broader scope than it is currently (Ratković, 2004, pp. 50-51).

It is known that the material basis of education is not satisfactory, it falls short of existing needs, and it does not fit our abilities or is not in accordance with the importance of education in general socio-economic development (Ristić, 2000, pp. 204-210). The main reason for support of the state to education should be conviction that the quality of the acquired knowledge should not depend solely on the resources available.

Universities, colleges, research institutes and the complete education system are the backbone of the entire system of education funding in almost all countries of the modern world and thus should be in

Serbia. State funding for education is a part of the global system of public financing which typically exists and operates in all European countries. In financial practice prevalent system of financing is still from the budget, although some countries are dominated by the so-called public contributions (Ristić, 1999, p. 175). State funding of education is not expenditure but investment. Investment in education is an investment in the 'human capital', the subjective factors of production forces and 'industry of knowledge', whose highways are highly skilled personnel. Education for its economic functions takes shape and form of reproduction. Knowledge is social capital whose circulation and concentration in material production allows reproducing social labor at enlarged basis. In this regard, it is calculated that education contributes to the increase in GDP of 25-30% and that expenditures for education payments are repaid during only 1.5 years of work. In the financial practices of contemporary states budgetary or funding distribution model and resource allocation for education prevails. Also, the modalities of education funding are often combined and complemented with self-funded model, and financial spillovers through various projects of the faculties.

In most of the former socialistic states which are developing countries at present day and therefore in Serbia as well, budgetary funding of education dominates, regardless of whether it relates to narrower or wider political or territorial subdivision. The budget is therefore the main instrument for financing the education system. Connection to the budget and budgetary forms for education and science funding, were the basic characteristics that have been dominant in Serbia for a long period. We can even claim that this hasn't been changed till this day. If we comparatively observe high education and science in Serbia as two similar and connected domains we can conclude that the high education system has been separating itself from the budget more rapidly. Different projects done by the faculties by which they have been supplementing financing of the higher education contributed to this process (Šoškić, 1974, p. 120). System and the policy of the education funding should be predominantly determined by those who provide the funds for education. This should be done together with those who are employed in the education system as well with those who use it, that is, with students. Financial funds for education have to be in line with the established system and education policy. Certain minimum has to be provided; otherwise educational processes cannot be organized. Funding for education should be determined and based on the operation and development of education, on the one hand, and the economic situation in the country, the cost of education, personnel and technical equipment, on the other hand. The economic cost of education would therefore have to be an expression of economic evaluation, a certain volume, intensity and quality of work in education and it would depend on the standard of the personnel and technical achievements.

Economic costs and state funding for education should be determined and corrected in accordance with market trends and adapted to the economic situation in the world at any given moment.

4. CONCLUSION

Interdependence of education, technical progress and employment is a key triangle, in the course of economic development since education is a process of creating human capital. As a result, education is defined as socially justified investment, not as expense that burdens material production. Since education is a function of human and sustainable development with the effects of the increase in labor productivity, then investing in education and all expenses of this activity should be treated as a necessary factor in reproduction. Education should be regarded as investing into people. Therefore, it is wrong to regard educational expenditures as current spending or as spending on welfare and resource depletion that reduce savings.

The focus of the management of market education model is based on: knowledge, research complex and information technologies in line with the up to date specific environment which is still in the process of transition as is Serbia. This process of transition is phenomenon which gradually but radically changes all parts of the previously developed economic and social structures. The close connection between investments in scientific research results and its effects has been demonstrated in developed countries, unlike subjects in developing countries and transition economies in which it has not been the case.

The world is facing short-term and long-term challenges during the economy crisis nowadays and overcoming the crisis depends on the model of chosen strategy. Priority of the plans for the recovery from the financial crisis would certainly have to be stimulation of the economic recovery and creating the conditions for the economic growth. These plans should support economic growth and human development in order to protect the state from instability. Experience from the previous crises suggests

that the crisis more easily transcends through investments in human resources that constitute a key factor for long-term growth and reduce unemployment. Measures to restore economic growth are essential as they answer the question: What are the future goals; whether they are the goals of economic well-being of people, employment, environmental protection or improvement of the educational structure of the population in the face of new technological challenges. Especially important priority for Serbia nowadays is period of investments in educational infrastructure, and creation of a modern education system as one of the greatest investments in times of economic crisis.

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