

# THE NEED AND THE POSSIBILITIES OF HUMAN CAPITAL DEVELOPMENT: ASSESSMENT OF EMPLOYERS AND GRADUATES OF HIGHER EDUCATION INSTITUTIONS

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***Abstract.** The article analyses the problem of human/intellectual capital in the context of the integration of an individual into the labour market, the role of human capital in the activity of enterprises (organizations). According to the information of the Department of Statistics on adult education, and data of sociological research (results of the research of employers and graduates working in their enterprises) the development of human capital, the need and the investment possibilities are assessed in Lithuania.*

***Key words:** human/intellectual capital, employment, knowledge, capacities, qualification improvement, qualification improvement, investments into qualification improvement.*

## Introduction

The development of human capital in Lithuania is determined by the ongoing socio-economic processes: creation of knowledge society, the strengthening of the country's economic competitiveness, increasing of the employment rate and the reduction of regional disparities, as well as other processes related to the integration into the European Union (implementation of new technologies, development of new markets, free movement of labour, etc.).

Lithuanian education institutions pay much attention to the elements of human

capital – to the development of knowledge, capacities and skills, i.e. addressing the problems of the efficiency of vocational education and training (in its broadest sense), increasing the diversity of study programs and their coordination with the demands of the labour market. However, the rapid social economical changes in the country and the integration into the single space of the EU stimulate the constant improvement of all elements of vocational training. In 2000 European Commission adopted “lifelong education memorandum” which states that today's Europe faces the

changes, which can be compared to the Industrial Revolution. Digital technology is changing every aspect of human life and biotechnology may some day replace the life. Global trade, travel and communication are expanding people's cultural horizons, and change competition methods of the economy. On the one hand, the contemporary life gives more opportunities to the person and on the other – peoples may be forced to take more risk and feel socially insecure (Lifelong Education Memorandum, 2001). As it is stated in the memorandum contemporary labour market requires to change skills constantly and be prepared practically (Lifelong Education Memorandum, 2001). In these circumstances a greater importance is attached to the new information, knowledge and skills that correspond to the changes. The memorandum is focused on the new basic skills: 1) Information Technology, 2) foreign languages, 3) the technological culture, entrepreneurship, and 4) social skills. All of them set new demands to the human capital.

**The aim of the article** is to assess the need for the development of human capital among higher education graduates and the possibilities to implement it (according to the research data of employers and graduates).

**The object of the research:** the need and development of human capital.

**The methods of the research** – the article is prepared on the basis of the analysis of theoretical resources, methods of questionnaire research, and comparative analysis.

The article was based on the data of special research and literature sources. The sociological research of higher education graduates and employers that employed

higher education graduates in their enterprises and other research<sup>1</sup> that was initiated

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<sup>1</sup> The article is based on the complex sociological research carried out by the Institute of Labour and Social Research. Research that was carried out by the authors of the article together with other members of the research team. The research can be interpreted as longitudinal one. research. It should be noted that such research in Lithuania is rather fragmented, that is why the data to make a dynamic comparative analysis is insufficient. Therefore the priority in the article is given to the results of the complex longitudinal research, which was carried out. The following research worth to be mentioned:

The research "Competitiveness of graduates in the labour market, context of labour supply and labour demand" (research the employers and the employed graduates in their enterprises) carried out in 2003–2004. The research is based on more than 600 questionnaires, filled out by the employers and representatives from three cities (Vilnius, Šiauliai, Panevėžys) and 7 districts (Kėdainiai, Mažeikiai, Plungė, Rokiškis, Telšiai, Utena, Vilkaviškis), which employed the higher education graduates of the year 1996–2002 and more than 400 graduates during the said period. The aim is to find out the opinion of employers and graduates employed in the enterprises in 1996–2002 if the vocational education of specialists corresponds to the demands of labour market.

The research "Competitiveness of higher education graduates in the labour market, context of labour force supply and labour demand" (research data of employers and graduates) was carried out in 2004–2005. The aim of the study – to find out the opinion of the employers and the graduates of the year 2003 if the vocational education corresponds to the demands of Labour market. 550 graduates of higher education I and 736 employers, which employed graduates of the year 1996–2003 took part in the research.

During the year 2005–2006, employment and preparation for the labour market was further studied among higher education graduates (in particularly of a specific production environment). Managerial staff (167 employees) of the Concern "Achema Group" and employed graduates in these enterprises (206 graduates of the year 1996–2004) were interviewed. The aim was to clarify the situation of specialists with a higher education and to find out if the labour supply meets demands of labour market.

The research "Demand of law specialists in Lithuania" was carried out in 2007–2008. The aim of the study was to investigate the demand and supply of the graduates of higher education (university and non-university) in the labour market and to find out how the vocational training of these specialists meets the needs of the employers. In total 564 law graduates and 466 employers (or their representatives) who employed the specialists with the law degree that graduated the university in the year 2003–2006 were interviewed.

by the Ministry of Science and Education and carried out by the Institute of Labour and Social Research in 2003–2008 are of big value (The Institute of Labour and Social Research, 2003–2008).

The research presented in the article combines a general provision that changes in contemporary market development more often exercise influence on the growth of human capital value, which in the twenty-first century more often takes place within social, organizational and intellectual capital. The research carried out in Lithuania has shown the growing importance of general competencies, which was highlighted by both the graduates and the employers. It should be stated that the development of human capital is not less important. Importance of professional development is recognized by both employers and by the employed graduates. However, the more rapid development of human capital is limited by the shortage of financial resources.

### **1. Human capital – a key factor in raising employment**

Various definitions of the human capital concept are provided in economic literature (Becker, 1985; Concepts and Terms of Labour Market, 1999; Sutherland, 1999; Менкью, 1999; Stancikas, 2000; Šileika, Tamašauskienė, 2003; Polkovnichenko, 2003; Matiušaitytė, 2005).

In its broadest sense, human capital in the economic literature means human capacities to participate in the process of production. Summing up the concepts mentioned above J. Bagdonavičius (2002) indicates that in the economic literature human capital has to be understood as the reserves of human knowledge, skills, health and ex-

perience, which are used in manufacturing or services sector, in order to obtain significantly higher profit. The extended view of the human capital concept is presented not only in its internal structure, but also for functional purposes, and the target recovery point of view. According to the concept mentioned above human capital is not only an accumulation of the human knowledge, skills and capacities. “In a functional – targeted approach – human capital – a certain reserve of health, knowledge, skills, capacities and motivation shaped and accumulated with the help of investment which while deliberately used in one or another sphere of public reproduction encourage the labour productivity and the growth of production efficiency, and wage growth (income growth) at the same time” (Дятлов, 1996). This is confirmed by the concept of human capital theory, according to which “the human capital theory – the theory, according to which the capacities of employees or group of employees to achieve the best results leads to the growth of wage” (Дятлов, 1996, Schultz, 1998; Stancikas, 2001; Šileika, Tamašauskienė, 2003).

It should be noted that the concept of human capital theory mentioned above where the main claim that capacities of employee or group employees’ to achieve best results leads to the increase of wage is not sufficient in the view of labour market. The importance of human capital is much higher in the context of labour market. In its broadest sense vocational education and training of an individual – acquired knowledge, capacities and skills are key factors for his integration into labour market. These tendencies are also revealed by the data

from the Labour Exchange on the distribution of unemployed by education. Among the registered unemployed more than one third of persons have no qualification, i.e. persons without any occupation, graduates of secondary, basic or primary schools.

Thus, it could be stated that human capital affects the integration of persons into the labour market, and only after that the corresponding income. In our opinion, this element of the human capital value (the integration into the labour market) in the traditional works of human capital assessment almost has not been recorded. It is worthwhile to mention the study of Angel De La Fuente and Antonio Ciccone "Human capital in the global knowledge-based economy", which was prepared for the European Commission. The authors mentioned that apart from higher wages the human capital leads to lower unemployment and increases the likelihood of participation in the labour market (De La Fuente and Ciccone, 2002).

Studies carried out by the Institute of Labour and Social Research confirm the statement that higher quality of human capital ensures more favourable position in the labour market, as the employment in welfare countries is increasingly seen as a social, not only as an economic phenomenon and a source of income, because working people, not only ensure the material basis of their existence which is clear and still remains the main and most important function of the work, but also satisfies the fulfilment, communication and other needs. By focusing on the human capital influence on the person's situation in the labour market, the attention has to be drawn to the human capital as a social, not only as an economic category of importance, which is less common in the literature on the given topic.

The analysis of literature reveals that the human capital concept fails to reflect the individual's personal qualities adequately. Definitions of human capital often focus on the knowledge, capacities, skills, education, qualification. (Briton, 1995; Adamonienė, 2002; Šileika, Tamašauskienė, 2003, Lazear, 2003; Doepke, 2008). Sociological research of employers carried out by the Institute of Labour and Social Research in various regions of the country since 1997 shows the growing importance of employees' personal qualities in the qualification structure. Later the results of the research that show the impact of personal qualities on the assessment of human capital (the evaluation of employers and graduates) are discussed in the article. Attribution of personal qualities to the human capital is determined by the fact that almost all of them are not so much congenital, but can be acquired (for example, employers point to the graduate's initiative, responsibility, willingness to work hard, independence, etc.).

Important role in the development of human capital is ascribed to the investment. K. P. Маконелл, Л. Брюс (1992, p. 171) distinguish three forms of investment into the human capital:

- expenditure on education;
- expenditure on health care, and for the improvement of living conditions;
- expenditure on mobility and migration.

The literature indicates that compared with investments in other forms of capital, the investment in human capital is the most useful for the individual, and for the society (Дятлов, 1996, Schultz, 1998; and other authors). It is noted that the most im-

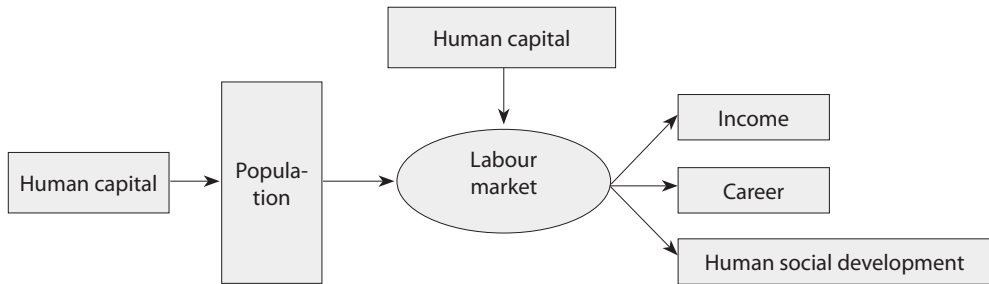


Fig. 1. Scheme of human capital theory

portant are the investments into education and health. General and special education increases people's knowledge and improves its quality, while at the same time it increases the volume and quality of human capital.

According to the authors (Schultz, 1998; Aghios, 2008), investment in higher education leads to the formation of highly qualified professionals. The efficient work of highly qualified professionals is the most important factor of economic growth (Stancikas, 2001; Šileika, Tamašauskienė, 2003; Aghios, 2008). In accordance with the opinions of the authors mentioned above, it should be added that investment in human capital plays a crucial role in the contemporary society, since it is a prerequisite for people's integration into the labour market and at the same time career development, income and social development (Fig. 1), for protection from social exclusion and ensurance of full-fledged life.

The transition to new technologies, creation of information society and the integration of persons into the labour market requires a constant update of knowledge. The flow of information grows persistently. Calculations and assessments show that in recent years the total volume of in-

formation in the world is doubling every 1.5 years (Bagdonavičius, 2002). That is why the investment into the human capital has substantially increased in recent decades. Calculations of J. Hope and T. Hope (1997) has shown that if in the year 1800 the bulk of total capital share (78–80 %) consisted of a physical (industrial) capital, in 1997/98 not a smaller part (67–69 %) made the investment in human capital, and the investment into the physical capital in the total capital structure amounted only to about one-third.

## 2. The role of human capital in the activity of organisations

Human capital plays an important role in the development of enterprises and organizations. According to N. Bonti (2002), human capital represents the human factor of organization. It is the accumulation of intellect, qualifications and competence, that make up the identity of an organization. Human elements of the organization are those who can learn, invent, and provide a creative impulse, which adequately directed can ensure the longevity of the organization.

The concept "human capital" was established for the first time by T.W. Schulz

(1961 year), who developed it. In 1981, he wrote: “all human capacities are considered to be congenital or acquired. Human capital is qualities, which are valuable and can be increased due to the right investment in it”.

The idea of the investment into the human capital was for the first time brought forward in 1776 by A. Smith, who in his work “An inquiry into the nature and causes of the wealth of nations” claimed that the differences between the level of person’s education and vocational education reflect the differences in the expenditures necessary to acquire such qualification. Therefore, income from investments into qualification can be fully compared with the income from investments into the physical capital. However, these comparisons are not complete. Companies own a physical capital and not its employees (except slavery society).

Human capital consists of intangible resources, which employees provide for their employers. Thomas Davenport (2000) noted that a human has the internal capacity, behavioural scripts, and personal energy. Human capital consists of the elements, which he uses in his work. In addition persons who own that form of capital themselves decide when, how and where it will be used. Work – the mutual exchange of value, rather than a unilateral exploitation of property owners.

Davenport stresses that an employee as well as an employer invest into human capital. Other scientists argue that human capital theory conceptualizes an employee as the embodiment of qualification, which employer can rent.

Human capital theory may be related to a specific view to the organizations and

enterprises, according to which successful competition in the labour market is possible only when a company has sufficient accumulation of human resources, that their competitors fail to possess. This is just one of the situations when the human capital brings an advantage. However, two different concepts should be separated – “human capital advantage” and “human process advantage”.

**Workers as assets.** Human capital theory places special attention on the added value that person can earn for the organization. People are treated as the greatest asset and it is stated that an investment of an organization into people will bring higher profits. Therefore, the theory supports the human resources administration / management philosophy, whereby employees should be treated as an asset rather than as expenses (reason for expenses).

In the opinion of Thomas Davenport (2000) such concept is controversial since:

1. Employees should not be treated as a passive asset, which can be bought, sold and transferred whenever the owner wishes, on the contrary, workers actively control their own working lives.
2. The opinion that company takes over the human asset as well as machinery or equipment, is unacceptable and inapplicable in practice.
3. “Human asset accounting” systems have failed to create a reliable method to adapt the category of material value to measure human resources. In such case, the intangible added value that people earn to an organization would not adequately be taken into account.

Employers must remember that employees, especially those who do mental work,



can treat themselves as free agents who can choose where and how they use their talent, time and energy. Employers' investments into employee vocational training and its improvement – is the measure to attract and retain human capital. At the same time it is an effort to get the best profit from these investments.

### **3. Human capital and other aspects of the intellectual capital theory**

Other aspects of intellectual capital, such as social and organizational capital, are related to the knowledge, that is managed/ owned and uptaken by the organizations. Some theorists warn that the approach to the human capital as an individual personal quality is not correct, because in such case the ways in which knowledge is absorbed into the social relations network are not taken into consideration.

**Social capital.** Putnam (1993) defines the concept of social capital as the features of public life – systems, norms and trust – that enable participants to make more effective communication to achieve the objective pursued. World Bank proposes the following definition: social capital is related to the institutions, relations and norms that shape the quantity and quality of social interactions in a society. Social capital is not understood as the total number of institutions, which are supported by the public – rit can rather be called the “glue”, which holds them together.

It is also noticed that social capital can be understood as a network of horizontal associations between people, that consists of social infrastructure and common standards, which exercise influence on the community, productivity and welfare. Social

capital is considered to be a part of intellectual capital. It is important to remember that human capital is managed by individuals, and not by organizations. Therefore, as the Youndt (2004) states, while the employee is free to leave the company, there is a serious risk to the organization to lose its existing intellectual capital, unless it is already transferred, distributed, transformed and institutionalized.

Social capital – is the knowledge related and developed through communication of employees, partners, customers and suppliers. Regular exchange of knowledge is going on, and this requires a favourable institutional environment, which does not inhibit the free movement of information. Such environment is created in organizations where special consideration is given to the development of horizontal relationships and teamwork. Social capital enables human capital to implement its potential.

**Organizational capital.** Organizational or otherwise referred to as structural capital includes rather the knowledge of the organization than the personal knowledge of employees. This can be described as embedded or institutionalized knowledge, which can be stored and maintained by means of information technology. This may include clear, detailed knowledge, which assisted by the standard operations procedures may be stored in databases, directories, and the implicit knowledge that is not expressed in words and which is assimilated and systematized according to the possibilities.

Any action of organization consists of individual's knowledge. It is argued that theoretically embodied knowledge is independent from the people who created them, and therefore have a certain degree of organizational stability.

Organizational capital is created with a help of people (human capital), but it is also the result of social capital interactions. It is owned by enterprises, and can be created on the basis of knowledge management.

**The practical implementation of intellectual capital theory.** Companies should be encouraged to grow by using and developing capacities of their employees, thereby developing the human capital. That will increase the total capacity of the organization. Research has shown that human resource systems are crucial in the process of building intellectual capital.

The practical application areas of the intellectual capital theory are divided into the following categories:

1. Human capital refers to human attraction, retention in a certain workplace or an enterprise, education and wages for them to create and maintain a qualified, motivated and dutiful labour force.
2. Social capital is related to the organization's creation and development; it promotes the processes of the creation, development and dissemination of knowledge.
3. Organizational capital is closely related to the knowledge management.

#### **4. Development of human capital in Lithuania**

Development of human capital is closely related to adult and lifelong education. According to the data of the Department of Statistics, lifelong education in Lithuania in 2006 comprised 4.9 % and decreased by 1.1 % compared with the previous year, but in 2007 it again reached 5.3 %. According to the data of 2007, women in Lithuania were studying 1.7 times more often than men. The level of women's life-long edu-

cation in 2001–2007 increased from 4.6 % to 6.6 %, men's from 2.3 % to 3.9 %.

According to the research data on vocational education of employees in 2006, other EU countries far more often organize vocational education for their employees (Research on Development of Vocational Competences of Employees in Enterprises, 2007). Vocational education of employees is planned by the company in advance and fully, or at least partially funded education to improve qualification of employees. Education may take place in courses of vocational education, at the workplace, as well as taking part in conferences, seminars, lectures, or studying independently (self-study).

The index was the highest in 2005 in the United Kingdom (90 %). While in Lithuania, it was lower by a half – 46 %. According to this index Lithuania is ahead only of the older member states Portugal and Greece, and a separate new member states of EU Romania, Poland and Bulgaria.

To conclude, under the provision of Employment Strategy, the EU average level of lifelong education should reach the level of at least 12.5 % of the working age population (25–64 years of age) (the EU Council, 2008).<sup>2</sup> Therefore, it can be stated that this index in Lithuania is so far very low.

It should be noted that one of the objectives set by developing education in society, is to achieve that by 1 2012 people in Lithuania would have access to lifelong education and continuous update and development of their skills; that at least 15 % of working-age population of the country

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<sup>2</sup> Proposal for Council decision on the employment policy guidelines of the member states. Council of the European Union, Brussels, 3 March 2008.



would be learning each year (The National Education Strategy, provisions for the years 2003–2012). In our opinion, the implementation of these provisions will have a positive impact on the quality of human capital. On the other hand, formal indexes do not always ensure proper quality of education services which is especially important in the context of adult education. Therefore, developing education of adults in the future it is not only important to increase the population taking part in the education programs, but also to increase the quality of these programs and in particular meet the demands of the employees' real needs.

### **5. The need for the improvement of qualification of professionals with higher education and the need for the implementation possibilities based on the research data of the employers and graduates**

The value of human capital increases together with the growth of education level, therefore the situation of higher education professionals in the labour market reveals the efficiency of human capital application. Further, the results of the research carried out on professionals with higher education will be discussed<sup>3</sup>.

Paying attention to the concept of the research, the research on the improvement of the quality of human capital (improvement of qualification and re-qualification),

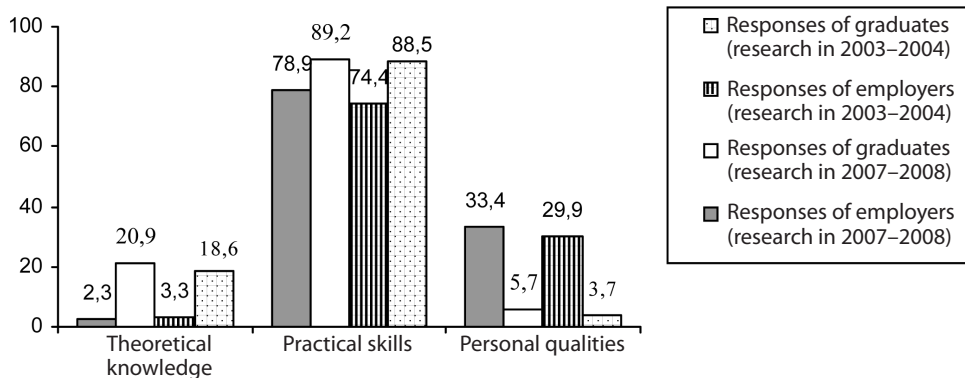
and the implementation of the need was organized by two sections, which enter into contact i.e. by investigating opinions of the employers and graduates employed in enterprises (The Institute of Labour and Social Research, 2003–2008). In the studies mentioned above the need for qualification development of professionals with higher education, the possibilities for funding options are considered not only from the standpoint of labour demand (employers), but also from that of labour supply, i.e., from the standpoint of graduates. To this end the same questions were given to the employers and graduates – this broadens the possibility to compare the results. Such research of the two sections of one phenomenon significantly increases the reliability of the study results and helps to evaluate objectively the individual features or processes.

*Lack of vocational education and training.* According to the data of research carried out in 2003–2008, and the opinion of employers and graduates, graduates mostly lack practical skills (Fig 2).

The research revealed that the graduates set quite big requirements for themselves. Employers regard more favourably the preparation of graduates for their vocational activity. According to the research data of 2003–2004, employers more often referred to the lack of competence to control and assess the results (25.6 %), the lack of competence to communicate with clients and customers (22.0 %), insufficient capacity to work in the group (20.6 %) less often inadequate vocational skills (18.4 %) (The Institute of Labour and Social Research, 2003–2004). Meanwhile, the higher share

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<sup>3</sup> In order to carry out more comprehensive overview of the research results, the systematic research material is provided and more emphasis is placed on different characteristics of the research which covers a variety of study characteristics, but focuses less on more detailed analysis of the study results and identification of causality. A detailed analysis of the research results is provided in the reports of individual researchers and studies, which are included into the list of literature.



**Fig.2. Employee's and graduates' views on what graduates mostly lack from the vocational education point of view (% , The Institute of Labour and Social Research 2003–2008)**

of graduates working in the enterprises, mentioned that from the practical skills they mostly lack the vocational skills (51.7 %), management / administrative skills (49.4 %), Information technology and computer literacy skills (36.3 %), control and the competence to evaluate the results (35.2 %) (The Institute of Labour and Social Research, 2003–2004).

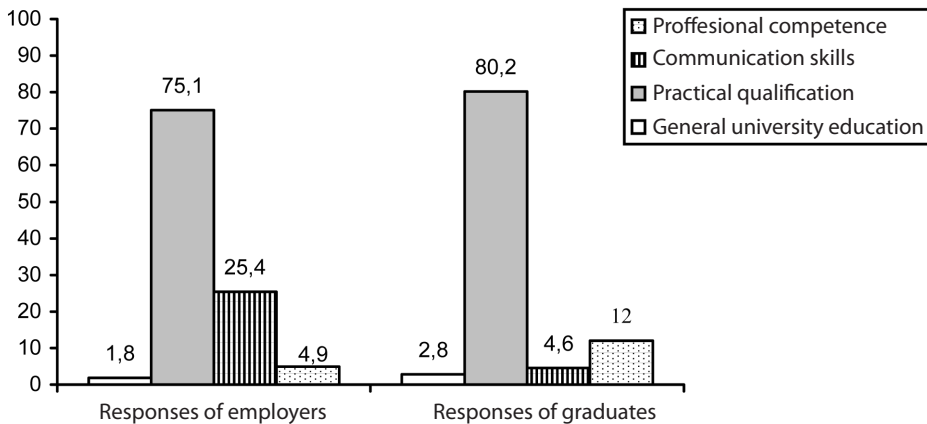
The data obtained from the research carried out by the Institute of Labour and Social Research and other research testify that employers place a strong emphasis on the general competence of employees that also includes the personal qualities. Studies highlighted the importance of personal qualities: only 3.3 % of employers marked the lack of theoretical knowledge and even 29.9 % – the lack of personal qualities (in 2003–2004), and 33.4 % (in 2007–2008) (The Institute of Labour and Social Research, 2003–2008).

According to the research data, employers highlight the lack of graduates initiative (43.9 %), responsibility (35.1 %) willingness to work hard (35.1 %), creativity and autonomy (by 15 %). Graduates believe

that they lack creativity (37.9 %), independence (30.5 %), attention (33.7 %), and initiative (25.5 %).

According to the survey data carried out in 2004–2005, 12 % of the graduates indicated that they feel a lack of professional competence (Fig. 3) (The Institute of Labour and Social Research, 2004–2005). To a lesser extent – 4.9 % of business representatives (employers) marked the same answer. The lack of technical knowledge in their profession, for instance, was indicated by 63.6 % of graduates and only by 22.6 % of employers. To conclude, this time the graduates were much more critical about their preparation for the vocational activity than the employers.

It should also be noted that the lack of communication skills is more stressed by employers – it was claimed by more than a quarter of the surveyed employers. Meanwhile, only 4.6 % of surveyed graduates think that they have inadequate communication skills. These data may show that there is a lack of a closer contact, mutual understanding and trust among older employees and young specialists. The lack of



*Fig.3. The attitudes of employers and graduates on graduates' vocational education (%)*

these things was more clearly identified by the employers. Young professionals, perhaps, do not feel a lack of communication with employees that work in the organization for a longer time.

Among other capacities of graduates, skills of the personal and organizational level were allocated, i.e. general competence and the communicative competence, which is necessary for the successful work of the organization. The data show that graduates are far more critical about their general skills than employers. Most employers pointed out the lack of graduates' skills to work independently (37.2 % – in 2004–2005 year, even 75.2 % – in 2005–2006), the lack of teamwork skills (25.7 %), as well as the lack of critical and analytical thinking (21.7 %). Graduates also frequently identified the lack of critical and analytical thinking (41.2 % – in 2004–2005, 60 % – in 2005–2006), the lack of teamwork skills (38.2 %), also the lack of time planning skills (29.4 %) (The Institute of Labour and Social Research, 2004–2006).

According to the surveys carried out for higher education graduates, the most significant factors affecting their employment, in their own view is their work experience (or skills) and personal qualities (The Institute of Labour and Social Research, 2003–2008). Survey shows the growing importance of personal qualities in the labour market. The growing meaning of these qualities is reflected in the results of the surveys for the employers' representatives.

To conclude, in contemporary economy the employment possibilities, the efficiency of job and income more often depends on the personal qualities. Therefore, as is mentioned above, it is necessary to complement the concept of human capital, by including the personal qualities of an individual.

*The need for qualification improvement.* Surveys carried out in 2003–2008 have revealed that improvement of human capital is important both for the employers and graduates. Both employers and graduates recognize the importance of qualification improvement.

About 60 % of graduates during the survey pointed out the willingness to improve qualification or re-qualify (The Institute of Labour and Social Research, 2003–2008).

According to employers' estimates, more than a third of the companies that employed higher education graduates mentioned that graduates had to improve their skills (The Institute of Labour and Social Research, 2003–2008). Nevertheless, the need for the above-mentioned improvement of employees' qualification and re-qualification was pointed out more often by graduates than by employers. That indicates that employers are aware of the real situation of their employees and the need to improve skills.

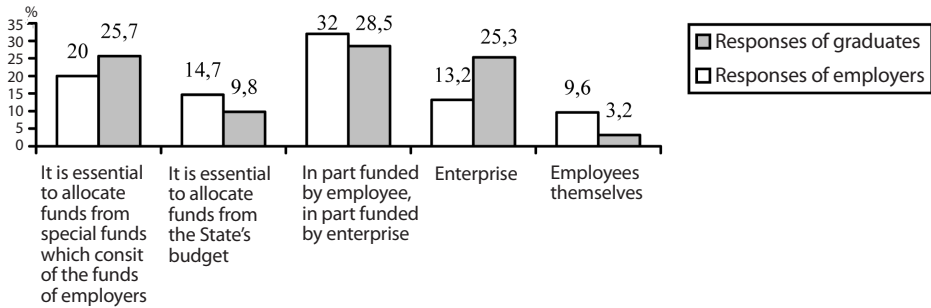
According to the research data, most young specialists have to improve the foreign language and legal skills. Some have to improve the management, psychology and computer literacy skills and to update professional skills.

Surveys have shown that both managers and graduates would prefer short-term (up to 3 months) training / re-qualification measures (The Institute of Labour and Social Research, 2005–2008). In particular, employers were in favour of the following measures. According to the research, the most acceptable forms for the higher education graduates qualification improvement and re-qualification to employers and managerial staff are training at the workplace, extramural studies and distance tutoring. By analogy three most acceptable forms of re-qualification were emphasized by higher education graduates.

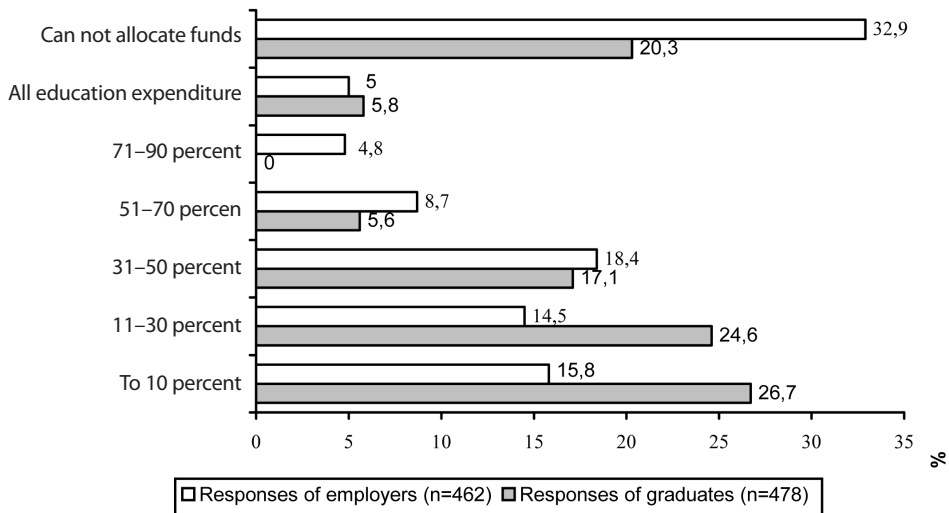
*Investment in human resources.* One of the main obstacles for the development of continuing vocational education is the lack of financial possibilities

of physical and legal entities. Therefore, the following question has been submitted to the respondents (to the employers, and to the graduates). "Who do you think should pay for the qualification improvement and re-qualification of higher education graduates?" According to the research carried out in 2003–2004, the answers of the higher education graduates and of the employers whose companies have been recruiting higher education graduates in 1996–2002 have distributed equally on this question. In most cases, the employers and graduates pointed out that employers and graduates should pay for the qualification improvement and re-qualification of higher education graduates. Or it is appropriate to fund that measure from the special funds, which consist of the funds of employers and State funds. Every fourth graduate said the improvement of qualification and re-qualification should be funded by the enterprise that person works at (Fig. 4) (The Institute of Labour and Social Research, 2003–2004).

In 2004–2005, approximately one-third of respondents said that their organization can not allocate funds for their specialist development, or may cover only less than half and especially, enterprises where more employers would need to upgrade their qualification. Majority of the employers think that expenditures on the improvement of employee qualification should be paid by the employer or the expenditures have to be divided between several entities (for example, the employee and the enterprise, the employer and the state, employee, enterprise and special funds, an enterprise and special funds and etc.) (The Institute of Labour and Social Research, 2004–2005).



**Fig. 4. The responses of respondents (graduates and employers) to the question who should pay for qualification improvement and re-qualification of higher education graduates (%)**



**Fig. 5. Responses of graduates and employers to the question what share of expenditures on the improvement of qualification and re-qualification of higher education graduates could be paid by the enterprise and what share by an employee (%)**

In 2005–2006 the opinions about the sources to finance the graduates' qualification improvement were rather contradictory. Even 62.6 % of higher education graduates took the view that professional development expenditures should be covered by the company (the employer). Meanwhile, employers pointed out the three main funding sources. The first two – the special funds and enterprise funds. The third source – the expenditures should be divided between some actors – enterprises

and employees (The Institute of Labour and Social Research, 2005–2006).

*The possibilities of employers and graduates to fund the improvement of qualification and re-qualification of higher education graduates.* According to the surveys carried out in 2003–2004 the expenditures on continuing vocational education per person could be covered only by 5 % of employers, and one-third (32.9 %) of the enterprises could not allocate funds for the given purpose (Figure 5) (The In-

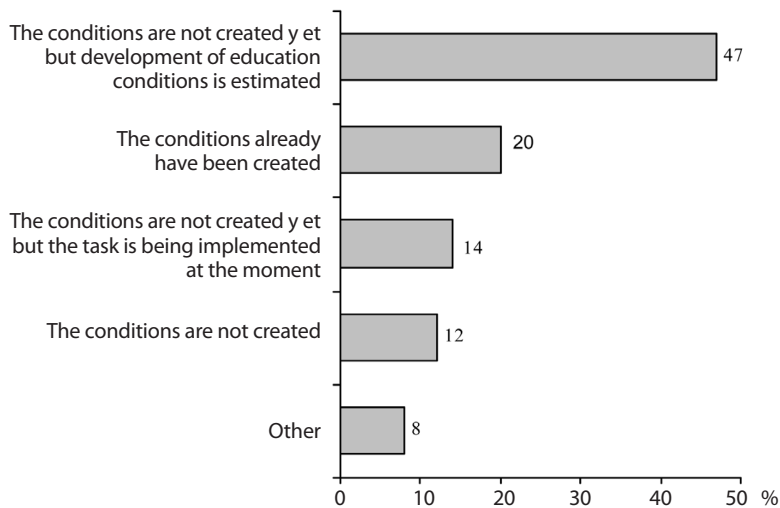


Fig. 6. *The adult education conditions created at municipal level for those who seek to get qualification or re-qualify (the assessment of the representatives of municipality education departments) (%)*, according to the data of survey carried out by the Lithuanian Adult Education and Information Centre in 2008)

stitute of Labour and Social Research, 2003–2004).

26.7 % of graduates themselves could pay only up to 10 % of the expenditures on their education, approximately every fourth (24.6 %) – 11–30 % and approximately every sixth (17.1 %) – 31–50 % of education expenditures. All education expenditures could be covered only by 5.8 % of respondents (graduates). Every fifth (20.3 %) graduate indicated that he could not allocate the fund for education (Fig. 5).

*The assessment of environmental conditions that exercise influence on the possibilities of lifelong education.* Environmental conditions are of great importance for the improvement of qualification (re-qualification) and at the same time for the development of lifelong education possibilities.

According to the data of the survey carried out by Lithuanian Adult Education and

Information Centre in 2008 the conditions for adult education and training or re-qualification are not set at the municipal level, (the assessment of the representatives of the municipality education departments), but there are plans to develop it. Every fifth surveyed person believed that such conditions already exist. Other responses were mentioned much less frequently (Fig. 6). The results of the survey show that respondents are quite critical about the development of current lifelong education conditions and link it more with the future perspectives.

The experts that participated in the survey were of the opinion that adult education situation has improved in recent years, but still very slightly. The lack of attention to adult education particularly to non-formal education, a shortage of human resources (there is a lack of teachers and managers), poor education motivation of the popula-



tion, lack of funding, poor infrastructure are highlighted in the survey.

The following conditions as increasing the motivation of citizens in education are singled out: meeting the needs of social groups with a relatively low social power, efficient use of resources; comprehensive education policy at state and municipal level.

To sum up: conditions at the municipal level are not created for adults who seek to get occupation or requalification. Only a small share of workers and enterprises may allocate funds for the improvement of qualification or re-qualification. It is clear that the enterprises (organizations) that want to improve the quality of human capital – for the qualification improvement and re-qualification – need support for both enterprises and for the separate employees. Therefore improving the legal framework of education, it is important to apply a wide range of financial leverage (by using the budget of the state, funds of the employers and the EU support funds) that would encourage more active investments of employers into the vocational training, the employees to continually improve their skills, and the training institutions to develop the education basis, increase diversity of education / study programs, to improve the quality of studies and the adequacy of vocational qualifications to the demands of the market (the region).

## Conclusions

1. The concept of human capital theory, which is based on the claim that capacities of an employee or a group of employees to achieve the best results is the reason for the wage increase, is

not sufficient in terms of labour market. The importance of human capital in the context of labour market is much higher. Individual's vocational education and training in the broadest sense – acquired knowledge, skills and acquired personal qualities, which also should be highlighted in the concept of human capital results in the integration of the individual into the labour market, and after that in the relevant income. The surveys confirm the claim that the higher quality of human capital provides a more favourable position in the labour market, since in the welfare countries employment is more often valued as a social and not only as an economic phenomenon and a source of income, because a working person not only ensures his/her material basis of existence that is known to remain for a long time the main and most important function of the work, but also satisfies his/her communication and other needs. By focusing on the influence of the human capital on the situation in the labour market, the attention has to be drawn to the human capital as a social category and not only as that of economic importance.

2. The concept of human capital does not adequately reflect personal qualities of an individual. Surveys of employers in various regions of the country since 1997 carried out by the Institute of Labour and Social Research show the constantly growing importance of personal qualities (general competence) in the qualification structure of employees. According to the surveys carried out in 2003–2008 employers highlight the lack of graduates' initiative, responsibility,

willingness to work hard, creativity and independence. Graduates believe that they lack creativity, independence, attention, initiative. Sociological surveys reveal that employment mostly depends on the work experience and personal qualities.

3. Analysis of literature and the results of surveys show that in the contemporary economy, the growing employment opportunities, job performance and income more often than not depend on the personal qualities of an employee. It is therefore appropriate to complement the concept of human capital by including the individual's personal qualities into it. Attribution of personal qualities to the human capital is caused by the fact that almost all of it is not so much congenital, as it may be acquired (employers, for example, stress the initiative, responsibility, willingness to work hard, autonomy, etc.).

4. Surveys of employers carried out recently in Lithuania show that employers face a lack of human capital quality (shortage of skilled labour force), they claim that there are workers who need to improve their skills. However, in many enterprises, this activity is not systematized – the sufficient attention is not paid to the education (qualification improvement) of employees within enterprises. In addition, both individual and legal entities lack financial resources. Thus, the accumulation of human capital quality in the enterprises (organizations) of the country is not sufficient. Therefore, in order to increase the competitiveness of enterprises, it is appropriate to apply a wide range of financial leverage to encourage employers to invest into the vocational education of employees.

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