

ROLE OF HUMAN RESOURCE DEVELOPMENT IN ECONOMIC DEVELOPMENT

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Abstract

Human Resource Development is one of the most crucial aspects of Development. Of all these ingredients of economic development, the human factor is the most vital in the complex process of reaching higher levels of income. Technically speaking 'Human Resource Development has to be considered as an integral part of the economic development policy of all the developing countries. In order to achieve the goals of economic development in the developing countries, the accumulation of capital is not sufficient but more skilled and talented manpower is required to face all the problems. human resource development implies economic development; sustained improvement in human well-being is not possible without economic development, which need not necessarily translate into higher levels of human resource development, as it requires effective policy management if it is to enrich human resource development.

Keywords

HRD, Economic Development, Role, Importance, Technology, Trade, Government

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The economic development of a country is characterized by a process, whereby its real national income increases over a long period of time.¹ It is attained by combining human resources (labor supply, education, discipline, motivation), natural resources (land, minerals, fuels, climate), capital (machines, factories, basic infrastructure), and technological knowledge (science, engineering skills, management, and Entrepreneurship).²

Of all these ingredients of economic development, the human factor is the most vital in the complex process of reaching higher levels of income, because an economy may possess abundant physical and financial resources, but unless there are available qualified and trained engineers, managers, entrepreneurs, and skilled workers, who can organize and combine these resources, the country can't make rapid strides towards economic development. A nation possessing a highly skilled workforce can attain a high level of economic development, even in the absence of ample resources

The emphasis on highly qualified human resources in this context is not meant to undermine the importance of other factors in the process of economic development. Surely, physical and financial capital stock, technology, and suitable macro-economic policies play an important role in this process, but these factors become operative only when the requisite amount of qualified human resources are available to organize and orchestrate these within an appropriate macro-economic policy framework. Investment in human beings is complementary to physical capital and any negligence of the former is bound to put a limit to the process of economic development. The types of people who constitute human capital are of strategic importance in the production process of an economy and it is they who hold the key to national progress.

The phenomenal success achieved by the newly industrializing economies of the world establishes in unequivocal terms that human resources are the engines of economic, social, cultural, and political growth of both the countries. They constitute both the ends and the means of the process of economic development, human resources provide precious labor and managerial, technical, and entrepreneurial skills required for the development of an economy. Besides, they are themselves both the consumers and producers whose activities determine the well-being of the country. The harvest of the development is reaped by human beings themselves,. Thus, the nexus between the development of an economy and human resource development is very strong and positive.³ It becomes imperative to arrive at a comprehensive understanding of the term 'Human Resources, its development, and also its implications for the overall growth process of an economy in a conceptual framework.

Human Resources: The Concept

In a popular sense the term ‘Human Resource ‘ is generally equated with total labor force or total manpower of a country. But whereas this exclusive quantitative aspect of human resources does not sufficiently convey the importance, which this factor is assigned in the process of economic development, the qualitative attributes of this concept have been included in the interpretation given by UNESCO. Accordingly, ‘Human resources’, as distinct from material resources, comprise the skills, knowledge, and capacities of all human beings actually or potentially available for economic and social development of a country”⁴.

Thus a comprehensive treatment of a concept of human resources includes the entire population of the country, as also the knowledge, skills, life expectancy, sound health, resulting in a capacity for sustained work; appropriate attitudes and values, and all other qualities of a human being, which could be conducive to higher rate of output and accelerated growth.

Human Resource Development: Its Meaning and Importance

The qualitative attributes of the manpower, which transform it into an economic resource are not free gifts available out of the benevolence of nature, but are developed through conscious and sustained economic efforts of the individuals and the society. As such human resource development has to be viewed as an economic endeavor involving planned investment and reaping benefits in the form of improved human capabilities.

Technically speaking ‘Human Resource Development has to be considered as an integral part of the economic development policy of all the developing countries. The term thus refers to the process of increasing the number of human beings with a qualitative improvement in their knowledge, skills, and capacities, and their effective utilization for the development of an economy. Human resource development is thus associated with the investment in man and his development as a creative and productive resource in the production process.

The development of human resources refers to those investments which are intended to develop the inner qualities of a man. However, human resources are developed in many ways but we may restrict investment in human capital to:-

1. Education, which includes general education and technical education, training on the job, Information from media, and
2. Health, which includes health care services, improvement in nutrition, and fertility reduction as fewer births often mean better quality children.

The importance of these items for improving the quality of human capital

needs no stressing. Expenditure on these items increases the physical and mental efficiency of the population and improves the expectation of lives and thereby increases the economically active population.

The growing awareness about the importance of human resource development for the attainment of accelerated and self-sustained economic growth could be ascribed to several factors revealed from the experience of the human resource development policies pursued by different countries:-

a) Countries, which have accorded high priority to human resource development, have performed relatively better in terms of economic growth, employment generation, reduction in income inequalities, and alleviation of poverty.

b) When the distribution of income and assets is very uneven, high economic growth rates fail to translate themselves into enhanced standard of living of people at large.

c) Well designed social expenditure by the government can significantly improve human resource development level even when the economic growth rate is low,

d) Investment in human resource development has directly contributed to economic development by promoting the education and health care facilities, by promoting the application of science and technology to the production process by developing innovation and research, and by training the workers in different technical skills for higher output.

e) Human resource development is not only an essential pre-condition of economic growth, it is among its major objectives as well.

The return on investments in human resources have certain distinctive characteristics:-

Firstly, while other investments depreciate over time, these appreciate their value during the period of their utilization.

Secondly, the period of return on investments on education and health is continued over a much longer period.

Thirdly, the multiplier and indirect effects of investments in human resource development are more evenly spread and far-reaching than investments in other resources.

Fourthly, after the optimum level, the law of diminishing returns becomes operative in other resources except for human resources, where the operation of the law of diminishing return can be postponed for a fairly long period of time.

Fifthly, human capital tends to deteriorate and become obsolete at a faster rate than many types of physical capital, if it remains idle and unutilized.

The importance of human resource development has been emphasized strongly in policy-related perspectives on economic developments such as World Bank Development Report (1990-91) and UNDP's Human Development Report (1990), and in more academic perspective of the long term growth models of Romar (1986), Lucas (1988), Azariadis and Drazen (1990) and others in which increasing returns to scale to human resource development are central to the analytical possibilities of ongoing and diverging growth.

The human capital models explain that educated people use capital more efficiently so it becomes more productive. They are also more likely to innovate to devise new and better forms of production. Thus, the rising level of education causes a rise in the efficiency of all the factors of production. This helps to explain part of the disparity in income between rich and poor countries, and also explains why poor countries are not catching up. They are failing to make investments in human capital that can raise productivity and enable the workforce to adopt new technology. Five nations- Israel, Japan, South Korea, Singapore, and Taiwan are repeatedly cited as an example of real human resource development. It is increasingly recognized now that sound human development policies can make a significant contribution both to long-run economic growth and to poverty alleviation.

Human Resource Development and Economic Development - A Relationship

The problem of economic development must be defined as a multidimensional process involving the re-organization and re-orientation of the entire economic and social system so that a selective attack on the worst form of poverty can be made. Development goals must be defined in terms of progressive reduction and eventual elimination of malnutrition, disease, illiteracy, squalor, unemployment, and inequalities in the distribution of assets and opportunities.⁵ Economic development is not an end in itself, but as a means to the end of improving the welfare of human beings.

In order to achieve the goals of economic development in the developing countries, the accumulation of capital is not sufficient but more skilled and talented manpower is required to face all the problems. The process of economic development requires a spectrum of skills ranging from the simple manual labor to the work of specialists and highly trained and skilled persons which are the results of concerted efforts of for human resource development.

Economic development is spearheaded by industrialization, wherein the application of ever-advancing technology plays a very vital role. As soon as, therefore, the problem of using advanced technology for industrialization arises, the need arises also for highly skilled human resources. The major difference between a developed

and developing country is that the former possesses the proficiency required to take on and uses efficiently superior techniques of organization and management and the latter has not reached that level. Hence the first and foremost task of every developing country is to accelerate its process of human resource development.

It is clear that an efficient human resource development policy has been an important component of an integrated strategy for economic development. The process of economic development could face serious impediments in the absence of a sufficient supply of critical skills required in the various sectors of the economy. The development of human resources and their effective utilization helps to overcome the problem of high birth-rate and to increase the investment rate and output.

The quality of manpower and the level of economic development are multi-correlated. The highly skilled human resources lead to a more efficient productivity, which, in turn, results in a larger surplus. With a larger surplus, a country can make large investments in its human and physical resources, which will provide a wider and stronger base for additional economic growth.

A high level of education influences directly the health status of the people, by creating awareness among them about better nutritional, hygienic, and sanitary practices. At the same time by giving a higher level of income indirectly, it makes such nutritional and hygienic practices possible to be implemented by the people. Better conditions of health of manpower increase the per capita productivity. i.e. income or higher level of economic development. Thus through education and health, a sound human resource development policy influences both the quality as well as quantity of the population.⁶

Human Resource Development and Technology

Education and technology have complex relations to economic development. The productivity benefits of technology vary according to the level of education. The impact of green revolution in agriculture is an example of the interaction between the new technology and education. The most critical factor in adapting the technology was the ability of farmers to make use of the new information. The impact of education on agricultural productivity in India illustrates the point. In India, areas, where relatively few farmers had primary schooling at the onset of the green revolution experienced less growth than the areas with the same technological opportunities but better-educated farmers.⁷

For industrial production too, the new technologies depend critically on an educated and flexible workforce. Singapore and Taiwan raise their technology levels by encouraging direct foreign investments. South Korea puts more emphasis on licensing technology, implementing design improvements provided by foreign buyers,

and importing machinery and copying it through reverse engineering. None of this would have made a difference if the workers had not been sufficiently educated to adopt the technology and disseminate it.

Human Resource Development and Trade

One less-emphasized result of the interaction between human resource development and technology is that it changes a country's pattern of trade-in particular, whether it exports primary products or manufactured ones. Skilled workers give an advantage to their country and manufacturers in the export market.

These skills are particularly important for countries with limited natural resources, which have a direct incentive to develop an alternative form of comparative advantage. Japan and Singapore with limited natural resources but an educated workforce have developed the strongest comparative advantage in manufacturing. But in some parts of Africa, the combination of good natural resources and a low level of education limits exports to unprocessed primary products. Many Latin American countries occupy the middle ground; with moderate education and abundant resources, they tend to favor processed primary products. In the long run, terms of trade tend to move against primary products and towards manufacturers. Even within manufacturers, they move in favor of more skill-intensive products, explaining why countries are keen to climb the skill ladder.

Human Resource Development and Government

The links between human resource development and economic development are mutually reinforcing. When the links are strong, they contribute to each other. But when the links are weak or broken they can become mutually stifling, as the absence of one undermines the other. To forge strong links between economic growth and human resource development, employment-generating growth strategies are required for which the interference of government becomes inevitable. As suggested by Prof. Amartya Sen, the advantages from the investment in human resource development do not accrue automatically. Hence, the government has to play a role not only in guiding the development process but also in intervening wherever necessary to ensure that the full benefits of human resource development are derived. Since the low-income people invest less in schooling and health care, the government should come forward for investment in human resource development and should also encourage private investment by making loans accessible to investors in human resource development activities and improving information about future returns on investments in human resource development.

To sum up, human resource development implies economic development;

sustained improvement in human well-being is not possible without economic development, which need not necessarily translate into higher levels of human resource development, as it requires effective policy management if it is to enrich human resources development. Conversely, if human resource development is to be durable, it must be continuously supported by economic development.

Any imbalance between the creation of capabilities in people, which is what human resource development aims at, and the absorption of these capabilities in productive activities which is what economic development can result in, can create social and economic upheavals. Human resource development has to go hand in hand with economic development, otherwise, wastage of human resources can be most detrimental to an economy and it can lead to the emigration of the highly qualified manpower to the other developed countries of the world.

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