



## HUMAN CAPITAL THEORY: THE BASIC ECONOMIC PERSPECTIVE ON EDUCATION

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### ABSTRACT:

This paper examines the positive correlation between increasing the higher educational attainment and economic growth in our country. Workers with more education are thought to be more skilled and productive than those with less education, which merits their higher salaries. The hypothesis suggests that higher levels of education schooling results in higher productivity and pay by linking the worker's preparedness to their levels of academic education. According to this hypothesis, employees pursue education to increase their cumulative wages' current value, and the demand for various educational degrees is explained by using private returns. According to the Human Capital Theory, investments in education or training are made only with the intent to obtain, just like investments in physical capital. The efficiency, equity, and financial consequences that follow make education return estimation popular. Comparing education investment to other assets can help governments and people justify education expenditure. In addition, the ranking of educational returns relative to other investment returns should help policymakers in the education sector make well-informed, fact-based investment choices.

### KEYWORDS:

**ECONOMIC GROWTH, EDUCATION, HUMAN DEVELOPMENT, AND MONEY.**

### I. INTRODUCTION

A major difficulty for economists and educational planners has been determining the impact of human capital on returns. This is because human capital is immaterial and difficult to directly observe. The notion has impacted government policies in education, garnered criticism, and sparked discussion about the contradiction between who benefits from education and how it should be organized and funded. Education in the Philippines has been modelled as an investment that leads to economic growth.

According to the Human Capital Theory, learning is an investment that promotes learner productivity. An important factor in any nation's Gross Domestic Product (GDP) is the caliber of its labor force. Early ability (whether learned or natural), credentials and information obtained via formal schooling, and skills, competences, and expertise obtained through non-formal or informal education, such as on-the-job training, are the three basic components of "human capital." Individual students or

businesses investing in education or training anticipate gains in the form of increased incomes, employability, or productivity. The return on investment in education is regarded as the individual's private economic returns.

One of the key concepts in labor economics is to see workers' collection of marketable talents as a sort of capital in which they spend a range of resources. This viewpoint is crucial for comprehending the structure of salaries and earnings as well as investment incentives. It is said that education is a form of investment. The economic value of people is based on their educational achievements, skills, and knowledge. Investing in ones' education would improve the quality of workers and therefore increase the wealth of the community.

The earning function approach produces the inverse correlation, representing the bigger relative gain in earnings associated with more education. The internal rate of return approach shows diminishing returns to education, reflecting the ever-rising cost of increasing

increments of education. The internal rate of return strategy yields a higher rate of return than the earning function approach. The earning function approach is more complete in evaluating the earning disparities associated with extra schooling, whereas the internal rate of return approach offers a more precise assessment of the earning return to the actual amount invested in education.

The aim of this paper is to evaluate the private and social rates of return to education in the Philippines which informs the advantages on the investments of every individual in their education.

## II. OBJECTIVES

This evaluative study aims to understand the importance of the correlation of higher educational attainment with the economic growth in the Philippines.

This aims to attain the following objectives:

- (1) understand the importance of education in the economic growth of the country
- (2) determine the advantages on the investment in education
- (3) promote individual's developmental growth and career enhancement to become economically independent

## III. METHODOLOGY

This research journal uses a descriptive study approach since the researchers can only describe the employment profile and status of the respondents through stratified convenient sampling, school-related factors that affect their employment, and the advantages of the values and skills inculcated to them by the Cebu Technological University – Main Campus during their master's degree years.

## IV. PRESENTATION OF DATA AND ANALYSIS

The Cebu Technological University – Main Campus has 321 graduates in the master's program last 2022. With the use of the stratified convenient sampling, 40 graduates of the master's program were chosen as respondents of this study. These 40 graduates were interviewed by the respondents based on the advantages of their investments on their educational attainment regarding their promotions in their respective Divisions.

The researchers used a customized version of Graduate Tracer Study (GTS) which was originally created by the Philippine Commission on Higher Education (CHED). The data-gathered instruments utilized by the researchers were given to the respondents through electronic mail. The respondents answered the questionnaires through putting a check if the respondents' employability is described as greatly affecting (2.34-3.00), moderately affecting (1.68-2.33), and less affecting (1.00-1.67) and the values and skills inculcated by the University were categorized as highly contributive (2.34-3.00), contributive (1.68-2.33), and less contributive (1.00-1.67). since there were no reliability or validity problems, the study did not need their identification.

Prior to that, the researchers verified that the respondents grasped and approved the permission letter, attesting to their willingness to participate out of ethical concerns. Additionally, to safeguard the respondents' identities, the researchers utilized their results in a manner that prevents direct identification of them.

With the questionnaires given to the respondents, the researchers gathered these data. Regarding the employment status of the respondents, 32 were given a chance to get promoted from Teacher 1 to Teacher 3 in their respective Divisions after graduating their master's degree while 8 of them were still on Teacher 1 position because their experience is below the number of years asked by the Department of Education. Based on the values and skills inculcated by the University, the researchers found out that the respondents answered that these were highly contributive to their employment status specifically in their promotion with an average weighted means of 2.70.

This result suggests that the respondents' specified work values and available job abilities were unquestionably important in their line of employment. The work skills comprise both hard skills, such as the ability to do the task, and soft skills, which include interpersonal, communication, problem-solving, and teamwork abilities. Thus, this further implies that Cebu Technological University – Main Campus Graduate Studies has played a significant role in the employment of its graduates and even the students.

## IV. CONCLUSION AND RECOMMENDATION

The conclusions unquestionably support the claim of this investigation that the graduates and students at Cebu Technological University – Main Campus Graduate Studies received a set of "very contributively" work values and skills. It has bolstered not just the respondents' practical abilities but also their acquiring equally crucial soft skills will help you adapt to your community's and perhaps the country's evolving needs. The most important resource, human capital, which is essential to sustainable economic growth. This has given the nation access to a small portion of its workers, the preponderance of who are having an impact on the local education sector. To help its graduates and students find work, Cebu Technological University – Main Campus Graduate Studies collaborates with other higher education institutions in the nation to operate as a centre for human resource development. To guarantee that there is no unemployment, academic leaders must increase the graduates' marketability and strengthen the employment impact of school-related characteristics that were shown to be only "moderately affecting."

Further research on the employment prospects of those with graduate degrees is also needed. Additionally, promotions and pay raises are possible. Ideally, this would be accomplished by implementing an electronic system for the collection, monitoring, retrieval, distribution, repository, and archival of the graduates' employment data, thereby developing an online platform for the Cebu

Technological University – Main Campus Graduate Studies' periodic tracer studies.

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