

ABSTRACT

HUMAN CAPITAL AND ECONOMIC GROWTH: COMPARATIVE PANEL EVIDENCE OF BALKAN REGION AND EUROPEAN UNION COUNTRIES

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This thesis investigates the relationship between human capital and economic development in Europe, focusing on Balkan Region as set against the background of other European countries from 2000 to 2019. The study aims to provide valuable insights for both European and developing countries by analyzing the progress made in addressing educational, economic, and political challenges faced by countries at different stages of socio-economic development in Europe. The research explores the importance and structure of human capital and its integration with economic development, emphasizing the need for long-term growth policies. The study highlights the significance of regional analysis within Europe, specifically focusing on European Union countries, European Union Balkan Region, and Non-European Union Balkan Region. By dividing the countries into these subsets, the research focuses on the regional dimension of economic and human capital and its implications for economic policy.

The research further compares the impact of human capital on economic development in high and middle-income European countries. Middle-income countries benefit more from increasing investments in human capital, while high-income countries demonstrate a greater positive impact of proxies related to education, likely due to better quality education and specialized skills needed in advanced economies. Additionally, the study examines the variations in development levels within Europe, specifically focusing on the Balkan region. The research is based on regression analysis where economic growth is dependent variable and a set of variables representing human capital are explanatory. The findings reveal that less-developed regions, such as the Balkan region, benefit more from

human capital and require investments in education to achieve long-term economic growth. Overall, this study contributes to the understanding of the importance of human capital in driving economic development in Europe since it shows that while components of human capital all contribute to growth it is strongly dependent on the current level of country's development which of the human capital components should be prioritized. The findings emphasize the need for policymakers to invest in education, health, and overall human capital to foster sustained economic growth. The study provides valuable insights for policymakers in both European and developing countries, offering guidance on how to address regional disparities and promote economic growth through human capital formation.

Keywords: Human Capital, Economic Growth, Europe Union, Balkan Region

