

## INVESTMENTS AND FEATURES OF THEIR IMPLEMENTATION IN HUMAN CAPITAL

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**Abstract:** *The article is devoted to the consideration of the concept of «investment» and the peculiarities of their implementation in human capital within the framework of the traditional functional approach aimed at creating creative human potential. In general, today there is no doubt that investing in human resources is a promising direction. One of the most difficult tasks in creating an investment system for the state is the full provision of all the necessary material and technical base to ensure a high level of quality services, primarily in the field of education. The article examines the types of investments in human capital; Investing in human capital reveals its main benefits. For the state, the benefit from investment in human capital lies in the growth of incomes of the population, GDP growth, development of educational, medical, cultural and other spheres of citizens' life.*

**Key words:** *investments, human capital, functional approach*

**JEL codes:** *J 11, I15, I18, J24, J78*

## **1. Introduction**

The basis of the new economy is human capital, which is the main driving force behind the socio-economic development of modern society. Unique skills and abilities, the ability to adapt them to constantly changing conditions, high qualifications are becoming the main production resource. Investments in intellectual human capital are becoming the most efficient way to allocate resources. The creation of a socio-economic and innovative model for the development of society is ensured by the action of a holistic set of tools, a decisive place among which belongs to investment in human capital.

«Human capital is the place where all the paths originate, an inexhaustible source of renewal and our own page, he is also a home predictor of the future. If intellectual capital is a tree, then some people are life-giving juice (in some companies - juice), a growth promoter. Money can speak - but not think; machines perform tasks (sometimes better than humans), but they do not invent» (Thomas, 1978).

The experience of economically developed countries of the world shows that investing in human capital, even in small amounts, allows you to get a much greater economic return in the long term than significant investments in the technical development of an enterprise. Investments in human capital are seen as a very important source of economic growth, more important than investment in physical capital.

## **2. Methodology and Data**

The theoretical basis of the study includes fundamental monographic works, scientific articles in the world's leading journals and applied developments of domestic and foreign economists and sociologists on the issues of modern human capital theory, problems of its reproduction, assessment of its movement during the socio-productive process and investment in people.

The research is based on general scientific methodology, which involves a comprehensive, systematic approach to solving problems, providing for the unity of qualitative and quantitative analysis; principles of dialectical logic, ensuring the objectivity of the approach; application of the method of analysis and synthesis. In particular, the experience of foreign countries was studied through the application of the comparative analysis method.

## **3. Results and Discussion**

In modern conditions, the competitive advantages of economic systems are largely achieved not at the expense of natural resources, but at the expense of human resources in the form of

knowledge, information and innovation, which are the basis of the economic growth of countries. This explains the daily growth of interest in the development of human capital of the most successful foreign and domestic scientists.

The concept of «investments» in various sciences has received an ambiguous interpretation. In economic theory, investments are considered as expenses for the creation (acquisition), expansion, reconstruction and technical re-equipment of fixed capital, as well as the resulting changes in the size and composition of working capital. The law «On investment activities in the Russian Federation carried out in the form of capital investments» No. 39-Federal Law dated February 25, 1999 provides a broader understanding of investments that go beyond their financial and economic nature. According to this law, investments are understood as monetary funds, securities, other property, including property rights, other rights that have a monetary value, which are invested in business and (or) other activities in order to make a profit and (or) achieve another useful effect.

In the early industrial era, the search in investments theory was mainly to identify internal reserves of production. At the same time, human resources as the main factor of production, despite the proclaimed doctrines, were by no means assigned the first place. The reason is that, with the limited technical basis of production, the maximum opportunities for the full use of the abilities of each worker had narrow limits. Several eras have differently interpreted «investments» in human resources and the expediency of their investment. As a result of the accumulation, transfer and improvement of knowledge, the concept of «human capital» emerged. The modern neoclassical theory of human capital was born and developed in the works of G. Becker, G. Mintzer, T. Schultz, B. Weisbrod, B. Hansen and many other economists in the 1950s and 1980s.

The historical roots of this theory can be found in the works of A. Smith and W. Petty, K. Marx and J. Stuart Mill, H. Sidgwick and A. Marshall, H. Rocher and W. Farr, E. Engel and T. Witstein, and many other major economists of the past. In the current interpretation, human resources are used to understand a person's abilities and potential in relation to his physical, mental and emotional activities, which help him to participate effectively in the production cycle.

Among modern researchers, we can distinguish scientists who are more or less engaged in the research of investments in human capital: Chen, M.Y.-C., Lam, L.W. and Zhu, J.N.Y., 2021; Cometto, G., Campbell, J., 2016; Guliyeva, A., Chunikhina, N., Guliyeva, A., Abdulova,

A., 2019; Petrov, M.B., Kurushina, E.V., Druzhinina, I.V., 2018; Siddiqui, A., Rehman, A., 2017; Veltri, S., Silvestri, A., 2017; Yakovenko, N.V., 2007 and others.

Human resources are measured quantitatively (the number of employees of the enterprise) and qualitatively (the level of qualifications, knowledge and other properties that have a positive effect on the growth of labor productivity). The costs of developing these capabilities and increasing employee productivity are called “human capital investments”. The cost of human capital must be adequate and contribute to the future growth of income (wages) of a person. In a broad sense, human capital is viewed as a concept that includes other qualities, namely: motivation, loyalty, and the ability to work in a team. Based on the foregoing, it becomes clear that capital is formed from the qualities that a person uses in his work and thanks to which he becomes valuable for the company (intelligence, reliability, positivity, dedication, energy, etc.). It also includes the person's ability to learn (giftedness, ingenuity, creativity, imagination) and the person's motivation to give others their accumulated information and knowledge (team spirit, focus on company goals, etc. As noted, it is common practice when investing in human capital is considered as any measure taken to increase labor productivity. There is a debate about whether human capital investment is acceptable compared to conventional investment. So, for example, A.I. Arkhipov (2016) considers investment in human capital as: “purposeful investment in industries and spheres, ensures the improvement of the quality parameters of a person, primarily his workforce (level of education, development of intelligence, creativity, physical and mental health, motivation system, value attitudes, etc.)».

So, G. Becker (1976) divided investments in human capital into costs: “1) for education; 2) health maintenance, medical services; 3) mobility, job search; 4) education of children; 5) search for information on prices, incomes, wages «.

J. Kendrick (1978) classified these investments as follows: “on material (embodied and non-embodied in people) - the costs associated with the physical formation and development of a person; non-material - expenses for general education, special training, medical services, labor movement”.

Currently, there are several classifications of types of investments in human capital.

K. McConnell and S. Brue (1992) consider three types of investment in human capital: 1) expenditures on education, including general and special education, retraining at the enterprise; 2) for health care, including the costs of prevention, medical services, diet food, improvement of housing conditions; 3) labor mobility in order to migrate from places with

relatively low productivity to places with higher productivity and, accordingly, with higher wage rates.

Thus, under investments in human capital, we propose to understand the following definition: investments are all purposeful investments in the development of labor resources, which contributes to the improvement of intelligence, professional growth of the individual, the growth of national income (or the income of an enterprise) and requires significant investments.

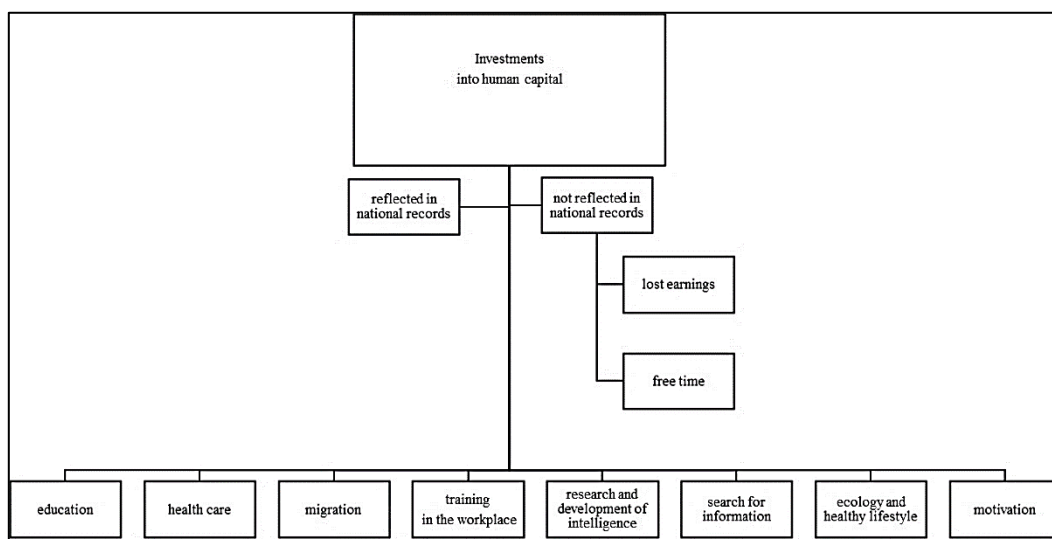
The level of intensity of investment flows in human capital, which determines the general state of the country's human development, is determined by the ability of the state budget to finance and the economic interest of the owners of financial resources in long-term investment in human development.

It is this condition that creates guaranteed opportunities for ensuring the future socio-economic return on investments in human capital at the macro, micro and individual levels.

When it comes to investing in human capital, education usually comes to mind first; however, investments in human capital go beyond simple education and include other aspects of human development. Typically, human capital development or investments refers to various investments in people that serve the purpose of enhancing their value as workers, citizens and people. To this end, investment in human capital includes factors such as skills transfer, formal and non-formal education, health care, innovation and creativity, moral dogma.

Investments in human capital have a number of distinctive features that distinguish them from other types of investments (fig. 1).

**Fig. 1** Types of investments in human capital



Let's highlight the following main types of investments in human capital:

Investments in vital capital. Vital capital is a natural component, wealth received by a person at birth, and it is also free energy practically collected in a person in its informational form. In economics, vital capital is interpreted as the initial value of a person (at birth).

Investments in health. Investment in this sector depends on many variables, including positive trends in demographics and negative trends in cost recovery. Investing in health care requires a multifaceted approach to understand the underlying factors. Investors can profit from investments in both the general sector and its industry. This article will detail the differences between the various healthcare industries and what metrics investors should follow before making an investment.

Investments in cultural and moral development. Investment in cultural and moral development is a set of costs (financial, mental, time, etc.) intended for the spiritual and moral enrichment of a person.

Investments in labor capital. These are expenses aimed at improving the professional qualities of a person, which in the future will give an economic effect due to both an increase in production output and relative cost savings due to a reduction in the duration of training.

Investments in intellectual capital. Investments in intellectual capital are a set of costs (financial, mental, time, etc.) for finding and obtaining the necessary information, analyzing it, systematizing it, transforming it into knowledge, costs associated with training, gaining production experience.

Investments in organizational and entrepreneurial capital - investments in the development of entrepreneurial, organizational, innovative abilities, the ability to develop fruitful business ideas, etc.

Investments in social mobility are a combination of costs (financial, mental, time, etc.) for migration and the search for economically significant information. Mobility is associated with a change of place of residence and is aimed at obtaining a new place of work, a new place of study, at teaching a new profession as a condition for employment in a higher-paying and prestigious job.

Investments in information culture. Investments in information culture are a set of costs (financial, mental, time, etc.) associated with the search for the necessary information (for example, economically significant information about price and earnings), analysis,

systematization, while the basis of information culture is information from various fields of human activity.

Investments in fundamental scientific developments. Science is turning into a kind of generator of human capital.

It is also possible to distinguish such types of investments as investments in human capital in the form of expenditures on the environment and a healthy lifestyle, as well as culture and leisure, since these assets have a direct impact on the formation or reconstruction of human capital, depend on a person (for example, leisure, healthy lifestyle) or do not depend on the person (for example, the ecology that has developed in the place of birth or residence of a person).

Although it should be noted that the state of the environment directly depends on a person, on his rational or irrational activities.

Features of investing in human capital

- Profit is limited by the life span or real working capacity of the subject.
- The sooner assets begin to flow, the faster the payback period will come.
- Depending on the abilities of the individual, the profitability from his activities has a limit, upon reaching which it will gradually decline.
- Not all deposits can be regarded as investments.
- The nature of investments is limited by a number of features: historical, national, cultural.
- A society consisting of successful and purposeful individuals is the most promising in development. Investing in personality promises its owner a high income, and the public gets a highly qualified specialist.
- This is a long-term investment, but with regular profitability. Which, in turn, will persist for 20-25 years in case of investment in education, and the entire life of the object - in health.

Investing in human capital includes:

- Regulatory function - correction of the reproduction of human capital, management of growth rates, which is directly related to key industries, the level of the economy, and the social atmosphere in society.
- Investment in an individual in this case is a socially significant factor that affects all spheres of life on a national scale.
- Reproductive function - recycling of the incessant process of replenishment of human, labor, educational capital.

- Distributive function - directly depends on the tasks set by the society, state priorities and values. It shares the fruits of investment between owners and spheres of production, regulating interpersonal and interlayer relations in society.
- Differentiating function - monitors the demand for human investment, depending on social and production needs.
- Stimulating function - with the passage of time, investment instruments change, here it is important to constantly update, for a profitable investment of assets. The use of outdated technologies will reduce the return on investment.
- Information function - collects data on the needs of certain investments, necessary tools, statistics on wages, the level of social life and other indicators.

The main investors in human capital are:

- State. Its role is great and it uses different measures of influence. This includes compulsory secondary education, medical examinations and vaccinations. In order to get educated and healthy citizens, future taxpayers at the exit.
- The greater the income of an individual, the more tax he can bring to the state treasury.
- Non-state public funds. To conduct social activities also requires special skills, which are the contribution in this case. This applies to various political, religious and other organizations.
- Separate enterprises. Here we mean training on the job so that the future employee clearly meets the necessary requirements of the employer. At the same time, there is often investment in health care in the form of labor insurance, as well as various bonuses and incentives that develop an employee's commitment to the enterprise, the so-called corporate spirit. Thus, the employee will feel protected, work in comfortable conditions, without thinking about changing jobs.
- Households. Individual investment.
- International foundations.
- Educational institutions.

In market conditions, the problem of making an investment decision is difficult. Investors will invest only if they are sure of the minimum risk from the project and a sufficiently high level of return.



## 4. Conclusions

Thus, it can be noted that human capital is a special type of capital that has a number of its own development models and characteristics. In the modern world of the development of innovative technologies, human capital is the user and generator of ideas, knowledge, skills, abilities, and, of course, no modern enterprise can function in full if it does not pay attention to the development of this important factor of production.

Human capital requires attracting investment, since it is investment that makes it possible for constant development, modernization of society, as well as the formation of promising areas for its further existence. It is largely shaped by investments in it at the micro and macro levels. At each of these levels, investors naturally expect benefits, although the forms of these benefits will naturally be different. The time horizons will be just as different - the period during which a person expects to receive a return on investment in himself or his children will be much less than the same period for public investment in human capital.

State investments in human capital help to improve the quality of life, are an important factor in the development of scientific and technical activities, determine the economic development of the country and form an information society.

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