



THE IMPORTANCE OF HUMAN CAPITAL INVESTMENTS IN THE INNOVATION ECONOMY

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ABSTRACT

The article discusses the essence of investing in human capital and examines the impact of these investments on the development of the country in the context of the innovative economy. The main directions of investment in human capital are also analyzed. At the end of the work, conclusions and recommendations on the topic were formed.

KEYWORDS

Human capital, investments, economic growth, innovations, efficiency, income, expense, labor productivity, capital, science, research and development, innovation resources, innovation results.

Introduction

The innovative economy is based on the flow of innovations in determining the scientific, technological and socio-economic development of the country. In this context, employees, their knowledge and experience are an important factor in financial and economic activity. In the context of the country's globalization of the world economy, the use of new information resources and technologies, the development of new sectors of the economy are becoming a requirement of the time. This, in turn, affects the fact that the need for the development of human capital is also increasing from year to year. Therefore, today the development and implementation of measures aimed at investing in human capital is a requirement of the time. In this regard, as our esteemed President Sh.M. Mirziyoyev emphasized, "Developing human capital and educating a creative young generation is one of the strategic tasks that Uzbekistan has set itself. We believe that open and quality education for all is the most effective factor in eradicating poverty, increasing people's well-being, and achieving sustainable economic growth. Our country has gained extensive experience in this regard in recent years - the education system is undergoing radical changes. Over the past six years, coverage in preschool education has increased from 21% to 70%, and in higher education from 9% to 38%. By 2030, every child will have the opportunity to attend kindergarten, and every second school graduate will have the opportunity to study at a higher education institution" [1].

The constant renewal of technological processes, the increasing number of factors of innovative development and intensive economic growth further increase the demand for qualified personnel who

can quickly adapt to these processes. That is why the New Uzbekistan Development Strategy, which is the legal basis for the development of our country until 2030, recognizes “...human capital development” as one of the top priorities [2]. This situation indicates that attention is paid to the development of human capital at the level of state policy in our republic and significant investments are made for these purposes.

Effective use of human capital ensures the economic growth of the organization and increases the efficiency of its activities. Human capital appears as a special resource that provides additional benefits if used correctly as direct capital. This, in turn, shows that the development of human capital must emerge as the main factor of economic development. In economically developed countries, the share of human capital in national wealth is about 80 percent. In this respect, special attention is paid to the development of human capital in the developed countries of the world.

Materials and Methods

Economic research methods such as the study of research conducted by world scientists and economists on the human capital and investments directed to it, data collection, analysis of collected data, synthesis, and logical thinking were widely used.

Results of Studies

A number of scholars have expressed different opinions about human capital and the investments made in it. In the 18th century, Adam Smith, one of the founders of modern economic theory, wrote about the importance of human capital in his work “An Inquiry into the Nature and Causes of the Income of Population”: in his opinion, fixed capital consists not only of machines and tools of labor, useful buildings and land, but also “the acquired and useful abilities of all members of society or population”. These abilities belong not only to the person who possesses them, but also become part of the wealth of the entire society to which the person belongs. “The dexterity and skill of the worker can be viewed from the point of view of machines and equipment in production that shorten or facilitate labor. Although they also require certain expenses, they compensate for these expenses with a profit [3].

In the 1950s and 1960s, when economists began to look at the labor market in a new way, a revolution in the study of human capital took place, writes co-author Gary Becker. Rather than assuming that differences in earnings primarily reflected whether workers were doing “good” or “bad” jobs, the human capital approach assumed that earnings primarily measured the amount of investment workers made in their skills and knowledge. According to this view, earnings increased with the amount of money invested in education and training. In this interpretation, “good jobs” were jobs filled by workers who had invested heavily in human capital [4].

Revolutionary views on human capital were based, in addition to G. Becker, on the research of Theodor Schultz, one of the Nobel Prize winners in economics, and J. Mintzer, one of the founders of labor economics. Thus, before Schultz's work on human capital, the main focus of the economic development literature was on the accumulation of physical capital. However, Schultz shifted his research attention to investing in skills and knowledge, because, in his opinion, they were very important for economic development [5].

Just as the accumulation of personal human capital leads to individual economic growth (income growth), so too does the corresponding social or national aggregates, Mincer wrote. He emphasized that the growth of human capital is both a condition and a result of economic growth. Human capital

involves not only the transmission of existing knowledge, but also the formation of new knowledge that serves as a source of innovation and technical change, sets all factors of production in motion, and ensures global economic growth.

Mincer also analyzed the relationship between education and work experience. This relationship suggests that as a person ages, he or she accumulates knowledge that helps increase his or her income (salary), but as retirement approaches, investment in education decreases and the income from it declines. The equation that reflects the relationship between the duration of education and the relative level of income is named after Mincer and has become one of the most widely used equations in economics [6].

Given that the capital-based economy is being replaced by a “talent economy” in the context of the introduction of artificial intelligence, it becomes clear that it is precisely the digital development of human capital that needs to be prioritized. In such circumstances, it is important to prepare the working population, primarily young people, to live and work in the new technological era, and to constantly develop their digital skills [7].

The development of digital technologies and the introduction of artificial intelligence are associated with the fact that they give impetus to the formation of digital skills and, as a result, increase the potential for the digital development of human capital. The potential of human capital depends, first of all, on the institutional environment that determines the conditions for the development of human capital at each stage of human life (family institution, social and professional institutions) [8].

Analysis and Results

In the period of scientific and technical progress and socio-economic development, human capital is becoming a necessary factor that determines the future of the country. Human capital is the foundation of sustainable economic growth and the driving force behind innovation.

Investments in human capital are investments made in increasing and developing the abilities, qualifications of individuals, the main goal of which is to increase labor productivity [12].

Investment in human capital refers to the strategic allocation of resources, including time, energy, and financial means, to help develop and improve an individual's knowledge, skills, education, and health. This concept recognizes the inherent value of individuals and emphasizes the long-term benefits, both individually and at the community level, that result from investing in their growth and well-being.

Figure 1. The main directions of investment in human capital

Areas of investment in human capital:					
education and training	research and innovation	develop-ment of knowledge and skills	promote inclusion	health care	happy life

Education contributes to the cultural development of people by helping them become mature and responsible citizens, by helping them to recognize values and appreciate their own lives. Education can also improve the skills that people use to work and manage their personal affairs, and such improvements help to increase national income. One of the distinctive features of a modern economy is the growth of human capital, because it is impossible to have successful agriculture and developed industry without a large investment in people.

Developing knowledge and skills is another important area of investment in human capital. Of course, formal education is not the only way to invest in human capital. Workers also learn and are trained outside of school, especially in the workplace. Even graduates of higher education institutions often leave school unprepared for the labor market and must be matched to their jobs through formal and informal training programs. On-the-job training can range from a few hours for simple jobs to years for more complex tasks, such as engineering. Research shows that on-the-job training can significantly increase the earnings of workers as they gain more experience on the job. Columbia University economist J. Mincer estimates that total investments in on-the-job training could amount to more than \$200 billion a year, or about 2 percent of GDP.

Investing in health and well-being is also an integral part of human capital development. Access to quality health care, preventive measures and the promotion of a healthy lifestyle help to increase labor productivity and reduce the number of working days lost due to illness. Poor health reduces productivity, as physically weak and sick workers cannot fully realize their abilities, which is why organizations invest in the health of their employees. Research and innovation are also crucial for investing in human capital. Investment in research and development (R&D) stimulates innovation and technological breakthroughs, ensuring economic growth. Supporting research institutions and encouraging scientific discoveries and innovations creates the conditions for the development of human capital. In the process of scientific development, not only intellectual innovations are implemented, but also new opportunities and horizons are opened up for the people participating in them. In the information society, science develops human capital.

Furthermore, promoting social and economic inclusion is an important aspect of investing in human capital. Efforts should be made to ensure equal access to opportunities and resources, regardless of gender, ethnicity, and socio-economic background. Inclusive policies and programs ensure that all individuals have the opportunity to realize their potential and contribute to society.

Human capital is the knowledge, skills, and health that people invest in and accumulate throughout their lives, enabling them to realize their potential as contributing members of society. Investing in people through improving nutrition and health care, providing quality education, creating new jobs, and developing skills helps develop human capital, which is key to eradicating extreme poverty and building more socially inclusive societies [13].

Investing in human capital involves the joint efforts of governments, businesses, and individuals. Governments develop policies, allocate funds for education and health care, and create a favorable environment for skills development. Businesses, recognizing that qualified and motivated employees contribute to success, invest in the training and development of employees. Individuals can also invest in their human capital through self-management, continuous education, and active personal and professional development. The effectiveness of the development of the economy of an enterprise and a country largely depends on the amount of funds allocated for the development of human capital, as well as the timely allocation of these funds. This type of investment brings significant, long-term, and

inextricable economic and social benefits. Therefore, such investments are considered the most beneficial from the point of view of the individual, the enterprise, and society as a whole. By increasing investment in human capital, one can hope to improve the quality of innovative resources, and subsequently increase the effectiveness of them.

Conclusion and Suggestions

A number of conclusions and recommendations have been formulated on the importance of investments in human capital in the context of an innovative economy. They are as follows:

1. By directing investments in human capital, it is possible to increase the well-being of the population and ensure the achievement of sustainable economic growth.
2. The increase in the effectiveness of investments in human capital affects the growth of national income, which in turn affects the economic development of the country.
3. Investments in human capital are crucial for sustainable economic growth, social progress and individual well-being.
4. By recognizing the value of individuals and actively investing in their development, societies can create a more prosperous and just future.
5. The effectiveness of economic development largely depends on the amount of funds allocated in a timely manner for the formation and development of human capital.
6. In an innovative economy, investing in developing people's modern knowledge and skills and training a globally competitive workforce will benefit the country for many years to come.

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