Investment of Enterprises in the Development of Human Capital

**Abstract** — In the context of fierce competition, the human capital development of enterprises is subject to economic transformation factors and becomes essential. The purpose of the article is to study countries and analyze the investment of enterprises in the development of human capital. The study examined the Canadian and Chinese experience of investment in human capital development. Nuances of two countries in the sphere of human capital development are revealed by means of comparative analysis. The features of enterprise investments in the development of human capital in relation to the modernization of economic processes are substantiated. A number of practical recommendations were developed for the investment of enterprises in the development of human capital and the management system as part of the economic system development. This approach helps to establish a balance between the pursuit of profit of the enterprise as the basis for the activities effectiveness and formation for its development in countries.

**Keywords:** strategic decisions, labor productivity, investment, human capital, idea realization, evaluation mechanism

I. **INTRODUCTION**

One of the most important problems of national economies is investment in knowledge and, generally, in what is referred to as human capital. By this is meant the contribution of each person with his or her qualifications and skills to the production process and the production of new wealth.

This process is directly related to the research and developments conducted by many enterprises that can invest in new talents, and will also contribute to a more efficient way to increase the gross domestic product of a country.

Strategic and long-term development of enterprises is vital nowadays, but the question here is how best to invest in the development of human capital and implement ideas, make decisions on human capital management? Investment in human capital development is becoming a serious problem, many business leaders note that the lack of experience, skills in this area, lack of information, legislative and regulatory documents necessary to make strategic decisions, to improve executive ability and increase labour productivity, do not provide an opportunity to motivate employees and avoid mistakes in the future.

II. **LITERATURE REVIEW.**

Theory and methodology of the study of enterprises investments in human capital are based on the works of A. Smith, T. Schultz, S. Strumilin, and sources and Internet resources.

A. Smith in his works compared "a unique versatile person who mastered many professions with a high-priced car, and noted that this work will reimburse a person for almost all expenses ...” [2].

Theorist - American economist Theodore Schultz, in his writings described the financial dimension and used financial terms to describe the mental abilities of people, namely "knowledge" and "skills", which they call a form of "capital". In his works T. Schultz considers this type of "capital" as the most important one because its investments are the most profitable for the economic development of the country.

Economist T. Schultz in March 1961 published a study in "the American Economic Review" on "Investing in human capital" [8].

To investments in human capital economist T. Schultz drew strong attention in the 1970s-1980s, where he focused on the problem of income inequality [9].
III. METHODOLOGY

The study applied the method of theoretical analysis, the method of comparison is used for the purpose of disclosure and justification of trends, features of human capital development.

IV. RESULTS AND DISCUSSION

We have studied the experience of enterprises of countries such as the Republic of Kazakhstan, Canada, the People's Republic of China in human capital investments.

Chinese sociologists have found that 81% of enterprises through the development of human resources, as well as investment in capital improved efficiency, and for 29% of enterprises the main problem was the release of new products and access to new markets. A survey of Chinese enterprises found that they did not understand or suspect how they were using human resources. This is due to the lack of a mechanism for assessing productivity in enterprises.

Enterprises adapt to rapid changes through the transformation of human capital management, they provide perspective and understanding of the essence. Human capital management of Chinese enterprises is aimed at the development of high adaptability in terms of strategic management.

Investments in human resources are very beneficial for the development of enterprises. Chinese enterprises prefer to invest in human resources, aim to ensure that capable employees who create competitive advantages in activities will be recruited and retained in the business. Chiefs believe that investing in an effective system of distributing corporate employee benefits is a key decision for hiring and retaining employees, as well as a way to further development of highly qualified employees teams. In enterprises, investments in human capital development are organized to provide the increase in motivation and interest among employees. It is necessary to regularly assess the benefits to the business and to monitor the effectiveness of the contribution made to success assessment of employees and the remuneration system.

Nowadays it is much more important to form and use knowledge and technologies to create unique products. For example, according to the World Bank, it is the quality of human capital that determines up to 30% of the difference in the level of economic development of States.

The state consistently funds education and health care, carries out reforms. Consideration of issues from different perspectives contributed to a more complete analysis of the problem.

Despite the high position of Kazakhstan in the international rankings, the analysis of Kazakh experts in the field of education reveals problematic issues and challenges. For example, only 30-35% of graduates of Kazakhstan universities are employed by profession. More than 70% consider higher education as a "diploma" rather than a way to upgrade skills and qualifications.

Experts noted that it is necessary to take into account the challenges posed by technological growth and the introduction of artificial intelligence, which humanity will face in the coming decades.

In their opinion, automation and robotics will make many human skills and competencies irrelevant. The qualification requirements for the remaining professions will be significantly increased. In this regard, the development of a new format of human capital should become a key focus of long-term state policy. The competitiveness of States in the near future depends on the implementation rates of such model in the economy.

Summarizing the discussion, the participants agreed that it is quite difficult to unambiguously and accurately assess the level of human capital development in the country. On the one hand, there are international indicators and ratings, but on the other hand, they are criticized and provide little management information – what exactly is essential for the development of human capital and its productive use [21], [22].

The concept of human capital shows the qualitative characteristic of human resources: knowledge, skills and abilities of employees. Human capital is defined as the theoretical knowledge, skills acquired in the process of goods and services production that generate the income of the enterprise, and the benefit to society."

The scientist Strumilin S. G. in his writings noted that for each enterprise it is possible to determine the economic damage from disease rate. His calculations showed that the loss of working time due to illness in is 20 days yearly average, so the employee, being on sick leave is inefficient, does not produce goods, does not participate in profits ensuring [22].

Insufficient training leads to an increase in defective goods, various accidents, increased downtime and repair costs. Thus, human capital implies an accumulated stock of health, knowledge, ability, behavioural philosophy and experience, which are used in the production of goods and services, providing an increase in the profit of the enterprise, the income of the person and the state [18], [21], [24], [22].

V. CONCLUSION

Thus, Human capital is defined as the sum of competences, innate and acquired physical abilities, talents, skills, knowledge and specialization of each person. Therefore, the quality of human capital is determined by the educational and training process. The acquisition of knowledge leads to increased efficiency and productivity of the employee, as a result, the employee earns a higher salary, as well as increases the profit of the enterprise.

Human capital management is an important criterion for enterprise development. Analytical data should focus on the impact of employee productivity. In the context of digitalization, the new era of digitization requires new procedures for the qualification and upgrading of personnel in order to increase the profit of the enterprise and the domestic economy.

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REFERENCES


