

WAYS FOR THE STATE TO REGULATE INVESTMENTS IN HUMAN CAPITAL

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***Abstract.** The role of human capital as a key factor in the economic, social and political development of a state is constantly growing. Investments in intellectual resources in human development are important in the process of turning them into one of the main factors of development and well-being of society. It is the high share of human capital in the national wealth of developed countries that explains their high level of socio-economic development. This article examines the importance of investments in human capital for ensuring the economic growth of a country. This article examines the importance of investments in human capital for the efficiency of economic activity, as well as for the political and social stability of society.*

***Key words:** human capital investments, labor force, human capital, intellectual property, national economy, financial investments, investment potential*

Introduction. Human capital (HC) accumulation is not only an effective investment, but also a key condition for green, sustainable and inclusive development. Investing in people helps to transition to a green economy by enabling workers to acquire new skills and move from polluting industries to green jobs. The transition to a digital and networked economy is accompanied by profound changes in the processes

of reproduction, use and development of human capital. The methods and types of social production and consumption, the nature of socio-economic activity, the set of professional knowledge and skills, digital educational competencies and management methods are changing. Traditional human capital is transforming into networked human capital with new digital competencies and characteristics. In order to achieve sustainable economic growth and realize competitive advantages in the emerging digital neural network economy, there is a need for new methods and principles of state regulation of human capital.

The digital economy and global networks have changed the content and nature of relations between the state, companies and employees. Nowadays, companies rely on human (intellectual) capital connected to a network with advanced digital capabilities to maintain competitiveness in the market. This network requires increasing the efficiency of state and corporate regulation of the reproduction of human capital. As a result, governments around the world are beginning to realize the need to regulate human capital and intellectual capital using new digital technologies. In this regard, there is an objective need to form a new - innovative approach to a person as a factor of modern production development. This consists in the subordination of the process of forming and restructuring an organization to the principle of "from people to the organization, its structures and mechanisms". This approach is expressed in increasing attention to the activation of the human factor, which includes the comprehensive use of the physical, intellectual, psychological and moral components of human capital.

Literature review. In the formation and development of human capital, state investments in education and healthcare play a key role.

Policies aimed at improving the availability and quality of education and healthcare services help strengthen human capital and, therefore, support sustainable economic growth. Identifying trends, patterns, conditions and factors of human capital development and determining the degree of their influence occupy the minds of many scientists in various fields of science: economists, sociologists, psychologists, teachers and lawyers. Particular attention is paid to state regulation of human capital development. Institutional theory involves determining the influence of institutions on the object of study, that is, it considers the development of the economy as a result of the multifaceted activity of various institutions that affect the economy as a whole and, in particular, the economic behavior of people.

As is known, the founders of institutional theory are W.Hamilton, J. Galbraith, T.Veblen, J.Commons, W.Mitchell, J.Clark, who were the first to use the term institutionalism. At the end of the 20th century, one of the most famous institutionalist scientists was D.North. Institutional theory studies the influence of various institutions, such as the state, family, religion, market, business, etc., on the economy and economic behavior of people. The influence of such an institution as the state on the development of human capital cannot be denied, and many scientific works have been devoted to this. Let's consider some of them.

A.A. Auzan proposes three main vectors of the new economic strategy, all of which are related to the development of human capital and are fully dependent on the socio-economic policy of the state, that is, the actions of the state institution[1]:

1. Competitive positioning of the country. At the same time, it is characterized by "the presence of cultural capital creativity in the country (such as the ability to engage in non-standard activities ...)".

2. "Human capital production": here he draws attention to the fact that "the education and science industry in the country can be a way to produce high-quality human capital not only from its own younger generation, but also from students from other countries ...".

3. "The transition to inclusive institutions, the transition from extractive to inclusive institutions ... because this is the creation of an inclusive institutional environment that allows the country to accumulate high-quality human capital and move to innovative sectors of the economy".

Antonov and Kuznetsov consider public investment strategies that contribute to improving the quality of human capital. They emphasize that the integration of education and health policies with national sustainable development goals is necessary to ensure long-term economic growth and social stability[2].

Garcia and Martinez examine how different countries use education and social programs to support sustainable development. Their analysis shows that successful countries combine public and private investments in human capital, resulting in higher levels of economic well-being and social inclusion. These observations are consistent with the results of correlation and regression analysis, which emphasize the importance of investments in human capital for achieving economic growth[3].

As A.V. Buzgalin notes, "the creative revolution creates conditions in which a subject comparable to capital in its creative (and destructive)

power emerges. This is a creative individual capable of creating cultural phenomena, whose impact (technology, human qualities, impact on social progress) exceeds the impact of the activities of corporate capital”[4]. In our opinion, the goal of modern education is to develop a person through creative activity. This can be achieved by developing the entire education system. The World Bank's HC Development Project prioritizes investments in health, education, and social protection.

Why were these priority investment areas chosen? Health, education, and social protection have transformative potential, and investments in these areas can strengthen it. All this predetermined the relevance of our research on the institutional regulation of HC development. Priority investments in health, education, and social protection can be ensured only through the implementation of state institutions and targeted socio-economic policies aimed at developing these areas. Digital transformation is introducing significant changes to the economy and society, creating new challenges and opportunities for human capital development.

Our results show that the use of digital technologies and access to the Internet has a positive impact on human capital indicators, including educational attainment and life expectancy. To ensure the availability of resources for human capital development, it is necessary, in particular, to prioritize human capital development indicators in the budget process and prioritize expenditures that contribute to the accumulation and use of human capital. Mobilizing resources to address human capital development priorities may involve finding budgetary space, promoting cost-effective reforms, and directing the budget to address priority tasks while protecting key expenditure items from budget adjustments.

Analysis and results. In the context of building an innovative economy, there is a need to reconsider the requirements for the qualifications of employees of the organization within the framework of reengineering business processes and the introduction of innovations. Every year, new types of professional activity appear that have no analogues before. There are significant changes in the content of traditional professions and specialties, changes in the economic behavior of workers, changes in the system of value orientations in the choice of professions and areas of labor use. This process involves a complete change in the organization's human resources management model established in the previous period and, as a result, the development of new types of employees.

In a broad sense, the methods of state regulation of the use and development of human capital can be divided into the following types:

- legal methods of regulation consist in determining the forms and norms of socio-economic relations related to the use and development of human capital, as well as the rights of the subjects of these relations by the legislative system.
- administrative - direct methods of regulation, consisting in administrative influence on the activities and activities of subjects of socio-economic relations in the use and development of human capital. Among them, investments in certain sectors of the economy, various forms of targeted financing of economic sectors, regions and firms in the form of subventions or grants, including grants, privileges and preferential loans, prevail.
- economic methods involve influencing the nature of socio-economic interactions associated with the reproduction of human capital.

Economic methods are related to indirect methods of regulation and include: financial policy - involves the use of budget-tax and fiscal mechanisms to achieve national economic and social goals; monetary policy; In order to reflect in a narrower sense the methods of state regulation of the reproduction of human capital, such as programming, forecasting and planning the development of a state, sector, region, research area, etc., their classification is presented taking into account modern problems (Table 1).

Table 1.

Classification of methods of state regulation of reproduction of intellectual property rights in the digital economy by sector

Digital economy sectors	Methods of state regulation of human capital
National politics	Strategic and legal development of the framework for interaction between socio-economic entities on the reproduction of intellectual property.
	Development and implementation of HC Development programs and projects.
	Setting conditions, standards and methods for the reproduction of HC.
	HC Formation and Management in the Public Sector.
Education policy	Promoting educational activities in the public and commercial sectors.
	Ensuring equitable access to development resources.
	Creating a culture of continuous learning and development.
	Regulation of educational programs and standards.
Budget policy	Redistribution of income to the sphere of use and development of HC.
	Redistribution of income to the sphere of use and development of HC.
	Implementation of public procurement.
Fiscal policy	Regulate taxation of property of individuals and legal entities, provide necessary benefits and deferrals.
Social policy	Regulating minimum wage rates.
	Determining the amount of pensions, unemployment benefits, etc.

Foreign economic policy	Develop measures to ensure the safety of HC reproduction and prevent negative impacts on national HC.
	Preserving the identity and protecting the interests of National HC.
	Supporting citizens and companies of the country located abroad, their integration into the national Human Capital
Legal environment	Reducing administrative barriers to the reproduction of Human Capital by improving legislation and making timely amendments.

The proposed methods are aimed at increasing the efficiency of the use and development of human capital. However, their current and future effectiveness directly depends on the use of modern and emerging promising technologies, the mechanism of socio-economic cooperation and the effectiveness of regulatory institutions.

The experience of state and corporate structures in regulating and financing the formation, reproduction and development of human capital shows that labor productivity, competitiveness and overall economic growth rates increase in connection with an increase in the efficiency of the use of human capital. In a broad sense, effective state regulation of the development of human capital can bring significant economic benefits by improving the skills, knowledge and qualifications of the population.

It is necessary to define principles and technologies that will allow us to take state regulation of human capital reproduction to a new level and prepare for the conditions of the emerging digital neural network economy, among which the following elements can be distinguished: digital and neural network competencies; hybrid socio-neuromorphic interfaces; protocols for interaction between meta-worlds; lifelong learning; use of not only budget funds for investments in human capital development, but also state funds, grants, corporate and private investments; equal access of citizens to digital technologies; bridging the

digital divide; protection of personal and national data; universities as scientific and educational centers; innovative startups, etc. Effective state regulation of HC is essential for the success of the digital neural network economy, as it ensures fair and equal opportunities for all its participants. Government standards also help create a level playing field in the network economy, where small businesses can compete on equal terms with large enterprises.

New digital governments should begin to take steps to regulate HC in a way that ensures a safe and secure environment for all those participating in the new digital economy. Legislation and government regulations should help ensure the protection of intellectual property in a digital neural network world. Government regulation of human capital is essential to protect workers in the new digital era. It should ensure that workers receive fair wages and benefits and have access to safe working conditions. Government regulation plays a key role in improving human capital by providing people with access to education and incentives to invest in the development of their workforce. Digital government initiatives can also help by providing resources, such as online courses or mentoring programs, that allow people to learn new skills quickly and effectively.

In the digital neural network economy, human capital development is crucial for the well-being and success of individuals and organizations. As we move into the digital world, it is important to invest in skills and knowledge that will allow people to adapt and be competitive. One of the important aspects of human capital development in the digital neural network economy is to focus on developing skills related to information technology and data analysis. This includes areas such as programming,

data mining, machine learning, and artificial intelligence. We have identified the benefits of investing in human capital and present them in Table 2. Thus, we have identified the economic and non-economic benefits of investing in human capital. All this speaks of the need to institutionalize human capital development and use the full arsenal of tools for this regulation, which is confirmed by the results of scientific research.

Table 2**Benefits of investing in human capital**

Economic advantages		Non-economic benefits	
For the person			
Income growth. Expanding employment opportunities. Career prospects for individuals who make investments.	Increased income from non-market transactions. Development of emotional intelligence. Increased personal benefits not related to production (increased consumption of cultural and artistic objects, higher levels of health, subjective well-being).		
At the enterprise level			
Increase labor productivity. Rational use of working time.	Favorable climate in the team. Reduction of conflict and stress. Reduction of emotional exhaustion.		
At the state level			
Strategic factor of economic growth. Growth of incomes of the population	Regulating inequality. Positive externalities of education. Stabilizing the social structure of society. Reducing social tension. Creating a self-organizing society.		

People who are well-versed in these areas are more likely to work with digital technologies and can use their skills to create value for their organizations. Another important aspect of developing human capital in the digital neural network economy is to focus on developing soft skills such as communication, collaboration, and problem-solving through digital competencies and network applications. These skills are essential

for people to work effectively in teams, socially, and with others, and to communicate effectively with stakeholders. To develop human capital in the digital neural network economy at the individual level, organizations need to invest in learning and development programs that are tailored to the needs of their employees. This can include offering courses and workshops on specific technical skills or soft skills, as well as access to online learning resources and mentoring programs.

Investments in HC have specific characteristics that distinguish them from other types of investments made in an innovative market economy:

- investments in HC are beneficial throughout the entire period of a person's labor activity;
- the results of investments in HC can be expressed not only in monetary terms, they can contribute to the achievement of social, psychological, cultural, moral and other effects that increase economic achievements;
- investments in human capital increase the productive qualities of a person;
- investments accelerate and facilitate the process of further accumulation of knowledge and experience;
- increasing the level of HC in the process of joint labor activity can be carried out in formal and informal ways (for example, transferring production experience, leadership);
- HC accumulated as a result of investments is an important factor in its increase in the next generation (the level of education of parents determines the development and level of education of children);

- investments in human capital allow to adjust the number of workers and the number of jobs, the level of work and the level of wages of workers.

Based on the above, it can be said that measuring financial or material results in any enterprise does not give a clear picture of how well the people engaged in this activity live. Socio-economic development is usually assessed by quantitative indicators - how much we produce, consume or invest. However, such indicators, as R. Kennedy noted, do not reflect what makes life worth living. The need to change the system of indicators and move to measuring well-being is generally recognized. The contribution of natural resources, human and physical capital to well-being can be expressed as follows (Figure 1). In many ways, the level of well-being is determined by the national wealth of a country, which can be defined as the sum of assets created and accumulated during the existence of the state.

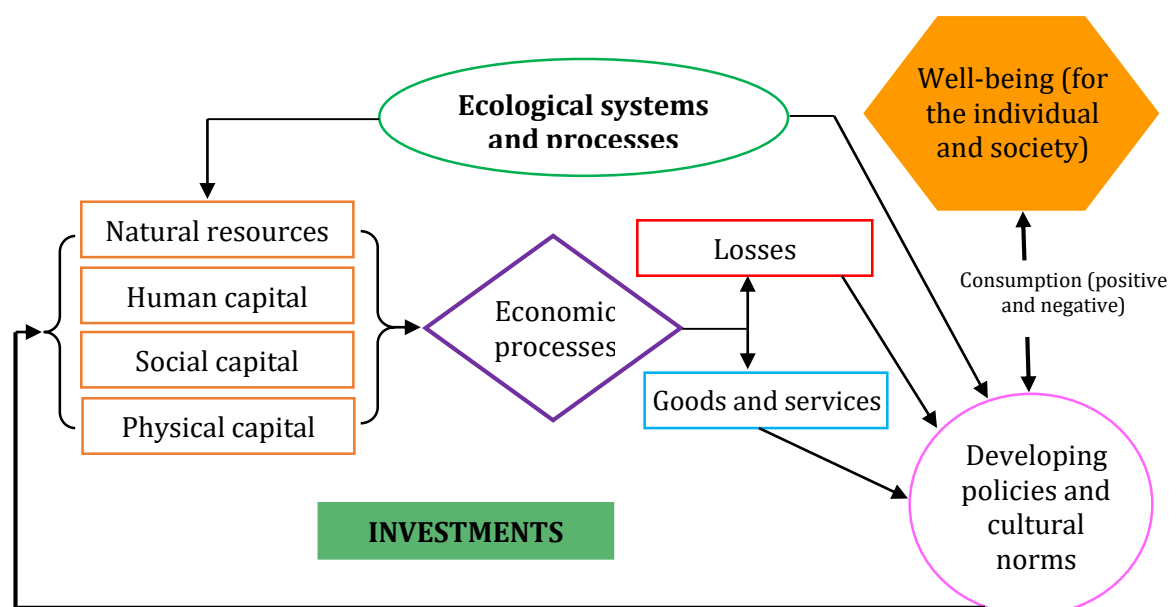


Figure 1. Building prosperity through investments in human capital

The higher the level of development of a country, the greater the contribution of human capital to prosperity. It is important to create a culture of continuous learning and interaction in social and business networks that value continuous learning and development. This means creating an environment where people are encouraged to seek new opportunities to learn and grow, and where failures are viewed as opportunities to learn and improve.

Developing HC in the digital neural network economy requires a focus on technical skills, digital competencies, and soft skills, investment in training and development programs, and the creation of a culture that values continuous learning and development. All of this points to the need to institutionalize human capital development and use the full arsenal of tools for this regulation, which awaits the results of scientific research.

HC as a system has limited self-reproduction capabilities; its formation and functioning require the influx of resources from systems other than people.

HC is formed primarily as a result of investments in it at the micro and macro levels. At each of these levels, investors naturally expect to receive benefits, although the forms of these benefits naturally differ. Time horizons are equally different - the period over which an individual expects to receive a return on investment in himself or his children will be much shorter than the same period for public investments in human capital. The benefits of state participation in investments in human capital (in the form of financing national education and healthcare systems) may include increasing the income of the population and reducing inequality in its distribution, the emergence of positive

externalities of education, stabilizing the social structure of society, and others.

The state invests in national HC to fully realize the benefits of human development. Currently, the main form of state participation in the education system is its financing.

Governments are the main investors in education, so it is natural that they want to have a clear idea of whether they will get a return on their investment, especially in times of crisis and other budget constraints. A high level of education among citizens leads to an increase in incomes, which increases tax revenues and reduces the level of social transfers. In the 20th century, private financing and charity prevailed in education. Proponents of private financing of education cite as arguments increased choice, increased responsibility and reduced budgetary constraints.

In general, private financing of education is becoming increasingly important, although the data presented show that education systems are financed by the state. In addition, world practice shows that extra-budgetary sources do not account for more than 10-15% of total spending on education, so private financing complements, but does not replace, public funding. Such a distribution of costs among economic entities, as a rule, corresponds to the social policy pursued in the country and generally accepted ideas about social justice.

The resources and financial means that the state can provide for the development of HC production systems are the most important factor in how successfully these systems will meet the needs of society. Other key factors include public opinion and support from stakeholders, the

existence of the necessary governance structures, and the professionalism and commitment of those working in these areas.

The reduction in spending on HC poses a serious threat to the economy in the long run. Owners of low-quality HC make a disproportionate contribution to GDP.

Countries that face chronic problems in increasing public revenues can use six broad strategies to increase financing for human capital development:

- a) increase the total volume of tax revenues by expanding the tax base;
- b) create a fair tax system that provides for an increase in the tax burden depending on the level of income or wealth of the taxpayer;
- c) introduce a system of "soft" reserve funds to create additional reserved sources of financing for investments in human capital development;
- d) introducing "health taxes" that provide financial incentives to abandon harmful consumption patterns;
- e) incentivizing taxpayers to invest in human capital development;
- f) financing investments in climate change mitigation and adaptation measures, as well as incentivizing the reduction of environmentally harmful activities and using environmental taxes to achieve health-climate co-benefits. In addition, the active process of transferring spending powers to local government bodies for the development of education and healthcare is important to clearly demonstrate the importance of local funding sources, especially property taxes.

In the future, sustainability bonds issued by sovereign wealth funds and private finance can be used effectively to support green investments, necessary investments in human capital development and workforce retraining measures. For example, having flexible social protection systems and resilient service delivery systems can mitigate the impact of crises on human capital, provide effective fiscal measures and promote a strong economic recovery.

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