

## GENESIS OF SCIENTIFIC VIEWS ON THE CONCEPT OF “THE HUMAN CAPITAL” IN THE ECONOMIC THEORY

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*The article shows the historical aspects of the theory of human capital. It analyzes scientific approaches to the economic concept of “human capital”. The author of the article suggests the definition of this notion. A comparative analysis of current views on human capital has been done and its basic features are established.*

Problems of studying place and role of a man in the production, his abilities and needs, economic position and productive capabilities in all historical periods of economic relations have received considerable attention. Initial conditions of assessment abilities as a special form of the capital were presented in the works of classical economists V. Petty, A. Smith, D. Ricardo and K. Marx. The socio-economic role of a man is revealed in the human capital theory, formulated in the 60-s years of the twentieth century, based on the studies of T. Schulz and H. Becker in the most consistent and adequate way.

Issues related to the problem of human capital are presented in the works of modern domestic scholars: O.A. Grishnova, O.M. Borodina, N.V. Golikova, O.M. Golovinov, A.V. Kudlay, O.P. Koshulko, V.P. Antonyuk, A.V. Korovskyj, M.A. Azhazha, O.V. Levchuk, E.M. Libanova, L.I. Mikhailova, T.M. Kiryan, S.G. Klymko and others. Most of them believe that investment to the development of human capital is the main prerequisite for intellectual, economic, social and spiritual progress of the state.

However, there are no complex studies of theoretical and practical foundations of this theory, historical concepts about human capital, its essential features and properties, as well as the direction of the change in the correlation of essential features in the future so far.

The article aims to summarize the views of foreign and domestic scholars on the notion of the concept of "human capital", its conceptual basis and its genesis.

**Methodology of research.** Fundamental assumptions of the economic theory, works of domestic economists were taken as a theoretical and methodological framework of the research. Dialectical and abstract-logical research methods were applied.

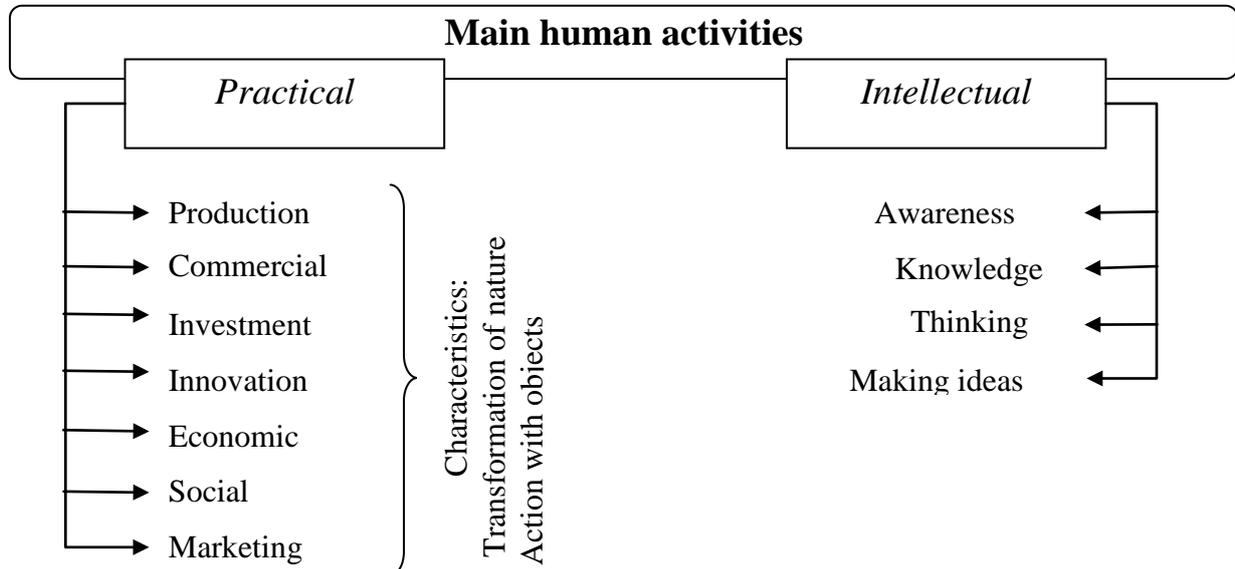
**Results of research.** The analysis showed that scientific views on the economic concept of "human capital" were changing that could be explained by the development of the society.

Researches of the concept of human capital began in the 60s of the twentieth

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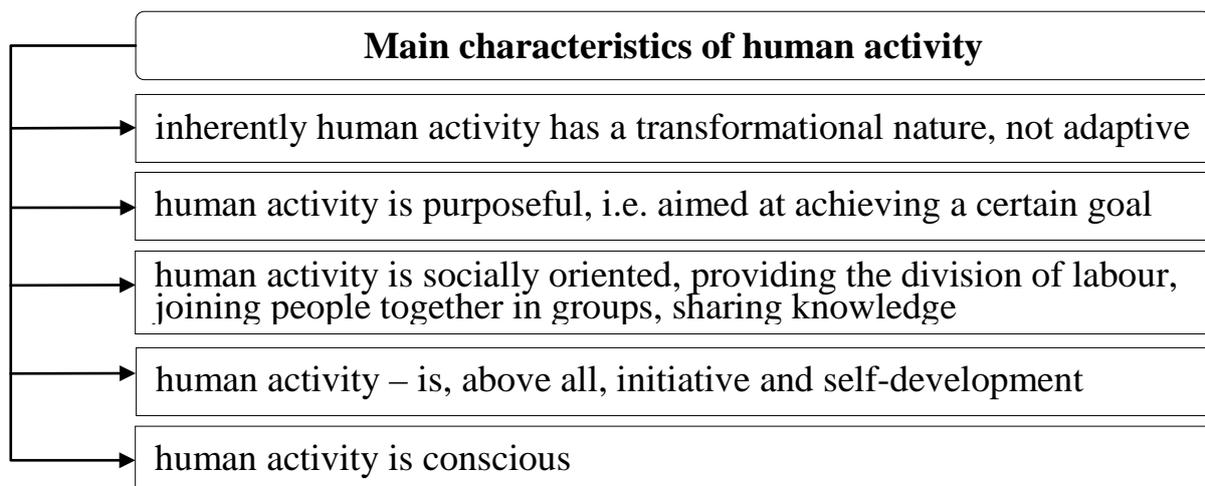
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century. Earlier economists generally regarded a man as labour force, which cannot be improved, improvement [1], or as labour resource. This approach reduces a man to a variety of means of production, and at best to a living force draft animals (livestock). But a man cannot be biological assets of a company, as its main distinction is human activity (Fig. 1) and its main features (Fig. 2).



**Fig. 1. Types of human activities**

The identification of a man with a live drawing force brings his work to the artificial, mechanical way. However, in contrast to the monotonous animal labour, a man can change his activity, can evolve and improve. So we can talk about the purpose of human activity – improving for himself and for the sake of the bottom line. Hence the highest human need for self-expression through certain activities comes out of it. At the same time, a fundamental basis of a man who raises it to a new level of hierarchy is intelligence, creativity, creative thinking.



**Fig. 2. Main characteristics of human activity**

In the second half of the XX century, the effectiveness of economic development has become increasingly determined by the level of development of an

employee, namely the accumulated human capital. Therefore, in the 60s of the last century the process of a gradual transformation of labour force started. Nowadays a set of productive abilities and needs of a human is formed in the shape of human capital, which is converted to the stock of creative abilities and needs specific for the innovation stage of social development and functioning in the form of innovative resources. Human capital is an adequate form of expression of human creative powers to the innovation stage of development of society, included in innovation economics as a factor that provides high dynamism and quality of social and economic progress of society.

According to the theory of human capital, there is a proportional relationship between the amount of investment in human capital and efficiency of the national economy. Its founders T. Schultz and G. Becker determined its foundation in the research based on income of an individual employee, a company and society, including knowledge, skills, abilities, motivations and other productive capacity as a result of investment in human capital. According to this theory, the manufacturing process involves two types of capital: physical, where means of production refer directly to, and human that is estimated by revenue that it can bring in the future. As the word "physical" is not related to the understanding of the category of capital as value, that can take different forms, it is more appropriate to distinguish the following types of capital: fixed, reversible and human.

T. Schultz called with the term 'human capital' the person knowledge and skills, acquired during training and education, which promote the growth of the productive forces of labour. This capital is a product of target investment income. From his point of view, it becomes a human capital because it is an integral part of the individual; and his or her knowledge and skills are the source of future earnings. In the articles "Formation of Capital Education" (1960) and "Investment in human capital" (1961) he outlined his vision of a new economic role of a man and his abilities in the modern economy. In discussions about the sources of economic growth T. Schultz advanced to the forefront the role of education. He regarded changes in the structure and quality of the total labour force as the result of investment in the education system. The scientist identifies the following key elements of the formation of human capital: the birth of children and care for them, getting education and training of workers in manufacturing, health care, finding the required information on the income and prices as well as labour migration [2].

Theory of human capital got its system appearance in the work of G. Becker, "Human Capital: a theoretical and empirical analysis" and "Human capital." The scientist suggested the distribution of personal income, explained the age dynamics of income and inequality in pay of male and female labour, etc. [3].

S. Fischer, R. Dornbusch, R. Shmalenzi paid attention to the ability of human capital to bring income [4, p.302-303]. However, in their researches they wrote that the subject of human capital investment is the man who at the same time is also the object. We agree with this statement, because for different cycles of operation of human capital, which coincides with the lifetime of its carrier, family, company, where people are employed, state, and in some cases international organizations make investments in its development.

The claim that human capital can make only profit is also doubtful. While in a market economy this is the main goal of human capital investment, but it is not an end in itself. Investments of such kind can be designed to both economic and non-economic goals.

Studying the concept of human capital in the post-Soviet countries began relatively recently, in the 90s of the last century.

Russian scientist M.M. Krytskyi was one of the first who studied human capital, defining it "as a pan-specific form of human life" [5, p. 17]. In his view, human capital is a set of abilities that make it possible to make income, and it is formed on the basis of innate human qualities through target investments in its development [5, p.21-22]. However, the author forgets about acquired qualities of a person as a member of the production process, which allows us to consider human capital in one line with other forms of capital. But it cannot be used as productive capital.

### 1. Comparison of common and distinctive features of human and productive capital

Human capital	Productive capital
<i>Common features:</i>	
1. Economic growth factor	
2. This is stock, so it can accumulate	
3. Making an investment is a prerequisite creation and accumulation of this type of capital	
4. Generates income for a long time	
5. It can deteriorate both physically and mentally	
<i>distinctive features:</i>	
1. Intangible assets of the enterprise, the use of which requires the participation of its bearer, because it is an inseparable part	1. It is of the material type and does not require participation of an owner in the production
2. In addition to depreciation, it is subjected to enrichment, as the pace of deterioration is much slower than that of physical capital	2. Only wears itself.
3. In the end of its career, it is not wholly worn out and fully depreciates.	3. When decommissioning amortization is fully deducted
4. The process of human capital investment requires not only money but also time and labour of the bearer; so motivation of the last one is important.	4. Material resources are invested
5. Integrated socio-economic effect from investment	5. Material effect from investment
6. A long-term investment period from a few months to ten years (for example, investment in primary education – 11-17 years)	6. Investment period of 1-5 years

The presence of differences between physical and human capital shows their

non-identical features and about justification of the selection of human capital into a separate type (chart 1). The basic condition for the formation of human capital is to invest in its development, which is associated with both material costs and labour costs (effort), time of a carrier. Thus, human capital becomes capital only if a man works on improving himself.

Kasaeva S.D. sticks to the opinion that human capital is accumulated and used in the production human abilities and skills, and then we are talking about two related types of human being – subject-fixed and functional. In the first case it is the structure of human capital, skills, embodied in a man and is inextricably linked to his personality, and the other – functional abilities of individuals that are connected with communication skills, being initiative and active [6, p.10]. The scientists characterize human capital not as skills, knowledge, health, but as an economic form of their formulation and implementation in order to obtain income from private property and self-realization.

Studies have shown that increased attention to the study of theoretical aspects of human capital is connected with the development of post-industrial society. A.V. Kudlay, considering human capital as a category meaning "an adequate post-industrial class society and socio-economic productive forms of expression of communication skills, abilities, powers, functions and roles of a man..." [7, p. 7]. One can agree that the concept of the human capital emerged in the post-industrial society, but it is not a form of expression which inherent to the post-industrial society human abilities, skills, qualities and so on. After all, the human capital was already functioning in the slave mode of production, when a man with his work starts to create an additional product, and there is a class inequality, and therefore a possibility of exploitation of a man by a man appears.

In his scientific works A.M. Golovinov [8, p. 73-88] highlights the structural elements of the human capital. In particular, he offers to include intellectual, professional, territorial mobility and spiritual stability, natural and functional abilities to the human capital. The author considers the human capital as a stock of these elements, which are formed and accumulated in the course of economic innovation and investment in the person. His conclusions that the human capital makes transforming, reproductive, social, integrated impact on economic growth are right.

Golikov N.V. sees the economic substance of the human capital in "value of reserve of capacity, experience and knowledge involved in the economic system and capitalized on the basis of employment relations that could bring added value (income)" [9, p.16]. In other words, the human capital is the part of human development that brings profits both to employee and employer. However, this interpretation is somewhat limited because it does not reflect the conditions of formation (investment development and accumulation) and the full range of possible outcomes of the use of the human capital, such as employee training, increased productivity and the quality of his work and moral benefits.

Some similarities with views of N.V. Golikova can be found in studies of N.V. Perepelytsya, who made analysis of the concept from the perspective of different areas of economic theory, in particular the theory of post-industrial society, the concept of social economy and the theory of property rights. Regarding the

diversity of research methodology, she claims that "the human capital is a dynamic set of physical, social and spiritual components of human potential, which includes a wider range of abilities and personality traits in the development of business practice" [10, p.6].

M.A. Azhazha suggests that the human capital "includes potential abilities that over a certain period create products and income, as well as investment and income to support this feature" [11, p. 11]. At the same time, the author suggests a classification of the main types of the capital that reflects its components at the individual level and at micro, meso- and macro levels, highlighting the following: labour capital, intellectual capital, health capital, social capital, cultural and moral capital, organizational capital, innovation capital, organizational and entrepreneurial capital, client capital, structural capital.

O.A. Grishnova made an important impact on the study of the human capital as an economic phenomenon; she was a pioneer of the human capital for economic science of Ukraine. The scholar provided a logical and most comprehensive in comparison with other scientists the definition of the human capital formed and developed as a result of investment and stock, accumulated by a man, of health, knowledge, skills, abilities, motivations, which are specifically used in any area of economic activity, promotes labour productivity and thus affects the growth of owner income, company profits and national income [12, p. 52]. In this definition the author made a certain inaccuracy. Thus, the human capital alone does not affect the growth of profits and wealth of the state. This is possible only if it is used in the industrial activity and the start of the bearer's work.

Like other forms of capital the human capital tends to accumulate. At the same time of its formation and development it requires material and financial resources, time and labour, namely investment. These include all types of costs that can be measured in monetary form or another and which promote the growth of future performance and earnings of an employee. Investment in the human capital can be interpreted as a move towards professional development and productive capacity of people [12, p. 54-55]. Thus, in addition to productivity, they increase the economic value of time of the employee.

Investment process in which a person acts simultaneously as an object, subject and outcome of influence is the prerequisite of production of the human capital.

According to O.M. Borodina "the human capital – is not actually real people and knowledge, but a set of socially invested viable industrial and human skills, knowledge and capabilities possessed by a man"[13]. We consider it appropriate to note that in this case she means the value of aggregate components that make up the human capital. But we agree partially with this definition, because she understands the human capital only as "an acquired set". But a man has the innate abilities that are used in the work.

**Conclusions.** 1. Thus, at the present stage of development the human capital should be considered as a stock of congenital, generated, accumulated and developed in the person by investing intellectual and creative abilities, personal physiological characteristics, knowledge, skills and experience, health, motivation, which is purposefully used in cost-economic activities to increase income of the owner,

company profits and internal revenue of the state, to meet their non-economic needs. That is the stock that can be converted into the cost.

2. The human capital has the following features: it can be used for a long time, it is not depreciated, needs a lot of money for the formation and maintenance at the appropriate level, but the implementation of investment increases; tends to accumulate and create a certain stock that cannot be disposed of the person persists, but due to salary and other benefits of its bearer it transfers the value to newly created product, that can be worn out with time and can become obsolete even before its physical deterioration.

3. On later stages of economic development of society the role of human capital will increase. It will take more significant place in the system of factors of the economic process, primarily by enhancing the creative component of bearers of the human capital.

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