

## **Education as the Basis for Developing Human Capital**

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*Considering the theoretical, legal, and methodological foundations and using scientific methods have allowed us to reveal approaches for studying education values and establishing directions for human capital development. A set of research methods we used has contributed to substantiating the logical sequence and directions for human capital development. Differences in developing human capital are mainly due to the level of education. The research problem is to study education as a factor influencing the development of human capital. The paper aims to study the role of education in the development of human capital. The research object is human capital. The research subject is the impact of education on the development of human capital. The practical and scientific significance of the paper is in further studies on the influence of education on the development of human capital. Moreover, it is in overcoming the economic approach to this significant, complex, and multifaceted phenomenon.*

*Keywords: human capital, education, development*

### **INTRODUCTION**

At the present stage of development, creating a new type of economy, the knowledge economy, that is based on developing human capital is the main strategic direction of a country. A comfortable living environment has a direct impact on the development of human capital. Its provision depends on social infrastructure development (health care, education, culture, decent living standards, etc.). Education plays a crucial role in this chain. Understanding the importance of education as a determinant of the values of public and social processes actualizes the problem of this study.

The research problem is to study education as a factor affecting the development of human capital. The general understanding of human capital as a resource of society in the system of economic, social, and innovative development presupposes specific features in the influence of a healthy lifestyle, life expectancy, and culture. This study is due to the dominant role of education as the basis for forming qualitative criteria in assessing human capital development.

The paper aims to study the role of education in the development of human capital within the following stages:

- Review of the legal framework for regulating the priority areas of human capital development in modern conditions;
- Analysis and critical review of scientific approaches for studying *human capital* as an economical category and the role of education in its development;
- Methodological approaches to the interaction of the most important spheres of human activity in the aspect of their influence on human capital development.
- Human capital is a research object.
- Thy impact of education on developing human capital is a research subject.

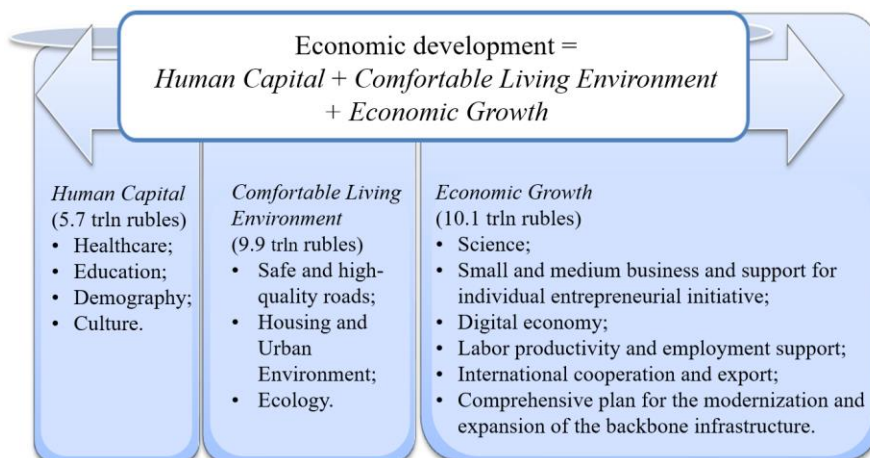
Data from official reports and reports on human capital development are research materials (United Nations, 2019).

The practical and scientific significance of the paper is in further research on the influence of education on the development of human capital and in overcoming the economic approach to this important, complex, and multifaceted phenomenon.

## MATERIALS AND METHODS

Fig. 1 presents the National projects for 2019–2024 developed in *Human Capital*, *Comfortable Living Environment*, and *Economic Growth* (Presidential Executive Office, 2018).

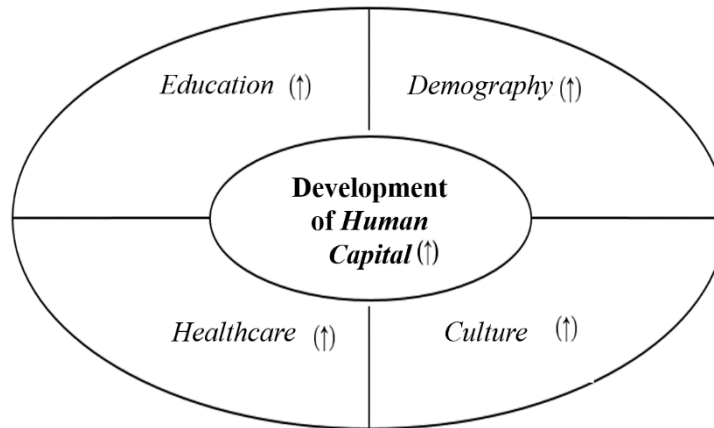
**FIGURE 1**  
**THE MODEL OF THE PRIORITY IN ECONOMIC DEVELOPMENT**



These factors and their sequence determine the model of the priority in economic development.

The *Healthcare*, *Education*, *Demography*, and *Culture* projects support implementing the *Human Capital* direction. Hence, we can represent the model of developing human capital as follows (Fig. 2).

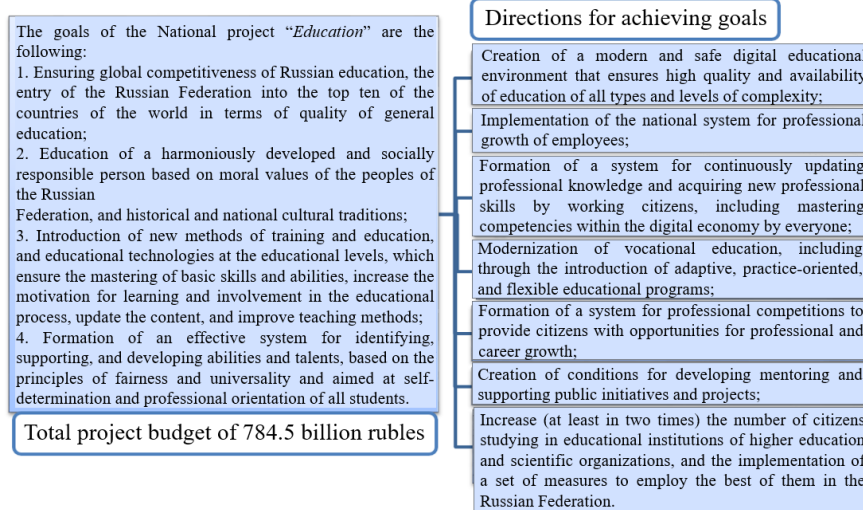
**FIGURE 2**  
**INTERACTION OF THE NATIONAL PROJECTS FOR DEVELOPING HUMAN CAPITAL**



The development of *Human Capital* is an integral indicator of these components in aggregate, where education is the main component.

Under the influence of education on cultural values, attitudes towards a healthy lifestyle, and their interaction with human capital, the education level of people determines the foundation of their value system. In Fig. 3, we generalize the goals and directions of the National project “*Education*.”

**FIGURE 3**  
**DIRECTIONS FOR DEVELOPING THE EDUCATION PROJECT FOR 2019–2024**



In this regard, studying the impact of education on forming human capital (including the capitalization of knowledge and demographic factors) is significant research in modern science. It allows one to interpret the criteria of effectiveness in using human capital differently.

Researchers of the theory of human capital focus on terminological issues. G. S. Becker (2003) views human capital as a stock of knowledge, skills, and motivations and defines that “human capital includes innate abilities and talent, as well as education and acquired skills.” Based on the opinion of T. Schultz

(1971), who defines human capital as “innate or acquired abilities enhanced by appropriate investments,” we consider education as an investment in human development.

In modern economic science, approaches to assessing the essence of human capital have not gone unnoticed. Russian and foreign scholars study human capital as a research object. They consider it as a factor of the economic and social (Biryukova et al., 2018), and innovative (Dzhioeva & Tavasieva, 2018) development of society and study it in the cultural (Mamedov, 2012) and philosophical (Binyukova, 2016) aspects.

A. I. Dobrynin and S. A. Dyatlov (1999) define human capital as “a certain stock of health, knowledge, skills, abilities, and motivations, formed and accumulated by a person as a result of investments, expediently used in the labor process, and contributing to the growth of productivity and earnings of a person.”

The approaches we considered allow us to unambiguously conclude that in order to develop and meet the needs of a person and society, a person can acquire knowledge, skills, and abilities through training, advanced training, self-education, mentoring, and practical experience and generalize the need to invest in education, healthcare, culture, etc.

Human capital plays no less role than the resource potential and fixed capital in the production and economic activity of an economic entity. This point of view gains more and more supporters. We agree with F. Mamedov (2012), who considers human capital as a socio-cultural resource of society and defines that “human capital is a socio-cultural resource of society, without which productive production and innovation activities that ensure socio-cultural progress are impossible <...>.”

Summarizing the above said, we note that education is the basis for developing human capital, since an educated person leads a healthy lifestyle, improves his/her cultural level, etc.

Classics examining the importance of education in human development note the following:

- Smith (1935) writes, “One hour of occupation in a craft, learning which requires ten years of labor, may contain more labor than working for a month in an occupation that does not necessitate training.”
- T. Malthus (1895) says, “Education is one of those benefits that everyone can use without harming others, bringing them a benefit <...>.”
- S. G. Strumilin (1982) states, “A more qualified work is a work of higher quality, which is more complex and requiring more precision and subtlety in the work, and also a longer training.”

The level of education determines the development of society and an individual. First of all, this applies to such areas as science (an attitude to intellectual development and ability of a person to comprehend the secrets of the universe is formed), culture (an attitude to cultural values and art is formed), and education (values are formed within socialization and transmitted by education). The importance of education for the human capital development of society is connected precisely with this. We should note that such a system of relationships is characteristic of modern models of social structure.

## **RESULTS AND DISCUSSION**

We support I. Binyukova (2016), who writes, “Human capital, introduced into scientific circulation in the second half of the 20<sup>th</sup> century, has expanded its content by now. Initially, scientists evaluated it from the point of view of a set of knowledge, skills, and abilities that could bring profit. Later, they assess a person in the diversity of his/her life manifestations. Human capital becomes a kind of indicator for assessing the life of a person, his/her moral qualities, and socially significant deeds.”

In previous studies, we have noted that “Human development is a process of expanding the spectrum of choice. The most important elements of choice are to live a long and healthy life, receive education, and have a decent standard of living, guaranteed human rights, and self-respect” (Efimova, 2015b).

Various branches of knowledge (economics, pedagogy, philosophy, psychology, and sociology) focus on the category of education.

Education determines personality structure since it reflects the life experience accumulated by a person in individual development. More than that, it represents the foundations of consciousness that determine

the decisions on critical life issues made by a person (that is, the life trajectory of a person) and manifested in the attitude of a person to public goods and ideals.

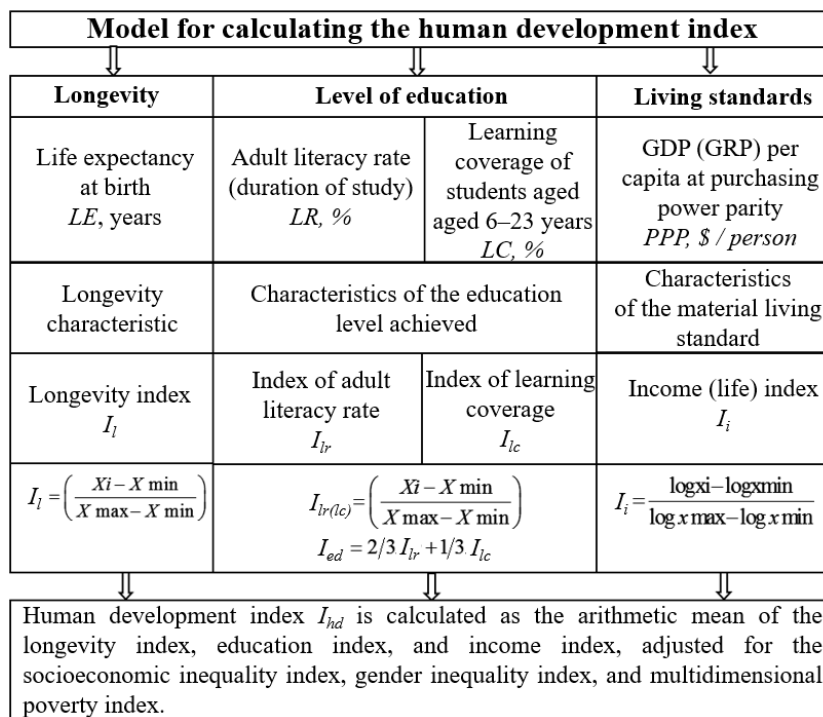
Education determines the worldview of a person and performs a wide range of functions (such as personality norms, rules, and principles of behavior that correspond to a specific social environment and play the role of regulators in human behavior and activities).

The potential of a person formed by education is one of the key factors of his/her competitiveness in the labor market. Comparing countries in terms of human capital development can illustrate the impact of education on human capital.

L. A. Efimova (2015a) includes the criterion of the level of education among the population and considers it “by the methodology for calculating indices of human development along with the indicators of longevity and living standards” (Fig. 4).

As the main criterion of education, professional activity explains the lag in the capitalization of human capital in modern Russia from Western countries. Despite the high level of education (i.e., a significant proportion of qualified personnel), negative perceptions of material wealth, financial success, and striving for career growth and prosperity inhibit human capitalization in Russia. The paradox is in high ranking positions of Russia in terms of the level of education and low ones in terms of GDP per capita, considering the purchasing power parity of the population. The difference in education level also determines the gap between Russia and other countries in important demographic indicators for determining the quality of human capital, such as life expectancy (especially among men) (Efimova, 2015a).

**FIGURE 4**  
**THE MODEL FOR CALCULATING THE HUMAN DEVELOPMENT INDEX**



We agree with S. S. Biryukova that culture is related to human capital since “the high quality of social connections, civic engagement, and culture of society” are among the external effects in developing human capital (Biryukova et al., 2018). We also support the ideas of M. A. Snurnitsyna (2018) that “the education and health care systems and social protection” influence the formation and development of human capital. Moreover, we consider it appropriate to note the need to update education within the analysis of the

dynamics of human capital development in conjunction with the development of healthcare, culture, social infrastructure, etc.

## CONCLUSION

Currently, a transition to a new person-centered model of economic development is necessary for foreign and domestic science and practice.

The level of education largely determines directions for developing human capital. Education affects human capital through the value system and determines its quality and value.

Education is an essential element in the personality structure that determines the life trajectory of society and an individual. The level of education reflects the attitude of a person towards public goods and ideals. The normative function is one of the main functions of education. Its essence is that the education level of a person regulates his/her behavior and life. Precisely the level of education determines the basis of the worldview of a person and the mentality of society.

In Russia, the lagging in terms of the capitalization of human capital may be due to basic differences in attitudes towards labor. The high level of formal education in Russia is offset by a negative attitude towards material achievement and financial prosperity. We can also observe the relationship between the education level and human capital indicators in life expectancy (especially for men). Low life expectancy in Russia may be associated, among other things, with a low level of education (Efimova, 2012).

L. A. Efimova (2015b) writes, "Funds spent on education are recouped by increasing labor productivity and raising wages. An educated person develops his/her human capital, increasing his/her capabilities. The country increases its national income directing funds for creating human capital," which is a fundamental argument in favor of education.

Achieving the goal set in the paper is impossible without understanding that the level of human development is based on the value system determined by the level of education of a person.

The practical value of the research is in the possibility of using its results to develop programs for business entities at the regional level.

The scientific value is in the continuation of the research on the influence of education on human capital development. Moreover, it is in overcoming the economic approach to this significant, complex, and multifaceted phenomenon.

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