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EDUCATION EXPENSES AS A COMPONENT OF INVESTMENT IN HUMAN CAPITAL

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In modern conditions, there are significant changes in the structure and importance of factors that determine the country's competitiveness. The innovative economy of the world's leading countries is characterized by the following signs: the high quality of human capital and investment in its development; high level of development of education and science; high quality of life of the country's population; high indices of human potential; attractive investment climate; effective government regulation of the economy; the presence of powerful intellectual centers of technological development in the country; production of competitive product; the presence of transnational corporations that ensure the competitive

technological and scientific development of the country, etc. The presence of these factors and conditions makes the employees produce innovations in the different fields of activity.

It is well known that the main factor in the formation and development of the innovative economy is human capital. Among the factors that affect the improvement of the quality of the labor force and the formation of human capital in the innovative economy, an important place is occupied by financial expenses for education (employee, enterprise, state), which are considered as investments.

The quality of the labor force is a set of human characteristics manifested in the work process and includes the qualifications and personal qualities of the employee: health, mental (intellectual) abilities, ability to adapt, flexibility, mobility, motivation, innovativeness, professional suitability, morality, etc. According to S. A. Loevska, expenses for education and professional training make up the main share of capital investments in the development of the labor force at all levels. These capital investments include initial costs and are accompanied by the hope of payback and profitability in the future. Vocational training transforms unskilled labor force into skilled labor force that creates more value per unit of time than simple, unskilled labor force. This makes it possible to consider the expenses for education and professional training at all levels, including budgetary financing of the education sector, not as irreversible but necessary costs for educating the younger generation, but as investments in human capital that bring economic and social effects [1].

As stated in the Report of the World Economic Forum the educational level of the labor force is the main driving force in the adoption and application of new technologies, which leads to economic growth. 60% of the productivity of specialists depends on educational success, as a study of 64 countries of the world proved. And targeted investment in increasing of qualification can add more than \$4 billion to global GDP through improved productivity [2].

Considering investments, it is worth using the concept of "human capital", because, as is known, it is a derived category from the labor force and is defined as a set of formed and developed as a result of investments productive abilities, personal traits and motivations of individuals that are in their possession, used in economic activity, contribute to the growth of labor productivity and, thanks to this, influence the growth of their owner income and national income. It is also determined that human capital can be used by a person (individual) throughout his life, and thus bring him dividends in the form of received income all this time. An important feature

of human capital is that it is not just a collection of the listed characteristics, but a collection which was accumulated or developed as a result due to investments.

V. N. Petyukh claims that every person can offer on the labor market not only working hours and a certain intensity of work, but also his abilities of a certain quality, which depend on factors that a person cannot influence (age, gender, etc.), and from the factors that give a person the opportunity to choose, namely the level of general and professional education [3, p. 42]. He notes that workers with a higher level of education have higher incomes. This is due to two reasons: people with greater abilities have higher incomes; the presence of education in a person is a sign of abilities that are difficult or even impossible to measure directly [3, p. 43]. Thus, V. N. Petyukh agrees with the opinion of the representatives and followers of the theory of human capital that spending on education leads to an increase in the labor productivity of employees and this will provide them with a higher total amount of income in the future. He also notes that the higher income a diploma of education will bring in the future, the more students will decide to invest in education, and therefore in the labor force, and the higher quality workforce will be offered on the labor market [3, p. 45]. Therefore, the level of wages is a fundamental factor when an individual makes a decision to receive an education or upgrade his qualifications.

K. V. Tymoshenko claims that spending money necessary for obtaining education and professional training can be considered as an investment in human capital. It will be economically expedient only if the acquired education or professional training will ensure a higher level of income in the future [4, p. 82]. Employees spend money on education with the aim of obtaining higher incomes in the future, increasing social status, etc.

Investments in the labor force are considered at two levels: macro level – state's spends from the state and local budgets on education, since the increasing of the population's education level accelerates the country's innovative development; micro level – spending on the education of certain individuals and enterprises. Enterprises spend on the training, retraining and improvement of the qualifications of their employees with the aim of activating their and increasing labor productivity, reducing losses of working hours, increasing one's competitiveness. Individuals themselves also spend on education, since in many countries the increase in the level of education of an employee contributes to the increase in his income. Investments in the labor force contribute to the growth of social capital, which manifests itself in the increase of trust, the formation and observance

of moral and legal norms, as well as in the understanding and respect of various cultural traditions. In many countries – the world leaders of the modern economy – have already realized the importance and balance of investments in human capital, their benefits for own growth and prosperity. Thus, investments in the labor force is one of the main factors in the development of not only individual entities, but also the economy as a whole.

In recent years, the level of public spending on education in the EU member states has remained almost unchanged. During the global pandemic, when there was a transition to online and mixed learning, the Recovery and Resilience Facility together with European structural and investment facilities significantly increased the amount of EU funds allocated to education. The Recovery and Resilience Facility is the central element of the program "The next generation of the EU" – an instrument of the European Union to support the recovery after the crisis caused by the coronavirus. It is 675 billion euro – 312,5 billion euro grants and 360 billion euro loans. The Recovery and Resilience Facility supports sustainable and growth-oriented reforms and investments in EU member states to help restore and build the institutional capacity needed to reduce inequalities and gaps in the EU. Therefore, in modern conditions, investments in education of EU countries perform an important role in national recovery plans [5].

I. Novak at the enterprise level includes in investment's expenses for improving the qualifications of employees, medical examinations, payment of medical and other social services, particularly voluntary insurance, expenses for labor protection, charitable assistance and other [6].

Two types of investment in education are considered by V. G. Voronkova – formal and informal. Formal investments are expenses for obtaining secondary, special and higher education, as well as for obtaining professional training, retraining and advanced training, various courses, master's, postgraduate, doctoral studies. Informal – this is the self-education of an individual: reading developmental literature, improving in various types of art, professional sports, etc. With an increase in the level of education, the employee's work efficiency increases as a result of the increase in labor productivity [7].

In this way financial expenses for education, training, retraining, as well as improving the qualifications of the labor force are considered by many scientists as investments in human capital, leading to an increase in the level of knowledge and skills of the employee, increasing the quality of the human capital including enterprises and countries.

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