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The Role of Labor Capital and Human Resources in Global Economic Development

Abstract

This study looks at how human capital affects economic growth. The quality of human resources is intimately tied to how developed a country is. Having skilled workers, a good education, and technological expertise all help the economy grow and become more productive. Putting money into things like education, health, and training improves both personal income and the economy as a whole. Education increases job chances on a small scale. It helps the economy grow in the long run on a large scale. Strong investments in human capital have helped developed countries make progress. The results show that enhancing human capital is necessary for long-term growth, technical progress, and staying competitive in today's global economy.

Introduction

The demand to attain optimal output levels through the judicious utilization of limited resources, along with the imperative for structural reforms in economic, social, political, and cultural domains, elevates the development issue to prominence. The issue of development and underdevelopment arises from disparities in economic and non-economic elements among countries, contingent upon the quantitative and qualitative status of physical (material) and human (human) resources inside those economies. The human factor, which plays a major role in the evaluation and integration of physical resources into the economic process, holds a crucial position in achieving development. The human factor in the development process shows itself in two ways: in an agricultural culture, it shows up as unskilled human capital (physical labor), and in an industrial society, it shows up as both unskilled and skilled human capital (mental labor). In the emerging information society, human capital impacts and guides the socio-economic growth process solely as skilled human capital (Delogu, et.al.,2018: p.225). The function of humans in the production process, like the role of physical capital in production, lends humans the characteristics of capital. Humans, whether skilled or unskilled, contribute to the economy as owners of labor, entrepreneurial skills, and technical knowledge since they are a type of capital. The notion that individuals, akin to physical capital in the classical sense, represent a capital element, achieved theoretical coherence post-World War II, primarily due to the influence of technical breakthroughs. The primary reason an analytical theoretical framework for human capital could not be established prior to World War II was the disregard for investment in human capital, stemming from a focus on quantifiable factors during that era, coupled with the ambiguity surrounding human capital due to indistinct variations in technological, economic, social, and other developments among nations. After World War II, the technology race in the global economy sped up research on how human capital theory came to be. The rise of human capital theory alongside advancements in development theory and the significant disparities in technological progress between developed and developing nations post-World War II can be credited to individuals such as T.W. Schultz, G. Becker, E. Denison, F.W. Harbison, and C.A. Economists like Myers and J. helped make this progress possible. Mincer. The transition from primitive to modern techniques in the production process through technological innovations, the increasing importance of technical and scientific knowledge, and the fact that the production of goods and services, management, marketing, etc., cannot be considered independently of the human being, both physically and intellectually, from the production process, thus increasing the need for a qualified human factor. In human capital theory, the term "human capital" is used to describe human capital. One definition of human capital is "the value of the skills and other acquired qualities of an individual." Another definition talks about the growth of human resources, which means the growth of people in terms of their abilities, skills, and knowledge, the accumulation of human capital in economic terms, and the effective use of this capital in development. Investing in people raises the chances of getting higher real returns by improving their physical and mental skills. In general, human capital is the worth of the traits that a person has at birth and learns over time. A person's strengths and attributes define where they fit within the production process.

In developing countries (DCs), investment in human capital is of paramount importance in both the industrialization and transformation into information societies, focusing on enhancing existing and acquired skills. Economist T.W. Schultz, who made the first theoretical contribution to the theory of human capital and investment in human capital, grouped investments in human capital into five categories: formal education, on-the-job training and all training programs conducted within firms, non-formal education programs conducted outside of firms, healthcare services affecting life expectancy and working capacity, and migration providing better job opportunities. Increased productivity stems from these human capital investments. In addition, expenditures on nutrition and housing, which are among basic needs and affect a person's productivity, are also considered within the scope of human capital investments. Investment in human capital in a society occurs in two ways: at the micro and macro levels. At the micro level, investment in human capital includes investment in oneself and investment by firms in their personnel (the human factor). At the macro level, investment in human capital includes investment in human capital by the state, generally referring to infrastructure investments and investments in semi-public goods and services at the national economic level. One of the most important characteristics of human capital investments is that, from a microeconomic perspective, as the level of investment in people increases, individuals have the opportunity to earn more income. This characteristic is particularly evident in education investments. As one moves from a lower to a higher level of education, higher income is earned. This is explained by the differences in returns to education, and the return on education can vary depending on whether a country is developed or underdeveloped, the characteristics of its markets, income distribution, the cost of education, and other policies (Omelchuk, et.al., 2020:p.512). The difference in the time it takes to earn income from education can also lead to different returns on education. From a macroeconomic perspective, however, human capital investments have a continuously increasing return. In the long run, as investments in people, especially education investments, increase, national income also increases. Today, some developed economies such as Japan, Germany, and the USA have reached their current level of development thanks to investments in education and other human capital elements at the beginning of their development. Due to these characteristics of education investments at both the micro and macro levels, calculating the return on education investments in the development process is extremely important (Tunç, 2016).

Conclusion

Human capital is a key factor in the growth of modern economies. The quality of human resources is just as important as the quantity of physical resources for economic growth. How well resources are used in production depends on skilled workers, education, and technical expertise. Investment in human capital is necessary for industrialization and the transition to an information-based economy in emerging countries. Opportunities for education, health care, training, and moving to another country all boost productivity and raise income levels. At the micro level, people make more money when they go to school and learn new skills. At the macro level, putting money into people's education and training leads to long-term economic growth and higher national income.

Historically, industrialized nations have made progress by investing in education and worker skills early on. So, improving human capital is an important part of long-term development. Investing more in education and human resources helps the global economy become more innovative, competitive, and structurally different.

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