

# MODERN TRENDS AND DIRECTIONS OF HUMAN CAPITAL DEVELOPMENT

## СУЧАСНІ ТЕНДЕНЦІЇ ТА НАПРЯМИ РОЗВИТКУ ЛЮДСЬКОГО КАПІТАЛУ



**Микола БУТКО,**  
доктор економічних наук,  
Чернігівський державний  
технологічний університет

**Mykola BUTKO,**  
PhD Economics,  
Chernihiv State  
Technological University

**Жанна ДЕРІЙ,**  
кандидат економічних наук,  
Чернігівський державний  
технологічний університет

**Jeanna DERIY,**  
PhD Economics,  
Chernihiv State  
Technological University



Human history shows that it is due to man and his mental capacity the production system and living conditions are improving, new needs emerge and new interests arise. Accordingly, the basis of modern economic system, its operation and development is the accumulation of human capital and its synchronous capitalization. Now human capital is positioned as the main production factor and social factor in the functioning and development of the global economic system.

Modern human capital is a vital factor of the subject, which is associated with a person, its mentality, ethnic values, intelligence, experience and talent. Human capital has a significant impact on economic growth, namely in the manufacturing sector it is manifested in the possibility to apply creativity, latest technology and focus on high-tech modes, steady growth in labor productivity. In terms of market environment, this effect is possible due to increase of purchasing power, increase the competitiveness of labor, accumulation of investment resources on this base.

From the authors' point of view the human capital is actually involved human resources, estimated at specific social and historical conditions of human existence, intensive productive forces and production factor of social manufacture, including human resources, knowledge, education, tools of intellectual development, habitat. Human capital is an element of national wealth that includes intellectual capital in particular, and absorbs the concept of human potential as its aggregative component.

The world today is a complex polysystemic formation that develops dynamically and is influenced by global processes. Globalization, in its turn, is the product of the functioning of modern economic system based on scientific and technological progress, cooperation and interdependence of world economies and was due to processes of internationalization of world economy and escalation of planetary problems. Therefore, the formation and development of human potential through its intellectualization, converting intelligence into an essential element of human capital and development within the knowledge economy and its formation conditions for capitalization are the most pressing problems facing society.

The world economy of the XXI century is a new stage of development of productive forces, namely the transition from the industrial stage, dominated by the efficient machinery, to the stage where the

structure of the economy is dominated by service sector and intangible economy. The transition to postindustrial society is conditioned by number of trends such as:

- increasing role of education;
- raising the status of innovation development;
- intellectualization of labor and the environment;
- informative and communicative revolution.

Development of social production and its efficiency were determined by participation and use of qualified personnel, modern knowledge, information technology and creative management. Thus in the foreground is positioned the same person as the bearer of new knowledge, skills and opportunities and human capital becomes a valuable resource of post-industrial society.

Traditionally system of social and labor relations is closed and is influenced by pre-defined factors of their origin, formation and development. Objective complexity of processes of natural in-

creases «resistance environment», thus the overall level of risk increases and necessity for rational general connection of political, economic, environmental and human development trends.

Human Capital Development in Ukraine is far behind other countries, it is shown in low quality of life, insufficient financing of human development and funding and low capitalization of human potential. Consequently, this led to negative social and economic phenomena, including following:

### 1. SIGNIFICANT DEPOPULATION WITH LOW-QUALITY CHARACTERISTICS OF HUMAN CAPITAL

Life and development of the economic system is closely linked to sustainable demographic development, which ensures public reproduction of human generations and growth of human capital. Demographic situation in Ukraine is not in favor of sustainable growth, as rate of birth is reduced, mortality increases, there is a high mortality rate in manu-

*The authors consider the problems of significant people depopulation with low-quality characteristics of human capital, intensification of migration, irrational demographic structure, reduction of human development.*

*The article shows that the main factors increasing of human capital in Ukraine are: the change in the labor market through improved qualification structure of the market; alignment of incomes of the population through the introduction of taxes on wealth and formation of welfare institutions; ensuring public health services through the introduction of health insurance; freedom for all-round development of personality.*

*У статті розглянуто проблеми значної депопуляції населення з низькими якісними характеристиками людського капіталу, активізації міграційних процесів, нераціональної демографічної структури, зниження рівня людського розвитку. Автори розглядають людський капітал як реально задіяний потенціал людських ресурсів, оцінений у конкретних суспільно-історичних умовах існування людини, інтенсивний продуктивний фактор суспільного виробництва, який включає людські ресурси, знання, освіту, інструменти інтелектуального розвитку, середовище існування. Людський капітал – це елемент національного багатства країни, який включає інтелектуальний капітал зокрема та поглинає поняття людського потенціалу як свою укрупнену складову.*

*Доведено, що основними чинниками нарощування людського капіталу в Україні виступають: зміна ситуації на ринку праці через поліпшення кваліфікаційної структури ринку; вирівнювання доходів населення через введення податків на багатство та формування інститутів добробуту; гарантування загальнодоступних медичних послуг через запровадження системи медичного страхування; свобода для всебічного розвитку особистості.*

Table 1. Demographic indicators and migration in Ukraine \*

\* Prepared according to [8].

\*\* Preliminary data.

Years	Total population, thousand people	Indicators of migratory movements		
		Internal displacement, people	External migration, people	
			Arrived	Retired
2002	48457,1	717532	42473	76264
2003	48003,5	722544	39489	63699
2004	47622,4	750812	38567	46182
2005	47280,8	723642	39580	34997
2006	46929,5	721655	44227	29982
2007	46646,0	711785	46507	29669
2008	46372,7	673467	37281	22402
2009	46143,7	609902	32917	19470
2010	45962,9	652639	30810	14677
2011**	45778,5	529589	25352	12043

Table 2. The countries in human development \*

\* Compiled from [3; 4].

Country	HDI 2011	Location in the country ranking		Value of HDI components		
		2010	2011	Life expectancy, years	Average duration of training, years	GDP per capita in PPP dollars USA
1	2	3	4	5	6	7
Norway	0,943	1	1	81,1	12,6	47557
Australia	0,929	2	2	81,9	12,0	34431
Netherlands	0,910	7	3	80,7	11,6	36402
USA	0,910	4	4	78,5	12,4	43017
New Zealand	0,908	3	5	80,7	12,5	23737
Belarus	0,756	61	65	70,3	9,3	13439
Russia	0,756	65	66	68,8	9,8	14561
Kazakhstan	0,745	66	68	67,0	10,4	10585
Ukraine	0,729	69	76	68,5	11,3	6175

facturing. As of 01.01.2012, the population of Ukraine amounted to 45,633.6 thousand people in comparison with 01.01.2002 – 48457.1 thousand people being a significant demographic challenge for the present.

## 2. INCREASED MIGRATION

Migration has the positive and negative consequences, particularly if the country has negative migration balance, it is not only losing population but losing economically active population in reproductive age (table 1).

This table shows illustrating the demographic situation in Ukraine, which has a strong tendency to deterioration. Against the backdrop of population decrease the outflow of labor abroad reduces the accumulated human capital. However, reducing the needs of citizens in the labor migration is possible by creating decent living conditions, employment and effective social policy in Ukraine. Somewhat reduced volume, and continues to develop a process of internal migration, but there are several factors that constrain it: poor transport security, territorial disparity between the place of contributions to the budget and place of receiving social services and of the demand for goods and services.

## 3. IRRATIONAL DEMOGRAPHIC STRUCTURE OF POPULATION

According to socio-demographic substructure society is divided into certain social groups, communities on the following criteria: gender, age, marital status. The optimal structure provides an even distribution of men and women in society. The structure is progressive, when the number of children is greater than the proportion of the latter group. Unfortunately, in Ukraine the opposite trend may be

noted. The growth of population in childhood almost ceased, while the population of retirement age continues to grow. Therefore, assessing the socio-demographic situation in Ukraine, we can say that the country is experiencing a demographic crisis situation: first, the predominance of deaths than births, and secondly, there is an ageing of population, which means ageing of the working layer.

Hence there can be problems that are associated directly with employees: reduction of working capacity, some conservatism, rejection of new ideas and technologies, thirdly, the number of female population advantage over men, and fourthly, the trends associated with a number of family problems. Among them, the growth of alternative forms of marriage and family, many singles (unmarried), the transition to youth family and the trend to emigration, which affects the reduction of population of Ukraine. This is an alarming symptom, because most of those who leave are young and well educated people. Migration reduces the quality of labor, demographic and intellectual potential of Ukraine, devalues human capital.

## 4. REDUCTION OF HUMAN DEVELOPMENT

One of the factors that determine the effectiveness of existing human potential and opportunities for building human capital is the real standard of living and population development. In the Human Development Report for 2011: "Sustainability and equality of opportunity: a better future for all", added new top Human Development Index for 187 countries of, in 2010 ranking consisted of 169 countries (table 2).

Leaders continue to be the leading countries – Norway, Australia, Netherlands, USA, Germany, Canada, they are in the first group, group of countries with very high rates of development. Ukraine is the second group of countries with high development.

The report for 2011 took into account elements:

**HDI adjusted for inequality:** The report examines the HDI through the prism of inequality in human development, taking into account disparities in income, health and education.

**Index of gender inequality:** The report for 2010, a new measure of gender inequality, which takes into account the level of maternal mortality and women's representation in parliament. It is also considered in the Report for 2011. In the world a leader in gender equality is Sweden, and the lowest position in Yemen.

**Multidimensional Poverty Index (MPI):** The report new multidimensional poverty index, which assesses poverty, not only with regard to earnings, but also takes into account many factors at the household level – from basic living standards to the opportunities for schooling, clean water and medical assistance. More than 1.7 billion people – one third of the population in 104 countries for which the MPI was calculated – live in multidimensional poverty, more than 1.3 billion living on less than \$ 1.25 per day [3, 4].

Living standards – a set of parameters that characterize the degree of consumption of public goods and services, satisfaction of personal needs.

Human capital as a factor of production, is a special element of modern process of production activities, an integral and dynamic part.

To make efficient economic and human development and increase capacity of the human capital it is necessary to change the guidelines in the social development and identify a person as a main factor of economic growth and future stability. As modern innovative society considers man as the bearer of innovation and development, the decisive factor and the primary resource of innovation type economics.

Analytical reports of the World Bank indicate that the economy of knowledge consists of four main elements:

□ education and training that determine the availability of educated and professionally trained people to be able to produce, distribute and use knowledge;

□ dynamic innovation infrastructure, which is characterized by information and communication technologies that can provide distribution and processing information;

**Table 3. Innovation in the development of human potential and its transformation in human capital \***

\* Compiled from [8].

Years	The number of organizations performing research	Number of scientists, people	Number of doctors in the economy of Ukraine, people **	The number of candidates in Ukraine's economy, people **	Volume of performed scientific and technical works, all in fact. prices, mln. hryvnas	The share of enterprises engaged in innovation, %	Firms that introduced innovations, %
2000	1490	120773	10339	58741	1978,4	18,0	14,8
2001	1479	113341	10603	60647	2275,0	16,5	14,3
2002	1477	107447	11008	62673	2496,8	18,0	14,6
2003	1487	104841	11259	64372	3319,8	15,1	11,5
2004	1505	106603	11573	65839	4112,4	13,7	10,0
2005	1510	105512	12014	68291	4818,6	11,9	8,2
2006	1452	100245	12488	71893	5354,6	11,2	10,0
2007	1404	96820	12845	74191	6700,7	14,2	11,5
2008	1378	94138	13423	77763	8538,9	13,0	10,8
2009	1340	92403	13866	81169	8653,7	12,8	10,7
2010	1303	89534	14418	84000	9867,1	13,8	11,5

□ economic incentives and legal regimes that is the economic environment that promotes the free flow of knowledge in society its implementation and development of effective business;

□ innovative systems that combine a network of research centers, universities, private firms and organizations involved in producing new knowledge and its application.

Innovative society is characterized by intellectualization of labor, the result of intellectual activity is the knowledge that not only allow you to meet the needs that are constantly growing, but also improve the very person who creates new products, new ways to meet the needs. With implementation of intellectualization all the features work: human abilities improvement, self-development, self-identity. The broader and deeper diffusion of knowledge is, the more they are embodied in a vocational qualification potential of man, the more innovation is implemented in production the better the return on investment in human development and equity.

This trend is caused by the logic of social development. When traditional sources and resources deplete, economic growth can be achieved through innovation and creative development.

In Ukraine, there was a paradoxical situation (**table 3**), when the number of researchers is growing and number of organizations involved in research is reduced, also a small number of firms are engaged in innovative activities and introduce innovation into production. Of course, this situation shows no benefit to the competitiveness of the economy and opportunities for development of national human capital.

As noted above, one element of human capital is the intellectual capital that promotes economic growth and capitalization of human potential. A special form of various types of economic ownership of intellectual resources and innovative products is an intelligent rent. This is an income above the minimum level required to attract intellectual resources in this field of activity. In post-industrial stage of society in the reduction of expanded reproduction reserves of compensatory type, intellectual rent is a factor of economic competitiveness and human capital, which is caused by the conversion of intellectual activity in its own direction in the system of social division of labor, distinguishing knowledge in a particular type of resource and increasing multiplicative dependence of a state, businesses, households on the volume and quality of produced and consumed intellectual products and services. Intellectual rent has features which are as following.

First, it occurs in the innovation, as well as in the social and informational spheres of economy. Special role is assigned to the area and in particular to innovation infrastructure that produces services for the development and use of intellectual products and innovations and includes science, venture business, innovation in general.

Secondly business entities that assign intellectual rent are owners of special resources – intellectual capital. This resource is limited, so it also is an economic resource.

Business entities that possess intellectual rents are owners of intellectual resource, as an element of human capital, characterized by value, and high capital intensity of investment, pricing and features of identity processes of production and consumption. Intellectual resource – is both public and private good.

Thus, the main factors increasing human capital in Ukraine can be considered:

□ changes in the labor market through improved qualification structure of the market. As a result of «intelligence loss» countries that are more economically developed, can compensate for a lack of domestic markets scientific and technical experts and highly skilled workers by stimulating migration;

□ alignment of income through the introduction of wealth taxes and formation of welfare institutions;

□ ensuring public health services through the introduction of health insurance;

□ freedom for all-round development of personality.

According to the above defined, the most common target values of socio-economic system of today is: justice in the distribution of incomes, as equality of opportunities; even distribution of incomes, social welfare. The implementation of the objectives should provide the organizational and economic efficiency of society, improving the quality of life, social security, and promoting interaction between human society and nature.

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