

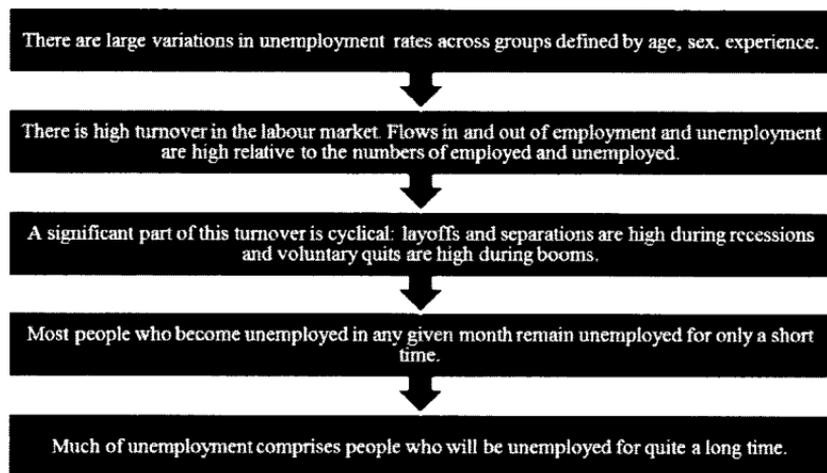
## СЕКЦИЯ 9. MAIN ISSUES OF MODERN DEVELOPMENT OF SOCIO-ECONOMIC SYSTEMS

### HUMAN CAPITAL AND UNEMPLOYMENT: DOES THE STRUCTURAL DEPENDENCE EXIST?

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The labour market presents an image of substantial turnover; firms continue to hire some new workers even as they are reducing total employment. Workers leave jobs voluntarily and locate new jobs or wind up unemployed. Research has concentrated on these flows into and out of employment and unemployment.

Extensive research of the labour market has revealed five key characteristics:



**Figure 1. Five key factors of labour market**

This facts are critical in understanding what unemployment means and what can or should be done about it.

First of all let us concentrate on the part of the labour force that is a share of unemployed people. They are people of working age, but not in the labour force, might be old people, spouses working at home or people who would like to work but are discouraged by lack of success in locating a job.

A person may become unemployed for one of four reasons:

1) He may be a new entrant into a labour force – someone looking for work for the first time or else be reentrant – someone returning to the labour force after not having looked for work for more than four weeks.

2) A person may quit a job in order to look for other employment and register as unemployed while searching.

3) The person may be laid off. The definition of layoff is a suspension without pay lasting or expected to last more than seven consecutive days, initiated by the employer “without prejudice to the worker”.

4) A worker may lose a job to which there is no hope of returning, either because of being fired or because the firm closes down. This last way of becoming unemployed is referred to as involuntary quits or in a simple manner job loss.

“A spell of unemployment is defined as a period in which an individual remains continuously unemployed. The duration of unemployment is the average length of time a person remains unemployed. More than half the completed spells of unemployment finish within a month, whether labour markets are tight or slack. This finding supports the view that a large part of unemployment experiences is of very short duration”. [3, p. 102]

On the other way there are essentially three ways of moving out of unemployment:



**Figure 2. Three ways of moving out of unemployment**

The frequency of unemployment is the average number of pastimes, per period that workers become unemployed. There are two basic determinants of the frequency of unemployment. The first is the variability of the demand for labour across different firms in the economy. Even when aggregate demand is constant, some firms are growing and some are contracting. The second determinant is the rate at which new workers enter the labour force: the more rapidly new workers enter the labour force – the faster the growth rate of the labour force – the higher the natural rate of unemployment.

So what is human capital and how unemployment can influence on it?

“Human capital is a combination of such competencies as health, knowledge, motivation, and skills, the attainment of which is regarded as an end in itself (irrespective of their income potential) because they yield fulfillment and satisfaction to the possessor. In an organizational context, human capital refers to the collective value of the organization's intellectual capital (competencies, knowledge, and skills)”. [1, p. 69]

This capital is the organization's constantly renewable source of creativity and innovativeness (and imparts it the ability to change) but is not reflected in its financial statements. Unlike structural capital, human capital is always owned by the individuals who have it, and can 'walk out the door' unless it is recorded in a tangible form, or is incorporated in the organization's procedures and structure.

Economist Theodore Schultz invented the term in the 1960s to reflect the value of our human capacities. He believed human capital was like any other type of capital; it could be invested in through education, training and enhanced benefits that will lead to an improvement in the quality and level of production.

“Human capital refers to the people and their knowledge, skills, and abilities as used in employment and else where that contribute to the economy . Essentially, it's the skills, knowledge and experience of individuals employed by an organization that make a worker productive in an economic context. Human capital may sometimes be referred to as the labor force or workforce”. [2, p. 39]

The term human capital is recognition that people in organisations and businesses are an important and essential asset who contribute to development and growth, in a similar way as physical assets such as machines and money. The collective attitudes, skills and abilities of people contribute to organisational performance and productivity. Any expenditure in training, development, health and support is an investment, not just an expense.

In a society which places a strong emphasis on competition, financial return and viability, the people issues can sometimes be neglected. Increasingly however, business and political leaders are starting to recognise that having good people who are skilled and motivated can make a significant difference.

Competition is so fierce and change is so fast, that any competitive edge gained by the introduction of new processes or technology can be short-lived if competitors adopt the same technology. But to implement change, their people must have the same or better skills and abilities.

To grow and adapt, the organisation's leadership must recognise the value and contribution of people. Treating money spent on people as an investment in an important asset is a far more appropriate mindset that treating such expenditure as an expense, to be kept to the minimum amount necessary.

Over the years, the terms used to describe staff and employees in businesses have changed. We have moved from "personnel" to "human resources" and now "human capital".

The important point is the mindset behind the organisation's operation. If people are valued, and all management and leadership actions demonstrate that, then the terminology is not so important.

In summary, people should be treated as an asset rather than an expense item. Every effort should be taken, whether formally or informally, to develop skills and abilities and to provide opportunities for people to maximise their contribution.

## REFERENCES

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