

Mykola Butko¹, Alyona Revko²

WAGES AS A DETERMINANT OF HUMAN REPRODUCTION

PLACE JAKO WYZNACZNIK PRODUKCYJNOŚCI PERSONELU

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Summary

The article examines the impact of wages on the reproduction of human potential as determinants of innovation and investment development of the state and its regions. At the current moment the development of human potential is becoming the basis of national wealth. The economy's ability to use this potential effectively is expressed in the growth of the gross domestic product of the country and the population quality of life.

Streszczenie

Artykuł analizuje wpływ wynagrodzeń na odtworzenie potencjału ludzkiego jako determinant innowacyjności i rozwoju inwestycyjnego państwa i jego regionów. W obecnym momencie rozwoju potencjału ludzkiego staje się podstawą bogactwa narodowego. Zdolność do korzystania z tego potencjału skutecznie wyraża się we wzroście produktu krajowego brutto w kraju oraz jakości życia mieszkańców.

Reproduction of the human potential in the context of contemporary modernization paradigm is an actual problem of functioning and development of regional economic systems, as the reproduction of labor and material-working in various spheres passes at the spatial level.

The problem of human potential was raised within the framework of the theory of human development in the 70th-80th years of the twentieth century by such foreign scientists, as G. S. Becker, M. Friedman, S. Fischer, Th. W. Schultz. Among the contemporary native scientists the theoretically-methodological issues of formation, reproduction and development of the human potential of both regions and the whole country are studied by O. I. Amosha, V. P. Antoniuk, V. V. Blyzniuk, M. P. Butko, V. M. Geiets, N. M. Dieieva, T. A. Zaiats, L. L. Kovalska, A. M. Kolot, V. I. Kutsenko, E. M. Libanova,

¹ prof. dr Mykola Butko - Chernigiv State Technological University.

² mgr Alyona Revko - Chernigiv State Technological University.

O. V. Makarova, O. F. Novikova, V. V. Onikiienko, U. Ya. Sadova, V. P. Udovychenko and others.

However, the problems of basing of the methodological approaches to the quantitative assessment of human's reproduction of the region in relation with the policy of incomes are still actual, particularly with the wage rates of the economically active population.

The aim of the article is to study the role of wages in the reproduction of the human potential at the level of regional economic systems, as right here we have resources for capitalization of this potential.

In general human development is the realization of each man's opportunities to use the possibilities and the desire to live healthy, full and creative life. Practical realization of these goals is accomplished through the establishment of maximum means to satisfy basic human needs. Firstly it realizes in getting well-qualified education, medical care services, community health protection system and supplying of worthy and safety living standards. The main category of the human development concept is the category of «human potential».

Scientists interpret the term «human potential» in different ways. V. V. Blyzniuk considers human potential not only to cover the professional-qualification characteristics of the human, but general educational attainment, as well as creativity, mobility, degrees of consumer priorities, ability to adapt to the socio-economic changes in the society and other quantitative and qualitative characteristics of their bearers [1, p. 31].

On the assumption of its etymological meaning of the word «potential», from Latin - strength, power, aggregate of man's opportunities, V. P. Antoniuk determines that the category of «human potential» expresses the total resources of the individual or the population of the country, region, other human community in the economic, social activities and personal development [2, p. 30].

«The 1997 Human development report», prepared by the United Nations Organization notes that «human potential represents different combinations of functional human qualities that someone can provide, and reflects the freedom of gaining these functional merits». At the same time «...functional human qualities reflect useful features that the man provides himself, for example, to eat well, to live long or to participate in the life of the society» [3].

In consideration with existing approaches to the social concept of «human potential», we consider it to be a regional category, because it is formed and fulfilled on the territorial bases. In our opinion, therein lay the accumulated stock of physical and moral health of the population, their creative and civic potency, cultural and professional competence, which is implemented in various spheres of functioning of the regional economic systems, and structures of their needs on the definite territory. Human potential is a major component of the endogenous potential, because a man is the main source of the effective functioning of both the territorial economic systems, and the society as a whole. Therefore, there is an objective need to improve the processes of reproduction and development of the regional human potential, as it provides the formation of the effective usage and the increasing of the competitive advantages over definite administrative and territorial formation.

Human potential is the main general category, which characterizes the human factor. It is typical for all various strata of society that are capable to any socially useful activities. It covers such aspects as possible quantitative and qualitative development of the human

community, the possibilities of economic, scientific and technical, socio-humanitarian, spiritual and environmental activities. That is why the category of «human potential» characterizes the relationships for self-realization of a man as in the process of working and beyond its measures as well. This category covers various economical hypostases of a man not only as a producer but also as a carrier of essential needs. Human potential is an important characteristic for all the stages of the man formation starting with his «economic rights», life and activities that are determined by the material needs and interests, up to «creative personality», in which, besides material landmarks intellectual and spiritual needs appear, and the work turns into the internal necessary component.

The process of human reproduction involves:

- genetic reproduction of human potential, which occurs naturally and determines the individual anthropological, biophysical and physiological characteristics of the human being. Genotype lays the basis of these characteristics,
- ontogenesis simulation - abilities that individuals get during their lives, are the consequence of their own conscious efforts. At the same time, these abilities (skills, attainments, knowledge, experience) have a social character, because they are formed and implemented only within appointed society.

The development of the individual's abilities inevitably leads to a modification of its needs, which makes the man; it means that needs become their logical continuation or reflection of the abilities. There is a dialectical and substantial unity of needs and abilities that specifies the usefulness of diverse needs involving in the composition of the human potential. It means that human reproduction assumes two forms: a structural reproduction of abilities system, on one hand, and the system of needs, on the other [4, p. 189].

Human potential includes the following components: demographic (population size, sex-age structure, life expectancy); physiological (health status of the population); socio-economic (the level of economic activity, employment, level of life); educational (the level of General and professional education); socio-cultural (the level of general culture, ethics and mentality).

The determinative importance in the reproduction and human development has socio-economic factors that determine the propensity of the population to the economic activity and the possibilities of its realization in social production, level of life and ability to satisfy basic needs [5, p. 253, 266].

Proceeding from A. Maslow theory of needs, the sphere needs and consumption in terms of the reproduction approach is a basic component of the realization of the human potential. Formation, determination and satisfaction of needs are the key points of the reproduction process. Two aspects of needs are significant in relation to the human potential: internal and external. On one hand, our needs encourage the production and determine the directions of its development, on the other hand, the level of development and its ability to fulfill these needs determine the quality of human reproduction as the main productive force. Both of these processes are interrelated.

The main source to satisfy the vital needs of the majority of the population in the regions and in the whole country is wage. It is still the leading element of human reproduction and plays an important role not only in the formation of man's tangible

benchmarks, but also in the improving of the education, spiritual needs, amendment of the level of culture and other components.

The reproduction of the human potential in the economic sphere derives in a form of employment in the labour force, functioning on the labour-market, which is one of the institutions and the elements of the market economy [6, p. 34]. Employment as a primary form of implementation of the economic activity of the population and the way to keep the welfare is one of the main characteristics of human development in the region. The level of employment characterizes the usage of the working population in the sphere of socially useful work and indicates the boosts of human development in the working sphere.

As analysis shows, the socio-economic foundation of reproduction of human potential in Ukraine seems to be improved (table 1). During 2005-2008, particularly, the level of employment increased when the level of unemployment decreased. It shows the marks for transformation of the human potential into the human capital. Only in 2009 these indicators had decrease, due to the crisis, because in 2010-2011 this trend was overcome. However, the pattern of improvements in the employment structure, the pace of modernization of national economy on the basis of innovative-investment model does not provide grounds for a positive assessment of the transformational biases in the use of human potential.

Table 1. Socio-economic components of human reproduction potential of Ukraine in 2005-2011

	2005	2006	2007	2008	2009	2010	2011
1. The quantity of employed population, mln. people	20,68	20,73	20,9	20,97	20,19	20,27	20,32
2. The employment rate (in % to the population aged 15-70 years)	57,7	57,9	58,7	59,3	57,7	58,5	59,2
3. The quantity of the unemployed population, mln. people	16,0	15,15	14,18	14,25	19,59	17,86	17,33
4. The unemployment (in % to the population aged 15-70 years)	7,2	6,8	6,4	6,4	8,8	8,1	7,9
5. An average nominal monthly wage, UAH	806,19	1041,47	1351,12	1806,33	1905,87	2239,18	2633,06
6. The real wage index, in % to the previous year	120,3	118,3	112,5	106,3	90,8	110,2	108,7

Source: compiled from [7, p. 136-139; 8, p. 118-121; 9, p. 178]

First of all, in spite of the regular wage-push of nominal and real wages in the period of 2005-2011, the low purchasing capacity is a serious obstacle on the way of preservation and reproduction of the human potential of Ukraine.

In Ukraine the nominal wage (in dollar equivalent) in the period of 2000-2010, has increased approximately seven times (table 2). The increase of this indicator occurred in all European countries from 2.2 times in Poland to 8.8 times in Russia. However, the average monthly salary in Ukraine is significantly lower than in other European countries.

Table 2. Dynamics of average monthly wages in some European countries (in dollar terms).

Country	Years							2010 to 2000, times
	2000	2005	2006	2007	2008	2009	2010	
Belarus	67,2	215,3	271,5	323,4	414,3	357,3	415,4	6,2
Bulgaria	107,2	207,8	233,4	304,2	402,0	427,9	434,8	4,1
Czech Republic	371,3	847,8	952,7	1126,4	1411,4	1262,6	1291,2	3,5
Hungary	371,8	93*1,6	932,7	1136,3	1307,5	1116,2	1083,5	2,9
Poland	494,1	791,4	841,1	987,3	1240,2	980,3	1067,1	2,2
Romania	133,3	327,1	388,9	551,4	668,6	577,0	597,4	4,5
Russia	79,0	302,5	391,1	531,4	693,6	592,5	698,5	8,8
Ukraine	42,3	157,3	206,2	267,5	343,4	245,0	283,1	6,7

Source: calculated on the data of remuneration labour of the United Nations [Electronic resource]. - Access: <http://w3.unece.org>.

The low level of purchasing power wages leads to poor payout structure of the population, which, in turn, slows down reforms in the social sphere, as the main part of earnings (up to 50-60%) is spent on food and the purchase of non-food goods. This fact constitutes a menace to the formation and the development of the human potential in the country, taking into consideration that previously a significant part of the population's expenses was paid by public funds of consumption. The state provided free education and healthcare, cheap housing, utilities, consumer services, transport and access to cultural values - museums, theatres, cinema, books. The birth and children's upbringing was significantly cheaper.

Failing payment from the Funds of social consumption the relationship between the wages and the indicators of the population's expenses for social services is growing. Thus, in recent years there is a trend to increase the population's expenses on education, health care and social insurance, as these branches gradually pass on the paid basis and the consumers' expenses in these spheres are put in direct dependence on wages [10, p. 240].

Taking into consideration that former Ukrainian system of social guarantees was destroyed and that system of insurance absorption is undeveloped, low wages for workers in most cases mean scarce in satisfaction of their basic needs.

Salary is the main source of cash income into the households; it has the largest share in the structure of cash income and had an unstable trend in the period of 2009-2011 (table 3).

For households without children the second largest source of income is the system of social transfers (pensions, scholarships, public assistances, benefits, grants and

compensatory payments provided in cash), which decrease from 38.4% in 2010 to 37.8% in 2011. A significant part in the structure of revenues is occupied by pensions; it is connected with the fact that in Ukraine in 2009 nine pensioners accounted for ten working citizens.

The landslide of values in social transfers in cash income of the population testifies to the inability of the government to support the population level of living in conditions of economic recession.

If we compare the structure of cash income from rural and urban households, we'll see a substantial excess of the part of employment incomes from the ultimate in 2011 - by 18.6 %. The share of pensions and social payments prevails in rural households thereafter by 5.5 % and 1.4 %.

The most negative impact on human potential, in our opinion, has such indicators as the growth of the regional wage differentiation, leading to the marginalization of the population; reduction in volume and quality of employment, which is due to discrepancy between the post and the level qualifications, experience and possibilities of the employee; decline in the quality and accessibility of education (pic. 1).

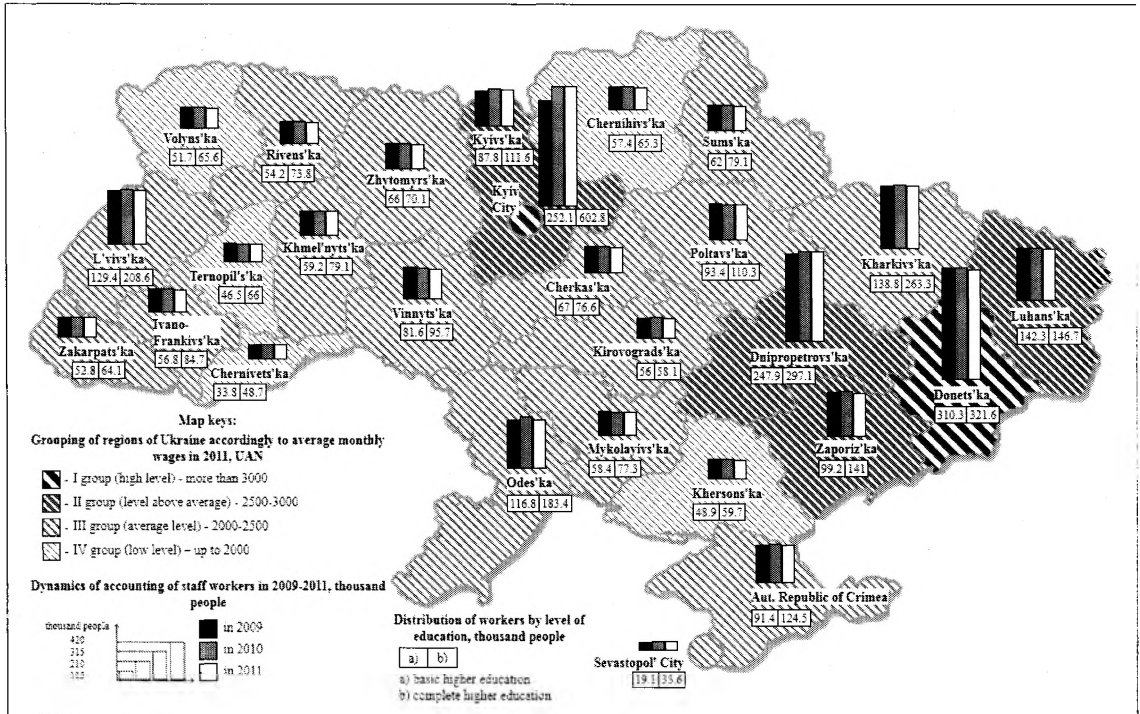
Table 3. The structure of cash income to the Ukrainian households in 2009-2011 (in average for one household per month, UAH).

	Households without children		Households with children		Urban households			Rural households		
	2010	2011	2010	2011	2009	2010	2011	2009	2010	2011
Remuneration of labour	46,6	47,8	60,8	63,1	58,7	58,0	59,7	41,2	38,9	41,1
Income from entrepreneurial activity and self-employment	4,4	3,4	9,8	7,4	5,9	7,2	5,4	5,5	5,7	4,7
Income from agricultural products sale	3,7	3,6	3,9	3,5	0,5	0,5	0,5	11,4	13,2	12,2
Revenues from the sale of personal and household goods	0,1	0,0	0,3	0,3	0,1	0,2	0,2	0,1	0,1	0,0
Revenues from the sale of estate property	0,3	0,5	0,4	0,3	0,3	0,5	0,4	0,1	0,0	0,4
Property income (dividends from safety stocks and other securities, interests on deposits, income from renting out real estate, etc.)	0,8	0,9	0,5	0,5	0,3	0,3	0,2	1,7	1,8	2,3
Pensions	36,9	36,4	11,6	11,2	24,1	23,6	23,4	30,0	30,0	28,9
Scholarships	0,9	0,7	0,5	0,6	0,9	0,8	0,7	0,6	0,5	0,5
Public assistances, benefits, grants and compensatory payments provided in cash	0,6	0,7	5,3	5,4	2,5	2,3	2,5	3,9	4,2	3,9
<i>including:</i> unemployment benefits	0,2	0,1	0,3	0,3	0,3	0,2	0,2	0,6	0,3	0,5
assistance to indigent families	0,0	0,0	0,3	0,3	0,1	0,1	0,1	0,2	0,3	0,3
benefits for children	-	-	4,2	4,4	1,7	1,6	1,9	2,3	2,9	2,5
subsidies and benefits in cash on the housing and communal services, electricity and fuel	0,0	0,1	0,0	0,0	0,0	0,0	0,0	0,1	0,1	0,0
others	0,4	0,5	0,5	0,4	0,4	0,4	0,3	0,7	0,6	0,6

Monetary support from relatives and other persons	4,7	4,8	5,6	6,2	5,8	5,4	5,7	4,7	4,5	4,7
Alimony	0,0	0,1	0,6	0,7	0,4	0,4	0,4	0,2	0,1	0,2
Other cash income	1,0	1,1	0,7	0,8	0,5	0,8	0,9	0,6	1,0	1,1
Cash income	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0

Source: compiled from [11, p. 237, 241, 251; 12, p. 192, 196, 204].

Pic. 1. The map of human potential reproduction of Ukrainian regions.



Average monthly wages in different Ukrainian regions in 2011 had a high degree of differentiation. There is a large gap between the minimum and the maximum level of average monthly wages in the regions of the country. The ratio of the highest level of salary in Kyiv City (4012 UAH) and the smallest in Ternopil region (1871 UAH) is 2:1. Only in four regions (Donetsk, Dnipropetrovsk, Kyiv, Luhansk) and the city of Kiev an average monthly wage exceeded the average value over Ukraine. And in Donetsk and Dnipropetrovsk regions, this indicator was higher than the average Ukrainian by 16.3% and 6% thereafter.

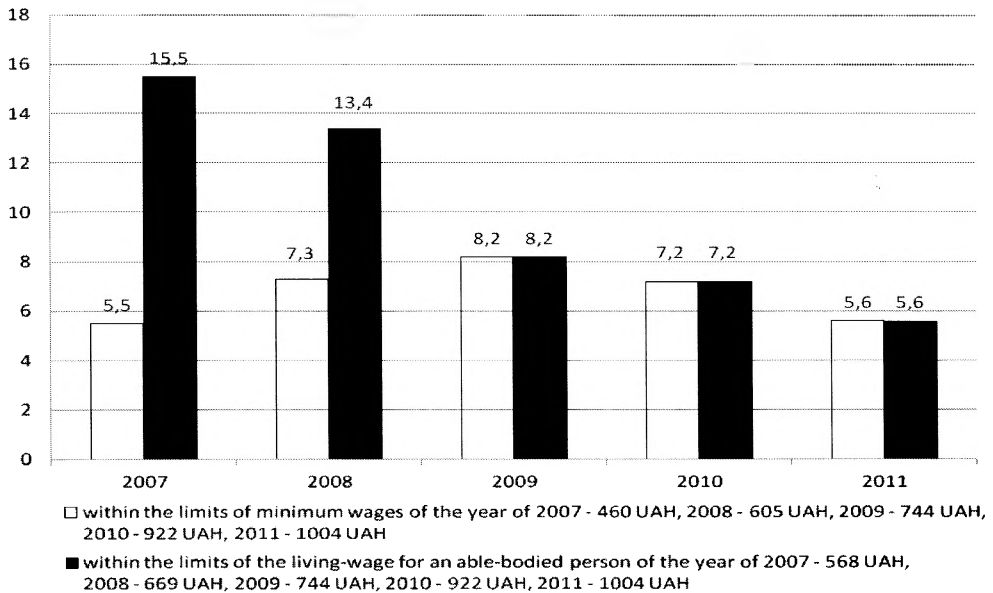
Differences in the size of salary is the result of structural differences in the regional economy investments in human potential, and the incomes of low-wage workers increased due to the growth of the volume of such investments. Regional wage differences create complicated problems in ensuring of single national standards of life of the population, overcoming of poverty and the formation of the middle class in this country [13, p. 259].

Ineffective use principles of the human potential of the country have a negative impact not only on the organization and structure of employment, but also on the development

of business activity in the regions of Ukraine. The proof of this, for example, is that an average number of staff workers in Ukraine decreased from 6043,5 thousand people in 2010 to 5901,0 thousand in 2011. Of course, part of the disposable workforce sells its labour potential as a called-in employee hired labour in different small-scale enterprises or start engaging in its own business. On the other hand, this indicates that the efforts of the state on creation of the new jobs do not work.

In relation to the impact of employment on the state of human development, not only the volume parameters are valuable but also qualitative. The main among those that affect the ability of human development, is the expansion of employment that is not capable to provide conditions for high-quality reproduction of the labor force, as well as the relative price of labour in terms of its distance from the minimum national standards (pic. 2).

Pic. 2. Dynamics of the number of staff workers' wages calculated within the legally established social standards [9, p. 205].



Besides, it should be noted that the living-wage, which is the criterion for setting of the remuneration level of labour and social payments, is still determined on the basis of sets of foodstuffs, non-food goods and services, approved by the government in 2000.

Thus, in this research, we can conclude that the most important factors of degradation, and therefore the decrease of the competitiveness of Ukraine's human potential were the growth of unemployment and the deterioration of the quality of employment, and a great drop in incomes of the majority of population as a result of the wage differentiation.

The current state of human reproduction requires:

- overcoming negative phenomena in the sphere of employment with the aim of improving the quality of employment in regional economic systems, which is due

- to the discrepancy of the post to the level of qualification, the experience and capabilities of the worker,
- to decrease regional differentiation of the average wage, as this causes an incredible human reproduction of regional economic systems, demolish the principle of justice and leads to imbalances between the demands and supplies of the labour force,
 - raising of the minimum wage higher than the living-wage, that will allow to satisfy the most essential needs for the functioning and reproduction of the human potential,
 - to provide a regular review of the sets of foodstuffs, non-food goods and services, on the basis of which the living-wage is formed,
 - to develop the Concept of preservation of the human potential of the region, the main idea of which is the determination of the quality of reproduction of the human potential in policy documents as the primary resource of sustainable development of the region and the state,
 - to introduce the renewals of the human potential as a determinant of investment and innovative development of the state and the regions.

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