

INFLUENCE OF DIFFERENT FACTORS ON LEVEL OF INSTITUTIONAL SUPPORT TO EFFECTIVE LABOUR MARKET FUNCTIONING

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Abstract. *The aim of the study.* The effective functioning of labour market influenced by active integration processes is largely depending on such an important component as the institutional support. Therefore, to ensure change of priorities in development of the national labour market in terms of its compliance with the objectives of the national economy, it is necessary, in the first place, to identify and analyze the impact of a large number of factors putting pressure on the institutional support. *Methodology.* The research is based on analysis, comparing views of different scholars on transformational changes in the national labour market, factors influencing the institutional capacity and efficient functioning of the labour market. *Results.* In the progress of the study, we have found that institutional support serving the labour market of Ukraine is influenced by more than one factor. First of all, the state of institutional support to the labour market is influenced by both internal (endogenous, controlled) and external (exogenous, uncontrolled) factors. External factors of institutional support to the national labour market are characterized by external competitive environment, in which our government has only limited ability to influence them. The internal factors include those that could be controlled at national or regional level. *Practical implications.* Synergistic effect from combination of influence of external and internal factors on institutional support determines the effectiveness or ineffectiveness of functioning and regulation of the national labour market. Under a skilful management of factors that affect the level of institutional support, there will be a transformation of inefficient labour market institutions into effective ones and vice versa. Thus, institutional support factors interacting with each other, affect the efficiency of the labour market functioning. The dominant system in innovative model of the labour market development should be the one of innovative institutional support aimed at attracting wider investment; creation of knowledge and their transfer, use, and consumption; enhancement and preservation of intellectual capital; dissemination and commercialization of innovations; information; lower uncertainty in the behaviour of institutional actors; development of innovative infrastructure of the labour market; development of knowledge-based industries; and creation of new highly skilled jobs.

Key words: the labour market, innovations, institutional support, the efficiency of the labour market.

JEL Classification: J4, O3, P30, J48

1. Introduction

The effective functioning of labour market in Ukraine influenced by active integration processes is a challenge, which could be successively settled depending largely on such an important component as the institutional support. Therefore, to ensure change of priorities in development of the national labour market in terms of its compliance with the objectives of the national economy, it is necessary, in the first place, to identify and analyze the impact of a large number of factors putting pressure on the institutional support.

In the progress of the study, we have found that institutional support serving the labour market of Ukraine is influenced by more than one factor. First of all, the state of institutional support to the labour market is influenced

by both internal (endogenous, controlled) and external (exogenous, uncontrolled) factors. External factors of institutional support to the national labour market are characterized by external competitive environment, in which our government has only limited ability to influence them. The internal factors include those that could be controlled at national or regional level.

2. External factors of institutional support to the labour market

Significant external factors that influence the level of institutional support to national labour market consist of: globalization and integration of Ukrainian economy in the

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global labour markets of capital, goods and services; the cyclical nature of development of the global and Ukrainian economy, which explains the regular change in periods of recession and recovery, inevitability of crises, recession, and growing cyclical unemployment (Yemelianeko, Lysyk, 2014). Y. M. Marshavin stresses out that economic globalization influences labour market of our country in two ways: through strengthening the migration flows and structuring the labour demand in Ukraine, driven by transnational and international companies; we experience a gradual transformation of the domestic labour market in parallel with integration processes; the economic globalization indirectly influences the labour market of Ukraine through various channels and factors, which primarily include international trade and direct foreign investments, changes of prices on international markets of goods and services, which is extremely important for Ukrainian export and import (especially for energy, metals, and agricultural products); external loans made by both business entities and the Ukrainian state; fluctuations of exchange rates, etc. Therefore, globalization of the labour market goes in parallel with globalization of finance, goods and capital markets (Marshavin, 2011).

Globalization and internationalization put a controversial influence on the efficiency of the national labour market and its institutional support. First of all, these processes somewhat weaken a tension on regional labour markets by increasing the scope of application of workforce; by accelerating the outflow of excessive "labour force" abroad; by helping to create higher standards of social and labour relations between our people who come across the best European experience. From another perspective, the internationalization and globalization processes provoke demographic distortions; the emergence of child abandonment, loss of intellectual, educational potential and talented people; expansion of foreign cultures and values; ignoring important social (protection of working people) and cultural needs of our population, etc. According to the results of a study by U. Sadova (Sadova, 2009), such influences by risk groups are: substantial population losses accompanied by gradual increase of immigration rate mostly from Asian countries, inefficient investment in the human capital of individuals who become emigrants (demographic deformation and social degradation risks); loss of intellectual and educational potential, weakening of competitive environment on regional labour markets (risk of economic disintegration and informational disorientation); uneven distribution of the economically active population.

According to many scientists, "it is important to apply the experience of European countries that would allow to gradually eradicate multiple manifestations of antisocial labour behaviour in economically active population of Ukraine, which directly determines the efficiency of the national labour market" (Hrynkevych, 2014).

In this regard, even current level of internationalization is well calling for greater international cooperation on

issues, such as rights of migrant workers, labour standards, working conditions, safety and health, wages remittance, freedom of association, conflict settlement, prohibition of child labour, and elimination of forced labour. Therefore, in such circumstances, the integration process may become a factor of the labour market internationalization through combined policy aimed at increasing the labour force quality and its ability to adapt to changes in demand and technology (Zinoviev, Vikhort, 2009).

3. Internal factors of institutional support to the labour market

The transformation/transitional processes in Ukrainian economy, accompanied by a change of ownership, the emergence of new forms of business and significant restructuring of the social structure of the society, have definitely influenced the process of transformation of the institutional environment of interaction between employees and employers. It has taken place on the background of falling living standards as a result of the crisis and recession in 90-s, reduced labour demand, high inflation, hidden unemployment, unresolved problems of low productivity and other degradation, resulted in formation of flawed labour market infrastructure, controlled by institutions, acting contradictory in many cases.

Many scientists believe that the main internal factors are: a specific response of the labour market to the global crisis (significant delays in wages payment, violation of labour law, deterioration of hiring terms, the manifestation of various forms of opportunism, which remains unchallenged for employers); modernization of Ukrainian economy, which creates, on the one hand, new opportunities for restructuring and growth of effective employment, and, on the other hand, - the risks of structural unemployment and social instability; uncontrolled migration, which puts additional pressure on the labour market, thus promoting its shadow segment; higher risks of unemployment, associated with threats to reduce production of uncompetitive goods in some sectors of the economy, and disproportionate employment in the regions (Yemelianeko, Lysyk, 2014).

Terebkov identifies the following factors influencing the demand for labour: a) a position and activity of trade unions; b) state policy concerning low-profit and unprofitable companies; c) the volume of public, private and foreign investment; d) the magnitude of the shadow economy; e) the availability of natural resources for the economy, etc.

Teron considers that the main factors of differentiation process in the spatial development on the labour market in local and global territorial taxonomic units are: a country's transition from neo-Keynesian model to the liberal one; active influence of endogenous factors on the business structure of the region; increase in volume and dynamics of capital flow; reduction of the economic cycle length; globalization processes, growing competition between

companies and multinational corporations at all levels; development of post-industrial society characteristics and rapid development of localized innovation-and-investment cradles (clusters, industrial parks, technopolises, innotech units, etc) (Teron, 2009).

It is believed that the labour market is being formed and operates within the depths of socio-economic system in a complex interaction with all parts and elements of a structure influenced by multiple factors, which forms up four complexes: 1) production; 2) population; 3) social issues; 4) legislation and management of the economy. The whole system of these factors is spatially determined and real socio-economic effect is achieved at the regional and intraproductive level. In this case, the market is supposed to perform important, in many ways crucial national economic functions, i.e. to act as active factor of the national economy.

To harmonize the innovation, knowledge-oriented labour market in terms of its compliance with the objectives of national economic development, it is necessary to take into account a great number of factors that influence, both effectively and ineffectively, the level of institutional support.

One of the types of factors that affect the institutional support of the labour market are demographic ones, which by turns lower and increase the efficiency of its operation and development. For example, the statistical data show that the workforce of the country has quantitatively reduced during recent years. In addition, scientists believe the demographic distortions take place, manifested in changing the quality characteristics of the population, increasing the number of disabled individuals (pensioners, disabled persons) and unemployed, in growing transfer payments from the budget to support socially disadvantaged groups of people. Increased mobility manifested in changing residence and jobs has been also observed (Petrenko, 2013). Libanova identifies factors that restrict or impair labour mobility, namely territorial (lack of sufficient information), institutional (undeveloped housing market, factual conservation of mandatory residence registration), and socio-demographic factors that are very common (age, marital status, care of minor children or children of school age) (Tilikina, 2008).

4. Factors of innovative transformations

There is unlimited quantity of approaches to determining the factors that form up effective and ineffective institutional support to the national labour market. For example, the level of institutional support to the labour market is influenced by globalization trends which determine computerization, science and education as factors of innovative transformation. In this regard, L. M. Nekhorosheva indicates "the emerging era of the three "i" – "inventions (new knowledge) – innovations – investments" (Nekhorosheva, 2005). Some politicians, choosing a strategy of country development, promote a

system of four "i" principles, which include institutions, infrastructure, innovations and investments (Rud, 2010).

D. North believes that innovation is the most important factor that may reduce transitional costs so that make incentives for using new forms of production and exchange emerge. The innovation factor can influence the institutional capacity of the labour market, promoting the efficient use of labour and increasing its competitiveness and business innovation activity. The most significant transformations done under influence of the factor of innovative transition and scientific-technological progress are considered: formation of informational needs; integration processes in regional economics and business models through creation of innovative infrastructure facilities; modification of business models and organizational/managerial structures and types of companies; promotion of outsourcing model for small innovative businesses in regions of the state; internationalization of business and growth of virtually-traditional business models (Rud, 2010).

Innovative factors of economic growth in industrialized countries precondition the excessive demand of competitive market for skilled labour over market supply. This objective reason defines transformation of competitive-commercial mechanisms in competitive-motivational mechanisms of post-industrial labour markets. Being influenced by innovative factors, the competitive-commercial mechanisms of labour markets in industrialized countries no longer reflect the competitive relationship between, on the one hand, the investment strength of businessmen, associated primarily with creation of modern jobs with high demand for innovative skills and knowledge, and, on the other hand, with competitive potential of the market for meeting such requirements through supply of qualified open-minded employees with adequate professional and qualification skills and industrial experience.

In 2012-2014, a share of companies engaged in innovative activities in recommended types of economic activities was 14.6%, including the companies involved in technological innovations – 9.5% (5.2% – products, 7.2% – processes), non-technical – 8.6% (4.7% – organizational, 6.4% – marketing). Unfortunately, 85.4% of companies in Ukraine were inactive in innovations. Therefore, this fact leads us to the conclusion, that the national economy cannot be recognized an innovation-oriented one yet, given the vast majority of regional businesses operate extensively, or develop intensively in terms of reproduction and using the labour force.

It should be noted that there is a direct relationship between the size of a company and its innovative status, because to implement innovations, the company must have a certain number of personnel involved in carrying out research and development (R&D) activities that lead to actualization of innovations. Accordingly, the highest share of both technologically innovative and non-technologically-innovative companies was characteristic for large companies (32.9% and 20.7%, respectively).

In 2014, the companies allocated almost 80% of total

innovation expenditures for purchase of machinery, equipment and software, and only about 9% for in-house R&D, 4% – for purchase of other external knowledge and acquisition of outsourced R&D. In Ukraine, during 2012-2014, 18.1% of companies which presented technological innovations collaborated with other companies and organizations, including universities, research institutes and others. In 2012-2014, the geographic distribution of innovative partner companies was as follows: 16% – Ukraine, 5.7% – Europe, 1.3% – China and India, and 1.2% – the USA. Other countries represented 3% of partner companies in terms of innovation cooperation.

In addition to introduction of technological innovations, the companies may be active in organizational and/or marketing innovations that provide support to innovations in the sphere of products and processes, enhance corporate quality and efficiency and improve the exchange of information and use of new knowledge and technologies, and can influence the productivity of firms, promote entering new markets or market segments and developing new ways of products distribution.

The level of technical support and technological development of industrial and service spheres serves an economic basis for formation of the competitive requirements to labour force, and, therefore, largely defines the nature of competitive relationship in the labour market. Given the importance of such investment and innovation components for strengthening the technological basis of production process, as exogenous factors that influence the labour market, it should be necessary to consider indicators of investment and innovative activity at the macro level. Ultimately, the mere growth of tech-capacity of the technologies applied, the intensification of capital provision and implementation of innovations along with other factors, have to create the grounds for sustainable economic growth and improvement of overall competitive environment in the economy.

Influence of technological factors contribute to strengthening the dynamism in the labour processes, which leads to transition in work functions and professions; to extinction of old and emergence of a growing number of new jobs that require workers to regularly update their professional skills; to further complication of labour functions, creation of innovative nature of work, which increases the requirements to capacities of professional workforce, its ability to attain new knowledge, its professional mobility and ability to adapt to the new conditions of economic activity. In these conditions, the education plays a key role in development of human resources. The most important task of vocational education is to ensure high skills of workforce, characterized by settled competencies which are an integration of theoretical knowledge, practical skills and methods of their application to address specific production tasks. The quality of human resources directly depends on the development of a system of vocational schools: their material and technical outfit; completeness

of teaching staff; the level and standards of education in a country; the relationship between education, science and industry; scope of field practical training; the level of university science and involvement of students in it.

Traditional institutional support to the labour market related to reduction of labour force effectiveness and low competitiveness is exposed to influence of a number of factors, namely: techno-globalism, one of whose objectives is to ensure ability of the workforce to participate in a dynamic economy, based on the use of knowledge and innovations. A negative factor is attributed to the low level of innovation culture in both employees and employers; inadequate access to information, which highlights innovative changes; the outflow of capital and "brains" from Ukraine; and low activity of foreign and domestic investors.

In modern conditions that presume mandatory optimization of public policy in the labour sphere and its development under the laws of a socially-oriented market economy, the governmental institution responsible for this sphere are strongly required to deeply understand not only economic patterns and trends of social development, but also social and psychological factors that determine the process of realization of labour potential by individuals, other processes of multiple labour activities that precondition social status, wealth, and well-being of a human being.

5. Quantitative and qualitative factors of influence

It should be noted that all factors influencing the level of institutional support to the labour market are advisable to distinguish between quantitative and qualitative ones (Babych, 2012). According to Babych, S. M., the efficiency of the labour market in terms of quantity assumes full employment, which means involvement of the maximum number of manpower; in turn, in terms of the quality, it is economically reasonable to use human resources and to socially optimize coordinated interests of workers, employers and the state, thus providing the effective employment. The focus on the needs and interests of the society, industry, and population is likely a core condition of transition from traditional employment to economically and socially effective one.

The availability of highly skilled workers, considered a "core workforce", with companies and organizations significantly influences the efficiency of their work. For example, Zabavina, K. Y. provides classification of quantitative and qualitative characteristics of the workforce. She believes that the main quantitative characteristics are: a number of employees with higher and vocational education with significant work experience; a number of employees with the highest qualification (candidates and doctors); a structure of employees in terms of professional training; gender/age structure of employees; an average number of years of education and vocational training;

professional experience; and duration of employment. The qualitative characteristics of workforce should be attributed to three main components: the physiological one (physical and mental health, temper); intellectual and educational/training one (intelligence, knowledge, high ability to learning, level of professional education, qualifications, formed expertise, experience, reflected in training, innovative, creative thinking, the desire for professional self-improvement, entrepreneurial skills, the ability to use high-tech, intellectual products, culture and quality of work, its intellectual component and creative content); and social-humanistic one (general culture, morality, spirituality, activity, responsibility, honesty, courtesy, kindness, social maturity, social values and orientations, readiness for cooperation, collaboration, motivational orientations, etc).

All factors influencing institutional support to the labour market are diverse in the economic nature; unequal in time and place of manifestation; vector and action strength, etc. In Ukraine, labour relations in a context of employment policy feature some specifics, defined by a number of factors: market labour relations are in the making; a direct consequence of production shrinkage becomes not growing unemployment, as it happens in a developed labour market which operates effectively, but the growth of inner/in-house unemployment.

It should be noted that the strength of influence of individual factors varies depending on the level of socio-economic development of a country, including individual regions, and transitions in the economy. Of particular importance, these factors become during economic crisis, which should be certainly taken into account in development of a mechanism of state regulation of the labour market. As for domestic labour market, its competitive environment is characterized by uncertainty, the presence of monopolistic competition, and an ability of employers to influence wages and rates. At the same time, employees are limited in their freedom of choice; they lose a link between the quality of labour, the results of their job and wages, which is strong demotivational factor.

Important is the fact, that under a skilful management of factors that affect the level of institutional support,

there will be a transformation of inefficient labour market institutions into effective ones and vice versa. Thus, institutional support factors interacting with each other, affect the efficiency of the labour market functioning.

For example, domestic experts, ranging factors of labour mobility against a probability of regulating their influence, divide them into three groups: the controlled factors (regulating factors); uncontrolled factors (factors-conditions); and factors that are not directly controlled, but indirectly regulated. The regulating factors are mainly of socio-economic nature, there are directly planned, regulated and modified by the state. These include differences in wages, introduction or cancellation of privileges, and state policy in the labour market. Among the regulating factors distinguish legal (laws, regulations, etc.), economic (budgetary and not budgetary funds, financial expenses, compensations, etc), institutional (organizations involved in regulation, maintenance and intensification of the processes), and advocacy ones (statistical data, information in media, methodical and normative literature).

6. Conclusion

Synergistic effect from combination of influence of external and internal factors on institutional support determines the effectiveness or ineffectiveness of functioning and regulation of the national labour market. Therefore, institutional changes in the employment sphere present significant rearrangement of factors that determine the effectiveness and innovativeness of operation and development of the labour market. This, in turn, confirms that the dominant system in innovative model of the labour market development should be the one of innovative institutional support aimed at attracting wider investment; creation of knowledge and their transfer, use, and consumption; enhancement and preservation of intellectual capital; dissemination and commercialization of innovations; information; lower uncertainty in the behaviour of institutional actors; development of innovative infrastructure of the labour market; development of knowledge-based industries; and creation of new highly skilled jobs.

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Ирина ЮРЧИК

ВЛИЯНИЕ ФАКТОРОВ НА УРОВЕНЬ ИНСТИТУЦИОНАЛЬНОГО ОБЕСПЕЧЕНИЯ ЭФФЕКТИВНОГО ФУНКЦИОНИРОВАНИЯ РЫНКА ТРУДА

Аннотация. *Цель исследования.* В условиях интеграционных процессов эффективное функционирование рынка труда во многом зависит от такого важного компонента как институциональное обеспечение. Поэтому, для обеспечения изменения приоритетов, которые будут развивать национальный рынок труда в аспекте его соответствия задачам развития национальной экономики, необходимо выявление и анализ влияния большого количества факторов, оказывающих давление на его институциональное обеспечение. *Методология.* Исследование базируется на анализе, сравнении взглядов разных ученых по трансформационных изменений национального рынка труда. А также, факторов, влияющих на институциональное обеспечение и эффективное функционирование рынка рабочей силы. *Результаты.* В процессе исследования было выявлено, что на институциональное обеспечение, которое обслуживает рынок труда в Украине, влияет не один фактор. Прежде всего, на состояние институционального обеспечения рынка труда влияют как внутренние факторы, так и внешние. Внешние факторы институционального обеспечения рынка труда характеризует ситуацию внешнего конкурентной среды, при которой правительство имеет возможность частично влиять на них. К внутренним факторам следует отнести такие, которыми можно на государственном или региональном уровне управлять. *Практическое значение.* Синергетический эффект от сочетания влияния внешних и внутренних факторов на институциональное обеспечение определяет эффективность или неэффективность функционирования и регулирования национального рынка труда. Поэтому в условиях умелого государственного управления факторами, которые влияют на уровень институционального обеспечения, имеет место трансформация неэффективных институтов рынка труда в эффективные, и наоборот. Таким образом, факторы институционального обеспечения, взаимодействуя между собой, влияют на эффективность функционирования и развития рынка труда. Доминирующей в инновационной модели развития рынка труда должна быть система инновационного институционального обеспечения, которая будет направлена на широкое привлечение инвестиций; создание знаний, их передачи, использования, потребления; приумножения и сохранения интеллектуального капитала; распространения и коммерциализация инноваций; информация; снижение неопределенности в поведении институциональных субъектов; развитие инновационной инфраструктуры рынка труда; развитие наукоемких отраслей; создание высококвалифицированных рабочих мест.