

THE INSTITUTIONAL CONTENT OF THE HUMAN CAPITAL OF THE NATIONAL ECONOMY

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Abstract. In the current conditions of transformation of traditional institutes and institutions and formation of a new institutional state, the institutional content of human capital as the most valuable resource of the economy changes. Along with the existing research, the transformation of the old institutional system and the emergence of new institutes and institutions require an analysis of the updated institutional content of the human capital of the national economy. *The purpose of the paper* – to reveal the institutional content of the human capital of the national economy. In the process of work, the following tasks are set and solved: to study economic and institutional conditions of functioning of human capital, to determine the material content of human capital in the context of institutionalism and the process of institutionalization of human capital. *Methodology.* A methodological basis is a dialectical approach. To study the institutional content of human capital, abstract-logical and system-structural methods are used. *Results.* Economic conditions for the formation and functioning of human capital are determined by the instability of the economic situation in Ukraine caused by the fall in the gross domestic product, the inappropriate growth of prices and wages, inflation, and military-political confrontation. Institutional conditions of Ukraine accumulate the following components: those that remained from the previous regimes; transformed components, imported components. The large financial capital, business structures, shadow economy, public sector of the country interact on a fundamentally different institutional basis. The main factor characterizing the institutional development of our country is the uncertainty of limits of institutionalization. The essential institutional conditions for the functioning of human capital are also the absence of a positive or negative experience of existence, coexistence of certain institutions in a certain economy of the country. The institutional content of the human capital of the national economy depends directly on the established institutional system of a particular country, its development. Human capital is the embodiment of the individual's ability to generate income, the amount of abilities, knowledge, qualifications, and skills of an individual employee. Human capital can be defined as a synthesis of components of human capital in the manufacturing sector, the research sector, in the education sector. Human capital is limited in its actions by the institutional structure of society. The institutional environment of the human capital of the national economy is made of determined rules, norms, and institutions. The close interaction of components of institutional environment must not only occur for the development and efficient functioning of the human capital of the national economy, but its existence is determined by the natural existence of the institutional environment. For the national economy of the country, institutional influence manifests itself as a result of the action of a certain institutional system of human capital and its actual ability to produce a gross product. The unpredictability of human behaviour and actions, which is primarily related to its psychology, causes considerable difficulties in the process of institutionalization of human capital. Therefore, the institutionalization of the environment threatens opportunism on the part of human capital. *Practical implications.* The theoretical research should be the basis for the formation of the state policy in the field of human capital management of the national economy, development of a strategy for human capital development, the basis for further research. *Value/originality.* The theoretical study is performed personally by the authors of the scientific article.

Key words: institutes, institutions, institutional content, human capital, national economy.

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1. Introduction

The dynamic development of human capital in the context of the formation of an updated institutional system calls for the consideration of the institutional content of the human capital of the national economy.

Human capital is a solid foundation, the basis for state development – social, economic, and political. It is the human capital that the position of the state in all types of world markets (political, economic) depends on, as well as the level of development of the country itself. The innovative vector of Ukraine is aimed at achieving stable high economic indicators through the use of human capital and for human capital, for a specific individual (Radyeva, 2013). The concept of “human capital” in Ukraine is considered at various angles of various interpretations.

Institutional theory has become basic in solving a number of issues of the national economy. In the current conditions of the transformation of traditional institutes and institutions, the formation of a new institutional state becomes an urgent study of the institutional content of human capital.

The direction of classical institutionalism was initiated in the writings of T. Veblen, developed by J. Commons, W. Mitchell, J. Galbraith. The founders of the modern theory of institutionalism are R. Coase, D. North. Among the national scholars, A. Tkach, A. Chukhno, and V. Yakubenko thoroughly investigate various aspects of the institutional theory. Such Ukrainian researchers as D. Bohynia, O. Bratslavskaya, V. Heiets, O. Hrishnova, Zh. Derii, E. Libanova, M. Semykina devoted their works to the study of human capital.

Along with the existing research, the transformation of the old institutional system and the emergence of new institutes and institutions require an analysis of the updated institutional content of the human capital of the national economy.

The purpose of the paper – to reveal the institutional content of the human capital of the national economy. In the process of work, the following tasks are set and solved: to study economic and institutional conditions of functioning of human capital, to determine the content of human capital in the context of institutionalism and the process of institutionalization of human capital.

Methods and methodology of the study. A methodological basis is a dialectical approach. To study the institutional content of the human capital of the national economy, abstract-logical and system-structural methods are used.

2. Economic conditions for the functioning of human capital

The need to define the institutional content of human capital is primarily determined by the existing conditions for the formation of a new human capital of Ukraine. Transformation of the whole institutional

system of the state caused a change in the content of all its components. Human capital, when interpreted as a factor in the economic growth of the national economy, must be in constant development. But the political situation in the country caused a negative dynamics of indicators that traditionally determine the development of human capital of the national economy.

The economic situation in Ukraine is ambiguous. On the one hand, there is a decrease in essential conditions for the functioning of the human capital of the national economy, as highlighted by leading researchers (Amosha, 2017). On the other hand, absolute economic indicators are rising. Thus, for the last three years (2014–2016), the gross domestic product has grown by 49.6% (Verner, 2017). But in the period of 2014–2017, the hryvnia's depreciation against the dollar was 3.3 times (the rate of the National Bank of Ukraine as of 09.01.2014 – 799.3 UAH for 100 USD, on 02.10.2017 – 2657.8 UAH for 100 USD) (Ministerstvo finansov Ukrainy, 2017). Therefore, the growth of the gross domestic product during this period mainly results from rising prices, rather than physical volumes of production. This is evidenced by the negative dynamics of indices of the physical volume of the gross domestic product (from 104.1 in 2010 to 90.2 in 2015) (Derzhavna sluzhba statystyky Ukrainy, 2017) and the growth of the consumer price index (124.9 in 2014, 143.3 in 2015, 112.4 in 2016, 112.5 in January–November, 2017) (Minfin Ukrainy, 2017). The general consumer price index for the period from 01.01.2014 to 01.10.2017 amounted to 221.7.

The economically active population of Ukraine for six years has shrunk by 16.1% - from 20.9 million people in 2010 to 18.0 million people in 2016 (Derzhavna sluzhba statystyky Ukrainy, 2017). The pace of decline in the employed population of working age is slightly lower – 1.122% (Derzhavna sluzhba statystyky Ukrainy, 2017). The State Statistics Service defines the population of Ukraine as of 01.01.2017 as 42.6 million people, as of 01.01.2000, the number of 49.4 million people is declared. Thus, there is a reduction in the number of taxpayers.

The rate of growth of the average monthly salary from 01.01.2014 to 01.01.2017 was 1.5 – from 3480.00 UAH in 2014 to 5183.00 UAH in 2016 (Verner, 2017). According to official statistics, the unemployment rate of the able-bodied population remains stable high – 10.0% in the first half of 2017 (Verner, 2017).

The dollar exchange rate as of 01.10.2017 amounted to 2657.8 UAH per 100 USD (at the rate of the National Bank of Ukraine) (Ministerstvo finansov Ukrainy, 2017). In the State Budget of Ukraine for 2018, the dollar is set at 3010.0 UAH per 100 USD (Minfin, 2017).

Thus, the economic conditions of the formation and functioning of human capital are conditioned by the instability of the economic situation in Ukraine

caused by the fall of the gross domestic product, a 2.2-fold increase in prices, with an increase in the average monthly wage by only 1.5 times, inflation, and the available military-political confrontation. Ukraine's economy is characterized by volatility and uncertainty.

3. Institutional conditions for the functioning of human capital

The functioning of human capital is limited to existing norms and rules, is subject to certain legislative acts, takes place within the framework of certain organizations and, thus, is institutionalized.

The institutional system of Ukraine is determined by the following components: those remaining from the previous regimes; transformed components, imported components.

In Ukraine, there is currently a change, transformation of some institutes into others. Ineffective informal institutions are superseded by legitimate norms that transform the behaviour of economic actors. This contributes to the expansion of the institutional field, the achievement of the homogeneity of institutions, the synchronization of their functioning, institutionalization of interaction mechanisms between business and the state (Tkach, 2009).

There is an import of institutions. According to researchers, the credibility of market institutions imported from developed countries is low (Tkach, 2009). The use of these institutes in Ukraine, which has its own specific features, contributes to the development of a large-scale shadow component in the economy of Ukraine.

The current development of society is characterized by a low level of respect for business to power and the failure of authorities to consider the economic contribution of business to the country's economy. At the same time, the basic institute of private property quickly strengthened and its role in society grew.

Components of the economic system of Ukraine (large financial capital, business structures, shadow economy, public sector) interact with each other in fundamentally different institutional frameworks.

The level of public confidence in the power and the state as effective public institutions is falling. At the same time, new for Ukraine non-formal institutes (professional associations, public associations, political parties) spread.

The main fact that characterizes the institutional development of our country is the uncertainty of limits of institutionalization, which means uncertain temporal and spatial factors, limitedness or unlimitedness of legal framework, the degree of necessary formalization of existing and future institutions, limitedness or permissiveness of their interaction, the mix of economic relations and many other aspects.

Essential institutional conditions for the functioning of human capital are also the absence of a positive or

negative experience of existence and coexistence of certain institutions in a certain economy of a country, which would give grounds for the analysis and expediency of their application.

4. Meaning of human capital in the context of institutionalism

The institutional content of the human capital of the national economy directly depends on the established institutional system of a particular country, its development. The degree of development of human capital of the national economy always reflects the development of the country in general and, therefore, it is important to make a correlation between the institutional content of human capital and the degree of development of the institutional system of the country.

Human capital is the embodiment of the individual's ability to generate income, the amount of abilities, knowledge, qualifications, and skills of an individual employee. Like physical capital, human capital can accumulate. It is necessary to depreciate it taking into account that at a certain life stage it will cease to exist or completely or partially lose its own qualities (due to mortality, disqualification). The education sector is an important element of the institutional system that produces human capital in relation to a defined productivity, the proportion of the time of education from the total time of each individual and the average level of human capital that is at the moment. Human capital can be defined as a synthesis of components of human capital in the manufacturing sector, human capital in the research sector, human capital in the education sector.

The institutional system is characterized by the combination and interconnected functioning of all institutes and institutions. The formation of the human capital of the national economy is directly related to such institutions as tradition and religion, customs and education, family and ideology, mentality and culture, formal laws and penalties, system and level of education, professional activity, and motivation. Indirect impact on human capital is provided by such basic economic institutions as private property, competition, transaction costs, contractual relations, and the market. In developed countries, the defining institutions that form the HC are a set of social institutions – civil society, national interests, which integrate basic economic institutions.

The institutional content of human capital is currently being shaped by a number of factors such as the migration of skilled labour, falling skills levels, the active introduction of revolutionary technologies in the manufacturing and services sectors, the projected demographic crisis in the country, the low level of funding for education and health security, lower life expectancy in the country, falling education indexes and living standards.

In order to develop and effectively operate the human capital of the national economy, all elements and components of the institutional system must actively interact. The necessity of active interaction of institutes, mechanisms of realization of rules and norms was pointed by D. North (Nort, 2000). It is the intensity of their interaction that explains the revolutionary development of economies of some countries and the protracted gradual path of the backward countries. The inertia of institutional characteristics impedes any changes in the country's economy and, as a consequence, in the development of the institutionalization of human capital of the national economy.

In the long run, economic growth is directly proportional to the expansion of institutions and is inversely proportional to the informal sphere, that is, the more effective the formal institutions and the more satisfied society's demand for them, the higher the expected and projected economic growth... (Tkach, 2009).

Human capital is limited in its actions by the institutional structure of society. The problem – overcoming the violation of these institutional constraints, which manifests itself in opportunism.

The institutional environment in the institutional theory is considered as a set of fundamental social, political, legal, and economic rules that define the framework for human behaviour (Tkach, 2007). By definition, this category is related to a person and limits the scope of human behaviour.

The institutional environment of the human capital of the national economy consists of rules (ethical, moral, social, public), norms (legal, legally established), institutions. The leading role in the institutional environment of human capital has always been played by such established institutions as the state, healthcare system, education system, labour. But not less important elements of the institutional environment are informal institutions of the family, education, traditions, mentality and culture, religion. The objectives of the institutional environment are realized through a variety of institutional structures, institutions (organizations).

The close interaction of components of the institutional environment must not only occur for the development and efficient functioning of the human capital of the national economy, but its existence is determined by the natural existence of the institutional environment. The institutional environment in its nature is a natural formation based on the example of the family, as opposed to artificial – for example, enterprise.

For the national economy of the country, the institutional impact manifests itself as a human capital formed under the influence of a certain institutional system and its actual ability to produce a gross product and is effectively (or ineffectively) used to manage human capital.

The impact of human capital on the environment is ambiguous. This is determined by peculiarities of

human capital. Since human capital is inseparable from a person and belongs to a person, it becomes unique at the personal level of consideration of human capital. At the macro- and mega-levels of consideration, human capital also becomes unique as a combination of capital carriers with unique properties. However, we would like to emphasize that the negative feature of human capital – the impossibility of continuity of this type of capital. Researchers note the ability of human capital to develop and accumulate (Ghryshnova, 2014). Note that the stage of accumulation is inevitably followed by the stage of destruction.

5. Institutionalization of human capital

According to D. North, the institutionalization of the economy (in general) is a process of formation of formal institutions that limit the behaviour of economic actors and ... agreements, rules of the game, stereotypes of behaviour, traditions... (Nort, 2000).

The main factor that is the basis for human capital – a person with its skills and abilities. The unpredictability of human behaviour and actions, which is primarily related to its psychology, causes considerable difficulties in the process of institutionalization of human capital. Therefore, the formation of new and improvement of existing institutions related to human capital always raise questions about the effectiveness of their application. According to some researchers, only with the presence of a corresponding set of institutes human production capabilities become capital (Dolgoplova, 2002).

Under the influence of institutionalization, the object of influence – human capital – is changing. In turn, the consequence of institutionalization is the change and new quality of institutes, institutions, their interactions, change of the institutional environment. Transformation and replacement of the institutional environment are possible in evolutionary and revolutionary ways. Human capital in the economic system acts as an initiative subject, which can directly affect all economic, political, institutional processes. Therefore, the institutionalization of the environment threatens opportunism on the part of human capital, without which, as a rule, no change is made. Thus, limits of institutionalization, possible positive or negative effects require further in-depth studies, as it is about the most valuable resource of the national economy of Ukraine – human capital. The degree of development of the institutional environment and needs for its further institutionalization need to be analysed.

6. Conclusions

1. Human capital is a solid foundation, the basis for state development – social, economic, and political.

2. Economic conditions for the formation and functioning of human capital are determined by the instability of the economic situation in Ukraine

caused by the fall in the gross domestic product, the inappropriate growth of prices and wages, inflation, and military-political confrontation. The Ukrainian economy is characterized by volatility and uncertainty.

3. Institutional conditions for the formation of human capital have the following features. The institutional system of Ukraine is determined by the following components: those that remained from the previous regimes; transformed components; imported components. The large financial capital, business structures, shadow economy, public sector of the country interact on a fundamentally different institutional basis. The institutional development of Ukraine is characterized by uncertainty in the limits of institutionalization.

4. The institutional content of the human capital of the national economy depends directly on the existing institutional system of the country, its development.

5. Human capital is the embodiment of the individual's ability to generate income, the amount of abilities, knowledge, qualifications, and skills of an individual employee. Human capital can be defined as a synthesis of components of human capital in the productive sector, human capital in the research sector, human capital in the education sector.

6. Human capital is limited in its actions by the institutional structure of society. The overcoming, the violation of these institutional constraints, manifested in opportunism, becomes a significant problem of institutionalization of society.

7. The institutional environment of the human capital of the national economy is made of determined rules, norms, and institutions. For the national economy of the country, institutional influence manifests itself as a result of the action of a certain institutional system of human capital and its actual ability to produce a gross product.

8. The unpredictability of human behaviour and actions, which is primarily related to its psychology, causes considerable difficulties in the process of institutionalization of human capital. Therefore, the institutionalization of the environment threatens opportunism on the part of human capital, without which, as a rule, no change is made. Thus, limits of institutionalization, possible positive or negative effects require further in-depth studies, as it is about the most valuable resource of the national economy of Ukraine – human capital. The degree of development of the institutional environment and needs for its further institutionalization need to be analysed.

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