

## HUMAN CAPITAL USE AND JOB EVOLUTION IN THE TRANSITION TO A NEW SOCIOECONOMIC REALITY

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**Abstract.** *The importance of the topic. Crisis periods of economic development are characterized by stagnation, growing inequality, social instability and loss of human capital. Improving the living standards of the population and protecting it from possible risks arising from instability in the financial and economic or socio-political situation is an urgent task of public policy for the government. The priorities of short-term and long-term transformation of the labour market are analyzed to determine the direction of effective development. The article discusses the evolution of jobs and employment conditions in the new socioeconomic reality. New risks are on the agenda today. One of the most important challenges has been the reduction of employment or its transformation. Opening up new ideas and expanding employment opportunities are relevant levers in the adaptation strategies of employers and employees. Strategic imperatives for the development of all labour market actors in conditions of instability should include the issue of choosing the optimal models of human capital. In these conditions, the issues related to the need to respond flexibly to turbulence of both social and economic nature become particularly relevant. Purpose: To outline the strategic directions of selecting models of human capital use in the conditions of labour market crisis in the transition to a new socio-economic reality. Research methods: system analysis, factor and comparative analysis, structural and functional analysis, method of statistical groupings, hierarchy analysis, expert evaluations and other methods. Results: Measures that can be taken by public authorities for a more effective use of human capital in the formation of socioeconomic policy in the crisis of instability are proposed.*

**Keywords:** *human capital, flexible employment models, competitiveness, labour market regulation, digitalisation of the economy*

**JEL:** *J18, J21, J41, J50, J63*

**UDC:** *331.5.024.5*

**Introduction.** The pandemic provided a tangible first impetus to revise the forms of organisation of social and labour relations, to transform the rules and habits that were the standards for the national labour market. However, the events associated with the escalation of the military conflict in Ukraine have led to an awareness of the need to move to a new socio-economic reality. A new world of work has emerged that promises learning, autonomy and collaboration in the work process, but also generates more pressure, new demands for flexibility, new risks and uncertainty.

By the beginning of 2022, the working-age population of Ukraine was 17,294.4 thousand people, of whom 15422.8 thousand people were officially employed in the labour market, accounting for 90% of the labour force. The number of unemployed people was 1,711,600, or 11 per cent of the employed population (State Statistics Service of Ukraine, 2022). A significant segment was shadow employment of the population. The level of employment, for example, in Zaporizhzhya region was in 2010-2014 higher than the average Ukrainian indicators, which indicated its significant labour potential. The crisis that began in 2014 has reduced the employment rate in the previously more prosperous region to the Ukrainian average, and the military actions that began in February 2022 threaten to destroy human capital not only of individual regions, but also of the country as a whole.

Large-scale socio-economic imbalances, mass migration processes, and shifts in basic attitudes about the value of employment, career prospects, and support for labour safety have created large-scale socio-economic imbalances and triggered inflation. The inflationary wave of 2022-2023 created real problems for national economies around the world. One strategy for dealing with crises is to reduce the number of employees, allowing employers to use ultra-flexible labour laws, such as in the US. This strategy is the reason for the sharp spike in unemployment during periods of financial and economic crises. Another example of a crisis management strategy is the productive use of human capital, such as in Germany. This country has avoided high unemployment despite the fact that the total number of working hours has decreased and the supply of labour from women and migrant workers has increased significantly.

The average number of working hours per employee per year was the same in the US and Germany in 1975, at 1 813 hours (Giattino et al., 2020). In the following years, while this figure in the US remained almost unchanged (1791 hours in 2021), the number of hours worked in Germany fell to 1349 hours. By 2021, the gap was 442 hours. Given the gap in Germany's favour and labour productivity, it is likely that the crisis can be more easily overcome with German strategies than with those of the United States. This is because the high labour productivity achieved in Germany will generate higher incomes, which will be redistributed between capital, labour and government. This could ease inflationary pressures and austerity requirements.

Thus, the productive use of human capital and the evolution of jobs is an effective strategy in crisis situations, in particular in the transition to a new socioeconomic reality.

**Literature review.** The role and importance of human capital at different levels have been studied by foreign and domestic scholars. A significant contribution to the theory of human capital was made by: W. Petty, L. Walras, J. Mill, G. Becker, R. Lucas, P. Romer, R. Solow. The importance of human capital in the development of industrial enterprises is revealed by such scientists as: O. Grishnova, N. Golikova, O. Ilyash, V. Lukashevych, V. Antoniuk. The issues of human capital development on the basis of digitalisation were paid attention to: O. Amosha, S. Tulchynska, E. Mishchuk, L. Melnyk, Y. Zaloznova, A. Oleshko, and other scholars.

At the same time, without diminishing the significant scientific contribution to the theory of human capital, the scientific and practical provisions formed by scientists, further research is needed on the use of human capital in the transition to a new socio-economic reality in the context of the emergence of new employment models, work modes and job evolution.

**Research methodology.** It is necessary to take into account the opportunities and challenges posed to the modern labour force by the new socio-economic reality. In achieving the set goals, it is necessary to focus on two key directions. Firstly, the interaction of public administration and employers to discuss modern professional and qualification requirements for employees. Secondly, the formation of an innovative mechanism for the development and implementation of new employment standards and the formation of new models of human capital utilisation. System analysis, factor and comparative analysis, structural and functional analysis, statistical grouping method, hierarchy analysis, expert assessments and other methods are used to solve the set tasks.

**Main results.** The preservation of human capital and labour market efficiency are key structural factors that can offset the effects of social and economic crises. The 2019 edition of the Global Competitiveness Report showed how downward trends in fundamental aspects of productivity were masked by prolonged stimulus monetary policy. This policy remains an impediment to stronger economic development (World Economic Forum, 2019).

In both Ukraine and Moldova, the most important levers that strengthened competitiveness were related to the quality of human capital (*Figure 1*). This is evidenced by the high rankings of these countries in the Health and Skills pillars. Supporting the national economy in a highly unstable environment is possible through the effective use of human capital. In order to achieve this goal, it is necessary to modernise educational institutions and improve educational programmes and standards, which will make it possible to expand the boundaries of competence of skilled workers in the context of skills and abilities to use modern technological equipment and innovative technologies.

In addition, a favourable environment for maintaining a high level of competitiveness is created in Ukraine and Moldova through Infrastructure and Labour Market. In other words, maintaining a decent level of human capital quality, an extensive and reliable infrastructure, and an efficient labour market are key factors that will ensure the competitiveness of Ukraine and Moldova during the post-crisis transition to a new socio-economic reality.

Inflationary pressures arising from crisis processes lead to an awareness of the need to increase labour costs to maintain the purchasing power of the population, ensure conditions for the reproduction of human capital and, consequently, for productive labour. A decline in labour market productivity can be observed in the early stages of recovery from the crisis and economic recovery, when the demand for more highly skilled labour cannot be met, as the main supply of the labour market is unskilled labour.

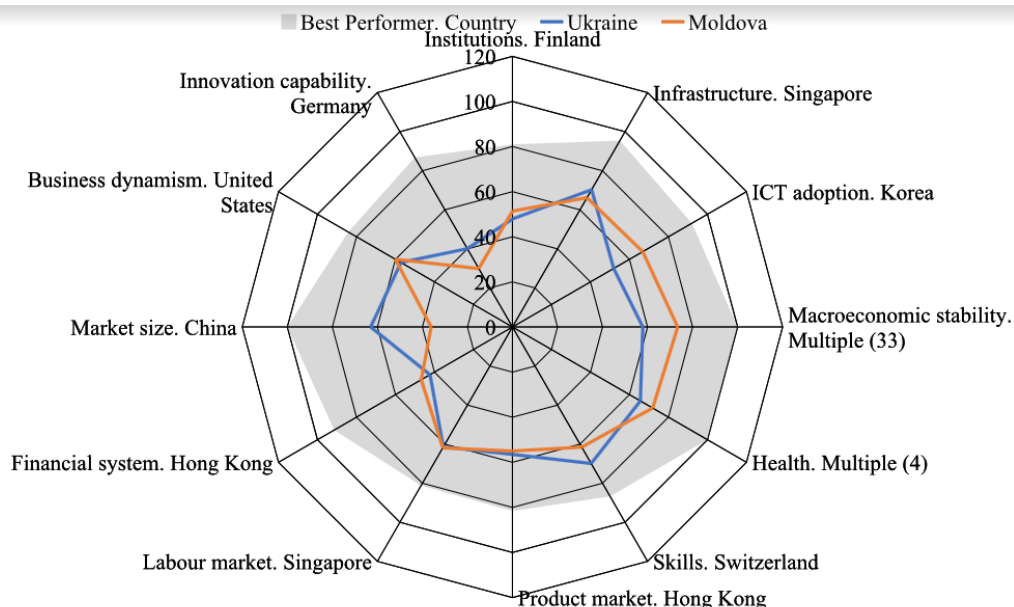


Figure 1. Ranking by global competitiveness, 2019

Source: World Economic Forum (2020) The Global Competitiveness Report 2019.

[http://www3.weforum.org/docs/WEF\\_TheGlobalCompetitivenessReport2019.pdf](http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf)

Changes in the labour market of our country, which have developed under the influence of many internal and external factors, require the search for flexible employment models that will help to balance the economic situation, to form a more mobile workforce capable of working for the recovery and restructuring of the post-war economy. Distance employment, online work, and employment on digital platforms are important tools for adapting to the new socio-economic reality. Some of the main problems of modern labour are related to the peculiarities of the workplace regime.

First, the platform work of the gig economy (e.g., delivery, transportation, etc.) may be mediated by technology, but it is based on a simple low-complexity regime combined with indirect control, often exercised through disciplinary sanctions. Secondly, the pressure on employees in the field of logistics (e.g., managing, accounting and distributing company inventory) is closely linked to the spread of lean regimes, which is a standard of lean management. Thirdly, even employees engaged in professional, creative or managerial activities are experiencing an increase in undesirable risks due to the excessive flexibility of their employment models. The pressure experienced by the employed leads to a decrease in the efficiency of the labour market and a weakening of competitiveness.

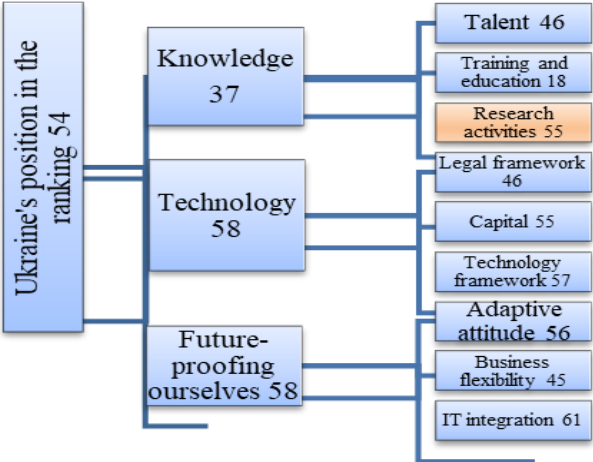
This special edition of the Global Competitiveness Report 2020 provides a framework for thinking about development priorities in three timeframes: those priorities that emerged before the crisis, those priorities that are critical for short-term recovery, and those priorities that are needed for long-term transformation to achieve better outcomes on shared prosperity and sustainability in the future. In order to form a new vision of socio-economic reality and develop new standards, it

is proposed to direct joint actions in four deeply interrelated areas (World Economic Forum, 2020):

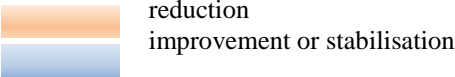
- 1) economic growth, revival and transformation;
- 2) work, wages and job creation;
- 3) education, skills and learning; and
- 4) diversity, inclusion, equity and social justice.)

To some extent, the transition to digitalisation and new employment models that involve the redistribution of labour and the evolution of jobs can strengthen competitiveness and offset the decline in labour market efficiency. The factors affecting the competitiveness of countries in the context of digitalisation are analysed in the Global Digital Competitiveness Ranking. The total number of economies assessed in the Global Digital Competitiveness Ranking 2022 is 63, which is two less than in 2021. The reliability of the data collected for Russia and Ukraine was limited, and therefore these two countries are not included in the 2022 edition.

Let's take a look at the components of Ukraine's 2021 Global Digital Competitiveness Ranking. The indicators that formed Ukraine's ranking in 2021 in terms of global digital competitiveness are shown in *Figure 2*.



Changes in indicators compared to the previous year



**Figure 2. Components of Ukraine's ranking in terms of global digital competitiveness among 64 countries, 2021**

Source: compiled by the author for the data IMD World Digital Competitiveness Ranking 2021. IMD World Competitiveness Center. <https://www.imd.org>

The 2021 ranking shows that Ukraine remained not only a regional outsider (despite moving up four places from 58th to 54th place out of 64 countries analysed in the ranking), but also among the 10 worst countries in the ranking (IMD, 2021). The main source of Ukraine's digital competitiveness, as in the Global Competitiveness Ranking, was the high quality of human capital, as evidenced by the indicators in the Knowledge block. In terms of the quality of education, knowledge, skills and qualifications of the workforce, Ukraine ranked

37th. In terms of the development of digital technologies, it ranks 58th. In terms of readiness to Future-proofing ourselves by the government, business, and society as a whole, Ukraine ranks 58th (IMD, 2021). Ukraine's weaknesses, according to the Institute for Management Development (IMD), include the protection of intellectual property rights, banking and financial services, high investment risks, and cyber security. The country's strengths include opportunities to start a business, the speed of Internet connections, e-democracy, the use of big data, and the quality of education.

One of the responses to the Covid-19 pandemic has been an increase in the number of people working outside of employers' premises. This adaptation strategy may have a long-term impact on transforming the perception of standard employment and, in particular, on a number of aspects such as the process of organising labour and employment conditions, the definition of a workplace, etc.

Permanent employment with a workplace within the employer's premises under an employment contract with an unlimited term is commonly referred to as standard employment. Standard employment is not just being replaced by flexible employment models, but non-standard employment is a factor of divergence - the process of discovering new ideas and expanding the possibilities of using human capital, offering new ways to solve complex problems in international cooperation (Huk, 2021). Labour markets are characterised by increasingly diverse employment models, but standard employment is still dominant in both Ukraine and the EU.

The introduction of ICTs creates a demand for specific skills and specialisation of the workforce and involves different forms of employment. Some types of routine and codified work may be automated, and employment in such jobs will decline. At the same time, there are occupations that require low skills but cannot be easily automated, and the demand for such low-skilled labour will continue. However, the relative demand for high qualifications and specialised skills is expected to grow and, accordingly, the wages of such workers will increase (Eurofound, 2016).

The national labour market is under pressure from the combined effects of several trends. Technological advances and the integration of our economy into global supply chains have a positive effect on workers with high qualifications and skills required in modern conditions, while low-skilled workers with outdated skills are experiencing a negative effect of a shrinking employment sphere. Structural change also brings both new opportunities and uncertainty about future transformations. In Ukraine, as in many other countries, wage inequality is widening, jobs are being transformed, their quality is changing, and flexible employment models are emerging. In the conditions of digitalisation, the most important directions in the sphere of human capital formation and the choice of models for its use are the following:

- attracting funds from commercial/non-profit organisations and enterprises interested in training personnel in the professions they need with certain skills and qualification levels into the education sector along with public finance;
- greater authority for educational institutions in determining the innovations to be introduced into the curriculum in order to increase the flexibility of the educational system and its rapid adaptation to labour market requirements;
- development of educational standards with the participation of regional and

- national stakeholders to take into account the interests of all labour market actors in the formation of necessary and in-demand skills and qualifications;
- introduction of innovative technologies of teaching and professional development of teachers of educational institutions;
  - improving the mechanism of continuing professional education in the context of organising dual and non-formal education using online platforms;
  - creating educational content for short-term courses on individual competences in the context of increased interaction between key actors of the labour market.
  - The digital economy is creating new opportunities for employees, automating routine work processes and introducing innovative technologies in the workplace motivates employees to upgrade their qualifications or acquire new skills throughout their lives.

Undesirable consequences of workplace transformation are also emerging:

1. Intensification of the work process,
2. Intrusion of work into non-working time and space,
3. Employment instability,
4. Income shortages or insecurity.

Some work regimes combine fairly high levels of all these undesirable outcomes, while others offer complex trade-offs between security and intensity. Only the study regime provides protection from pressure and insecurity, and even then it has elements of employment instability (especially for women working in the public and social sectors).

The possibility of a shift to remote work raises concerns about the impact of this form of labour organisation on the social protection of workers. The goal of developing the digital economy is not only and not so much the technical re-equipment of individual workplaces, but the introduction of complementary measures in labour organisation, technology, control structure and labour relations. This concept brings together aspects of various socio-economic programmes, including innovation, digitalisation, productivity, quality of work, lifelong learning, health and safety at work, skills and social dialogue.

**Discussion and conclusions.** Thus, we can see that the preservation of human capital and labour market efficiency is essential to minimise the effects of the socio-economic crises in both Ukraine and Moldova. To some extent, the transition to digitalisation and new employment models that involve the redistribution of labour and the evolution of jobs towards "good work" can strengthen competitiveness and offset the decline in labour market efficiency.

Some of the main problems of modern workplaces are related to the peculiarities of working conditions that do not meet the requirements of employees for "good work". For example, the platform work of the gig economy may be mediated by technology, but it is based on a simple, low-complexity mode of operation combined with indirect control, often exercised through labour discipline. Pressure on logistics workers is closely linked to the spread of lean management practices. Even flexible employment in creative, professional and managerial work leads to an increase in undesirable consequences.

The new world of work is looking increasingly lean, but elements of "good work" can still be salvaged. Learning and autonomy in remote work are becoming more common. Increased interaction with clients and colleagues, improved quality of work

and flexible working hours have great potential for preserving and developing human capital, but are also potential sources of pressure on employees and job insecurity.

Thus, a wide range of models of human capital use creates the preconditions for the evolution of jobs in the transition to a new socioeconomic reality. The choice in favour of a strategy for the development of intellectual and technological high-quality jobs or simple unskilled employment in national economies remains the prerogative of national employment policies formed by governments.

Public authorities can influence these employment trends by changing the mix of human capital models in their societies, mitigating their negative impact. Most importantly, they can reorganise these models to emphasise learning, autonomy and collaboration - but in a lower-pressure environment, with controlled intensity and intervention.

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