FEATURES AND PROSPECTS OF THE ECONOMIC RENT FROM WORKFORCE AND SOCIAL CONDITIONS IN UKRAINE

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1. Introduction

1.1. Object of research

The article aims at further studying the role of the economic rent from workforce and social conditions (significant components of the important rent-forming resource of nowadays global economy – social capital) in Ukraine.

1.2. Description of the problem

A type of rent, obtained in national economic complexes and the world economy, is the economic rent (or quasi-rent) defined by A. Marshall. This is a form of excess profit received by a business entity without additional entrepreneurial efforts at the expense of reducing the production cost comparing to other economic entities, that function in the corresponding sector of economic activity, as a result of reducing costs per output unit in the conditions of using a production factor (i.e., any of the elements necessary for products manufacturing, namely the means of production, materials and labor as purposeful activity), which proposal is absolutely inelastic in the long term [1–3]. Thus, the economic rent should be considered a part of the expenses saved by a certain producer due, for...
example, to the rational selection of personnel and organization of its work, optimization of manage-
rial, technological, financial and marketing processes, involvement of other factors related to the re-
productive application of human intelligence [4–7], as well as to the use of various quasi-competitive
advantages stimulating the growth in demand for the corresponding goods and services.
It’s the potential, technologies and scale of quasi-rent obtaining that nowadays determine
the national economies’ competitiveness in a global scope.

1. 3. Supposed way of problem decision

The above-mentioned definition of the economic rent requires the study of such types of its
rent-forming resources as:
– human capital as a basic component of social capital (in the main manifestations of its
quality – levels of comprehensive education and vocational qualification, on the one hand, intellec-
tual, experience-accumulating and knowledge-generating abilities and skills, on the other hand).
The share of human capital in the aggregate capital structure of the developed countries has already
reached 70–75 %; as a result, the growth in knowledge and education level nowadays determines
up to 60 % of their national income increase [7–10];
– various economic and political conjunctures formed at the local, regional, national and
interstate levels, including in the process of capitalizing the spectrum of intellectual, innovative,
communicative, organizational, interface resources of the socium (not least under the influence of
social processes and, in particular, social policy aimed at regulating and minimizing social risks
and threats).

Substantiation of the approaches to increasing the scale of a quasi-rent’ obtaining in Ukraine
requires the definition of its structure, main features and technologies, as well as outlining the con-
ditions of efficient capitalization by the national economy the workforce’ intellectual and creative
qualities, including in the mentioned socium’ rent-generating conjunctures.

The aim of research includes: further studying the role of the economic rent from work-
force and social conditions in the modern rental relations system of the global world and Ukrainian
transitive economy as its component; identifying the features of the this phenomenon; determining
peculiarities of formation and distribution of economic rent’ various types in the process of using
the workforce’ creative potential and other constituent elements of the social capital.

2. Materials and methods

The theoretical and methodological basis of the research is formed by specialized
publications devoted to: the reproduction and improvement of the range of the social capital’
components [7–16]; the structure and features of capitalization of rent-forming resources,
classification of the rent [1–7, 13, 15–30]; economic mechanism of the innovation process,
its impact on the dynamics of competitiveness characteristics of countries and business
entities [4, 5, 17, 20–26, 28, 29].

T. Schultz and G. Becker, founders of human capital theory created in the 50’s of the
XX century, treated it as the amount of knowledge, abilities and motivations in the society that
affects the increase of production and income. Along with expenses for comprehensive and vo-
cational education, these researchers have included to the “investments in people” spending on
public health care, upbringing of children and other factors that should contribute to the growth
of human productive power [9, 11]. In modern specialized studies, human capital is considered as:
the cost reflection of the corresponding production factor (along with land, material and technical
means – fixed and circulating capital) [12]; intangible assets of the enterprise [8]; component of
its real capital [8] or a part of non-physical capital (the latter is treated as the totality of personnel,
scientific and innovative potential, including intellectual property and results of scientific research,
as well as the good reputation of the company) [17]; the national wealth component (namely, a group
of intangible assets) [8, 14].

At the same time, the analysis of professional research indicates the presence of certain differ-
ces in defining the list and features of rent-forming resources’ capitalization, and thus the absence
of a unified generally accepted classification of rent’ types [4–7, 13, 15–30]. A typical example is
the interpretation of such a significant resource of super-profits as person’ intellectual potential,
knowledge and experience, including those embodied in innovations of techniques, technologies,
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organization, management and marketing of an enterprise, financial and credit instruments, etc. Some authors [4, 15, 18, 20, 21] and reference sources [1–3] classify it as a source of economic rent or a quasi-rent-forming resource; in other works [19–22, 25] commercialized results of intellectual activity (including R&D products) are considered as a source of innovative, scientific and general scientific rent; sometimes innovative rent and technological quasi-rent are described as identical concepts, which among other form the basis of social inequality [7, 16, 22, 27–30].

The scientific quasi-rent itself is widely considered. In particular, the economic mechanism of scientific and technological progress is clarified [4, 15]; the problems of science rent assessment from the standpoint of its impact on production processes and final product are studied [19–21, 25], including in the context of emergence of differential rent associated with production assets’ efficiency [19, 24, 28, 29]; the peculiarities of quasi-rent as an economic category related to the development of science, the progress of intellectual labor products and technological systems that embody the results of scientific activity are studied, the quasi-rent types are determined [4, 18, 19, 27]; the specificity of rental income formation from the use of fundamental research results [20, 21, 23, 25] and so-called “inventor’s rent” is discussed [26].

3. Results and discussion

Taking into account the rent relations theory, human capital has all necessary attributes of the rent-forming resource. It doesn’t affect the supply of production factors, determining their quality in quantitative amount (that is, as production resources – the personnel of the enterprise, material and financial means for the realization of its purposes); it can also be involved in property relations and serve as a property object. At the same time, due to the indivisibility of the carrier of human capital as both a person and an employee, it is precisely its abilities, level of education and qualification are to be assessed from the perspective of property relations. Consequently:

– human capital is the leading factor in the innovative development of the economy in measuring the different quality of characteristics of labor as the purposeful activity;

– the mechanism for realizing the entrepreneur’s rights to own, use and dispose of the professional, qualifying and intellectual potential of the employee is a hiring of a person, and (in the case of commercialization, production development and replication of intangible resources as the result of intellectual potential realization) – legal acts regulating copyright and related rights.

Since human resources are an indispensable production resource at any enterprise/institution, human capital belongs to the factors forming all types of rent income (primarily in their differential and monopolistic forms), which at the same time does not deny the existence of such independent economic phenomena as the two main types of quasi-rent – educational and creative (scientific and oeuvre). In the latter one, the form of realization of the ownership right to the rent-forming resources and their property status in the process of implementation into economic circulation (when rejecting and appropriating to the benefit of business entities) make it possible to define an intellectual quasi-rent. According to the fields of manifestation it is possible to divide it’s most significant technological (including innovative and information), organizational and managerial, commercial, financial and credit subtypes. These basic types of quasi-rent is directly associated with excess incomes of business entities, which are derived from the use of a part of the public stock of knowledge, abilities and motivations of higher quality personified by some highly educated and highly skilled workers.

At the same time, the educational quasi-rent is formed due to the work of employees with the best professional, educational and qualification level at certain enterprises and institutions, as well as in some technologically related sectors of the economic complex. The use of such labor provides rent income for these structural elements of social reproduction and, ultimately, stimulates the functioning (including increased attention to the effectiveness in staff policy) of the entire sector of high-tech and knowledge-intensive enterprises and economic activities, and positively influences the pace of implementation of the innovation model of social and economic development. The mechanism for optimization of the personnel potential of the enterprise/institution (and thus for creation and improvement of the prerequisites for the educational quasi-rent obtaining), that has been time-tested in the developed market economies, is recruiting. Initially, the term meant the selection of personnel for a particular enterprise (entrepreneur) by the special personnel agencies within their base of those who applied for
employment. During the last 2–3 decades, territorial offices of the governmental employment service in the countries with transitive economies have often performed similar functions.

Creative (scientific and oeuvre) quasi-rent is formed during commercialization of:

– specific results in fundamental and applied scientific, experimental and design research (ideas, discoveries, technical and technological developments and inventions, computer programs, databases, drawings, etc.), which can be registered as inventions and, due to the prospects for production development, are classified as an innovative technological resource, the use of which allows to establish the output and to increase the sales of the so-called science-intensive products, as well as to improve the trade turnover of other goods and services;

– the products of literary work in various fields of knowledge, as well as the entire range of products in the culture and arts sectors, which can be patented or protected by copyright and, as a result of replicating on an industrial scale, could obtain consumer value within individual, collective and common economic consumption (scientific and popular scientific works, textbooks and maps, educational and cultural programs and projects, fiction literature, painting, music, audiovisual and photographic works, other art objects, including those of folk and applied art, architectural projects, etc.).

Thus, the authors of scientific and technical innovations and developments, specialized works, projects, databases and programs in various fields of knowledge, literary fiction, other pieces of culture and arts, works of applied art, etc. create a seed capital in a certain sense, as they are providing the synthesis and progressive development of fundamental and applied scientific knowledge (in the first case), and satisfying cognitive, intellectual and aesthetic needs of the wide layers of consumers (in the second case). This initiates the processes of:

– the capitalization of scientific, experimental and design research results through the establishment and development of modern and new types of techniques, as well as the mass diffusion of advanced technologies;

– the replication of literary, cultural, art, cartographic, etc. products of sufficiently high consumer value by light industry and polygraph enterprises, print and electronic media, show business, film distribution and some other sectors of the entertainment industry.

The average annual growth rate of the intellectual property objects' world trade in has already reached 15 % (for comparison, the growth rate of world industrial production does not exceed 5 %) [10].

The sphere of forming and receiving quasi-rent, obtained due to the use of intellectual, vocational and qualification potential of the labor force as a key resource of social reproduction at the industrial and postindustrial stages of development, can be identified with:

– all sectors of the economy – in a broad sense, in the historical and evolutionary dimension;

– primarily, the subjects of copyright and patent law, as well as business entities (enterprises, certain legal entities and individuals), which own licenses for an intellectual product or, having commercialized it earlier than other (in the case of technical and technological innovations), use these innovations on an industrial scale. It is a narrower dimension, determined by the level of solving the problems of production organization and management optimization.

There are no excess profits of economic entities using an innovative technological resource or producing modern and new techniques during the period of their development and deployment of the corresponding economic activity; excess profits also disappear with the transformation of innovations into common, determining the publicly normal level of costs and prices for certain goods and services. The duration of the period of the rent income generation is equal to the time between the development of innovations and the period of their entry into the common economic (organizational and production) practice. The term of obtaining rent income by business entities using an intellectual product protected by copyright and have completed the initial phase of production development is determined by the time frame of the relevant license agreement. In order to reward the licensor (the owner of the patent, the author as the transferring party) for the result of its work, the right to dispose of which it assigns (for a certain period) to the licensee (the potential user as the receiving party), and (to a less extent) to compensate current and capital costs for the development of innovation, the license agreement may provide for one-time or prolonged payments. Royalties are paid within the terms stipulated by the parties or the entire period of sale of products made by using this
copyright object (invention, technology, work, etc.). Since a part of the rent income received by the licensee from the economic use of the intellectual product (in most cases by transferring the agreed percentage of the aggregate price of sold goods and services to the licensor) is redistributed through the royalties, the latter are actually the creative quasi-rent of its author.

Realization of the potential of intellectual property objects as a rent-generating resource depends on the pace and scale of their commercialization that in a market economy determine the financial, time and territorial scope for getting income from the sale / purchase of a specific license. Thus, a legal transfer of an intellectual product is considered only as a prerequisite for the emergence of rent relations, since the fact of formation and the amount of rent income become the result of a full adoption and rapid production development of the innovation by its user. The main incentive to acquire a license by innovatively active economic entities is not so much in the prospects of increasing the rent component of own revenues, as in near, financially more realistic and clearer savings in carrying out their own research and patenting of developments.

Economic activity of the use of products of scientific, experimental and design research, in the process of which creative (scientific) quasi-rent is formed and extracted, is subdivided into the following basic directions:

– production of innovative products, in particular techniques, and the provision of innovative consumer services (rent income is a part of the profit from their sale, received by the economic entity – producer due to the highest competitiveness of this type of product/service in the market in the absence or insignificant supply of their counterparts, including those of worse quality);

– provision of core services by authors and developers of scientific and technical ideas at the design, preparatory and production stages of their implementation (the amount of quasi-rent as one-time or periodic payments is regulated by economic contracts for the conducting relevant work or license agreements, and is set in the fixed amounts of payments or percentages of market value of science-intensive products or the balance income of its producer).

A wide range of creative intellectual activity, areas of the innovation process and scientific and technical progress diversify the spheres of formation of rent incomes, allowing to extract, as mentioned above, such subtypes of creative quasi-rent:

– technological quasi-rent associated with the implementation, production adoption and operation of innovative (principally new or aimed at improving and ensuring diversity) technical and technological achievements that improve the efficiency and quality of core activities of production of existing range or start production of new, including innovative products and services, by enterprises and institutions, technologically close sectors and branches of economy. It is the technological quasi-rent that is a most part of rent income received in the world economy from the use of natural and non-material resources in recent decades [4, 20–26]. The most significant subtypes of technological quasi-rent are innovative and information ones. The emergence of innovative quasi-rent is associated with the organization of production and trade turnover of science-intensive goods (for example, electronic – namely computer, communicative, office, etc. – techniques). Information quasi-rent is formed in sectors of communications (including tele-, electronic communications) and mass media, software development and programming services, as well as in the functioning of stock exchanges and over-the-counter markets specializing in high-tech companies’ shares;

– organizational and managerial quasi-rent associated with the use of more effective forms, instruments and methods of production organization and management by enterprises and institutions, technologically close sectors and branches. Innovations in the field of production organization can extend to the forms and methods of its institutionalization, specialization, cooperation, concentration and diversification, in the field of management – to the instruments and methods of managing production, marketing, scientific and technical, innovative and other types of economic activity. These innovations include new ideas and developments related to planning, programming and forecasting of economic activities up to integral innovative management and marketing concepts;

– trade quasi-rent related to the application of the newest forms of circulation of goods and services, and also to the improvement of the processes of their promotion with the help of logistics methods, innovative advertising, etc. In particular, this subtype of quasi-rent can be extracted in the process of: the creation and operation of networks of wide-profile and specialized super- and hyper-
markets, large wholesale and small wholesale commodity markets; the organization of travelling sales, fast food enterprises, primarily network, as well as the spectrum of network enterprises of the hotel industry; selling on credit and on catalogs, including those distributed with periodicals, through sales agents and electronic networks;

– financial and credit quasi-rent (for quite a long time has already taken the second place in the rent income of the world economy [4, 27]) associated with the use of modern forms and methods of consumer lending and insurance activities in the field of voluntary personal and corporate insurance by the relevant economic entities (banks, credit unions, insurance organizations). In particular, it is possible to talk about: voluntary medical insurance for persons from occupational risk groups or risk on the basis of unhealthy lifestyle, presence or predisposition to severe chronic diseases; insurance of life, real estate and other property against natural disasters, especially in the areas of their distribution and high probability).

4. Conclusions

Summing up, it should be noted that the specificity of human capital as a rent-generating resource is manifested in the generation of additional prerequisites (resource, organizational and economic) and incentives to increase volumes and expand potential areas for extracting rent income in the process of its use, since the using of the employee’s knowledge and abilities leads to a consistent accumulation of professional experience, and consequently – to a permanent increase in the aggregate of these rent-generating properties and in activities for improving the environment of their implementation. The following features of the formation and functioning of the system of rental relations of the global and particularly Ukrainian economy are singled out:

– the prerequisites for the formation of the quasi-rent are largely created directly in the social sphere through the implementation of a set of actions along the main areas of social policy (these areas are the objectification and compliance with social guarantees, the optimization of territorial organization and the improvement of the quality of the living environment, the promotion of competitiveness, the realization of intellectual and vocational skills work force);

– along with the accumulation of knowledge and the development of the abilities of the individual in the pre-able and working periods of life (in the process of obtaining general secondary and vocational education, postgraduate education, advanced training or retraining, the acquisition of work experience, independent studies), an innate ability to study, master and generate knowledge, which also provides forming the adequate atmosphere for promoting an intellectual product on the scale of the entire scientific and production cycle of its development and commercialization has the importance for the quality of its intellectual, professional and scientific and innovative potentials. In this context, preservation of the achieved quality of information support for education, science and scientific services, culture, general and vocational and educational level of the population in the countries and regions where the organization of production is organized, as well as the stimulation of the achievement of the innovative potential of subjects of international economic relations in the short term in them entrepreneurial activity at different stages of the scientific and production cycle are crucial for realizing an innovative potential of international economic relations subjects in the short run;

– an effective institutional form of implementation into the economic practice of the results of scientific research and development work is innovative firms and their clusters created on the basis of scientific research and higher educational institutions or working in close cooperation with them, which, using the qualified researchers trained in these institutions and, partly managers, are able to perform a sufficiently rapid implementation of developed or accepted scientific and technical ideas and innovations.

References

