



ECONOMISC

ЕКОНОМІКА

UDC 331.1; 316.3

THE IMPORTANCE OF HUMAN POTENTIAL AND HUMAN CAPITAL IN SUSTAINABLE DEVELOPMENT

Ivan Gaiduk

SSI «Institute of educational analytics», Kyiv, Ukraine

Summary. The purpose of the investigation is to reveal the importance of human potential and human capital in order to understand their practical importance in the social development of Ukraine. The definitions of «human potential» and «human capital» based on the interpretations of foreign and Ukrainian scientists are analyzed. The author's vision of the definition of «human potential» as a socio-economic category that embodies the set of abilities, knowledge and capabilities of human and society as a whole, which are realized during the life cycle, interact with other types of potentials, bringing additional benefits and enriching materially and spiritually to achieve the goals of individual and human development. The organizational and level structure of human potential is developed and the content of its key components is described. In particular, in the level distribution, human potential includes: nanlevel (individual), microlevel (enterprise, organization, industry), mesolevel (region) and macrolevel (country or group of countries). The common and distinctive features between human potential and human capital in the social development of Ukraine are generalized. The organizational component of the structure of human potential includes the following most important components: labor potential, creative potential (human potential of creative individuals), intellectual potential, innovation potential, human potential of the nation, and others. It is concluded that the development and full realization of human potential in Ukraine largely depends on the proper implementation of human capital and quality public protection of key components of the social sphere. In this process, the formation of social market system of income, the concept of lifelong learning and the renewal of the health care system should be a priority. Particular attention should be paid to the social environment in which human potential is formed and developed, because it determines the vectors of practical implementation of all those abilities and skills that are laid down from birth and change during the life cycle.

Key words: potential, human potential, human capital, social development, institutional environment, life cycle.

Received 03.09.2021

УДК 331.1; 316.3

ЗНАЧЕННЯ ЛЮДСЬКОГО ПОТЕНЦІАЛУ ТА ЛЮДСЬКОГО КАПІТАЛУ У СТАЛОМУ РОЗВИТКУ

Іван Гайдук

ДНУ «Інститут освітньої аналітики», Київ, Україна

Резюме. Мета дослідження полягає в розкритті значення людського потенціалу та людського капіталу з ціллю практичного розуміння їх значення в суспільному розвитку України. Проаналізовано

визначення понять «людський потенціал» та «людський капітал» на основі трактувань зарубіжних і українських науковців. Сформульовано авторське бачення дефініції «людський потенціал» як соціально-економічної категорії, що уособлює сукупність здібностей, знань та можливостей людини й суспільства в цілому, які реалізуються в ході життєвого циклу, взаємодіють з іншими видами потенціалів, приносячи додаткову користь та збагачуючи матеріально й духовно націю для досягнення цілей індивідуального та загальнолюдського розвитку. Розроблено організаційну і рівневу структуру людського потенціалу та описано зміст її ключових компонентів. Зокрема, при рівневому розподілі людський потенціал включає в себе: нанорівень (окрема людина), мікрорівень (підприємство, організація, галузь), мезорівень (регіон) та макрорівень (країна або група країн). Узагальнено спільні й відмінні риси між людським потенціалом та людським капіталом у суспільному розвитку України. Організаційний компонент структури людського потенціалу включає такі найважливіші складові: трудовий потенціал, творчий потенціал (людський потенціал творчих особистостей), інтелектуальний потенціал, інноваційний потенціал, людський потенціал нації та ін. Зроблено висновок про те, що розвиток та повноцінна реалізація людського потенціалу в Україні значною мірою залежить від належного втілення людського капіталу та якісного державного захисту ключових складових соціальної сфери. В цьому процесі пріоритетним повинно стати формування соціально-ринкової системи доходів населення, концепція безперервної освіти впродовж життя та оновлення системи охорони здоров'я. Особливу увагу необхідно звернути на соціальне середовище, в якому формується та розвивається людський потенціал, адже саме воно визначає вектори практичної реалізації всіх тих здібностей, умінь та навиків, які закладаються від моменту народження й змінюються в ході життєвого циклу.

Ключові слова: потенціал, людський потенціал, людський капітал, суспільний розвиток, інституційне середовище, життєвий цикл.

Отримано 03.09.2021

Introduction. Human potential and human capital are among the most important categories of socio-economic development of the population. Awareness of the importance of these concepts during the life cycle of a particular person is designed to deepen in theoretical and practical aspects of understanding the trends and factors that affect the ways and mechanisms to ensure its implementation. As for the state, the human potential of the nation also contributes to the ability to provide creative and highly qualified personnel, which further creates the prospects for expanded social reproduction. However, today there are still a number of problems that negatively affect the development of human potential, in particular, inconsistency among scientists on a single definition of this category and the lack of common methodological framework for evaluation. In order to understand an individual as a bearer of human potential, which in practical terms is able to increase profits through human capital as an investment in their abilities, talents and skills, it is necessary to pay special attention to the environment in which this individual develops and to verify the adequacy of measures by the state, which it is designed to protect against internal and external threats.

Review of the latest research and literature. The problems of theoretical consideration and practical deepening on the role of human potential and human capital in social development were considered by such foreign and domestic scientists as: Pirozhkov S., Sen A., Becker G., Dolgushkin N., Novikov V., Edvinson L., Malone M., Zadorozhna S., Grishnova O., Stefanishin O., Golikova N., Shaulska L., Borodina O., Zaslavskaya T., Ilyich L., Oxley J., Libanova E. etc. [2–19].

The objective of the paper is to reveal the importance of human potential and human capital in order to understand their practical importance in the social development of Ukraine.

Statements of main issues of the investigation. In general concept of human development, combining instrumental and social directions, the concept of «development» is not considered as a factor in the formation of resources to ensure production activities, which indicates its fundamental difference from all previous concepts. In particular, special attention is paid to the following aspects:

– human potential reflects much wider range of relationships between people than human capital;

- attention is focused not only on the current generation of people providing social development, but also on future generations;
- studies of the activity areas that do not necessarily contribute to income growth, but focus more on personal human development;
- education acts not only as a way of professional development, but also as an integral part of culture and the desire of the individual to improve their potential.

Studying a person as a carrier of a set of opportunities and abilities in society, scientists of different periods considered many questions about the generalization and qualitative delineation of these characteristics. Thus, the concepts of «potential» and «human potential» began to take shape, which were constantly receiving new interpretations in the research of modern Ukrainian and foreign scientists. However, at present, there is still no agreed position in understanding these categories. The reason is that human potential reveals a person in a large number of its active manifestations, and this requires the comparison of causal relationships in different areas of activity.

First of all, the concept of «potential» comes from the Latin word «potential». In Ukrainian, it means «opportunity» and is considered as a set of all available means, opportunities, methods that can be used in any field without certain conditions and circumstances to achieve the goal [1, p. 20]. In a narrow sense, potential should be understood as the opportunity itself, and in a broader sense – as stocks or tools that can be used to achieve a certain goal.

Pirozhkov S. I., expanding the boundaries of the interpretation of potential, notes that «the main feature of the concept of «potential» is that it serves as an intellectual measure of assessing the capabilities of a system that can be implemented now or in the future» [2, p. 23].

Human potential of the individual should be understood as a generalizing characteristic of its resource capabilities or systemic education, the content and components of which manifest themselves by interacting with the environment in the process of life, which in turn stimulates significant social and economic achievements.

The process of realization of human potential is considered to be economic and social activity of society. In the course of performing certain tasks or responsibilities, individuals or groups of them join the process of transforming things of the material and intellectual world into a qualitatively new state. Often the results of the realization of potential are associated with explicit or implicit expectations arising from the nature of human activity.

F

o
r
i

Table 1. Definition of the «human potential» in the works of domestic and foreign scientists

n №	Human potential
1	2
1	Cannot be expressed in quantitative or cost terms. To understand human potential, it is important to assess the quality of social life and existing economic conditions for the formation and realization of human potential in labor or other socially recognized activities, and if such conditions are created, human potential can be realized as human capital. economic growth and social progress – for society (<i>A. Sen</i>) [3, p. 22]
2	A set of spiritual and physical abilities of a person that can be embodied to achieve individual and social goals: instrumental (implementation of appropriate living conditions) and existential (expanding opportunities for human self-realization) (<i>Dolgushkin N. and Novikov V.</i>) [5]

m
p
a
r
e
d

1	2
3	Socio-economic category, the content of which is revealed in the elementary manifestation of qualitative and quantitative biological, physiological, spiritual, moral, creative, social, economic and intellectual properties of the individual, social groups or population, which if used effectively will ensure its expanded reproduction. (<i>Zadorozhna S.</i>) [7, p. 15]
4	The stock of health, abilities, knowledge, skills, motivation and other human qualities formed from the childhood or developed in the course of the corresponding investments, which are purposefully used in various spheres of economic activity (<i>Grishnova O.</i>) [9]
5	1) covers the set of properties accumulated by the human economic system in the process of its formation, and determines its capabilities for functioning and development; 2) human abilities in general, regardless of whether he uses them in tangible or intangible production; 3) assigned «potentials» of people (socio-demographic, educational-professional, intellectual, spiritual-informational, innovative, creative, cultural) (<i>Stefanyshyn O.</i>) [11, p. 18]
6	The total ability of a certain human community (nation, members of the territorial community, the workforce of the enterprise, etc.) and the individual to carry out economic and social activities, and in special cases – to develop (<i>Shaulska L.</i>) [13, p. 93–94]
7	The set of physical strength, business literacy, initiative, creative energy of citizens that can be used to achieve individual and social goals (<i>Zaslavska T.</i>) [15, p. 20]

Qualitative distinction between human potential and human capital can be represented in the following two statements:

- human capital often concerns only economic activity, and human potential – economic, social and psychological concepts;
- in the epistemological sense of purpose: human potential provides opportunities to achieve it, while human capital describes the means.

Table 2. Definition of the «human capital» in the works of domestic and foreign scientists

№	Human capital
1	The set of innate abilities and acquired knowledge, skills, motivations, the appropriate use of which helps to increase income (at the level of the individual, enterprise or society) (<i>G. Becker</i>) [4]
2	The set of knowledge, practical skills and creativity of the company`s employees used to perform current tasks. Another component is the company`s moral values, work culture and general approach to business. Human capital may not be owned by the company (<i>Edwinson L. and Malone M.</i>) [6]
3	The degree of embodied in a person`s ability to generate income. Human capital includes innate abilities, talent, education, acquired qualifications (<i>S. Fisher</i>) [8, p. 303]
4	Capital in the form of mental abilities, obtained through formal training or education, or through practical experience (<i>Edwin J. Dolan</i>) [10, p. 250]
5	A complex economic category that arises in the formation of information-technotronic economy, in which the main productive resource is talent, ability and knowledge. It substantiates that the necessary conditions for the existence of human capital are the existence of employment relations and the profitability of labor. Therefore, according to its definition, human capital is the value of the stock of abilities, experience, knowledge, which are involved in the management process, capitalized on the basis of employment and bring added value (profit) (<i>Golikova N.</i>) [12, p. 3–4]
6	The set of invested socially expedient production and universal skills, knowledge, abilities that a person possesses, which belong to him, is inseparable from him and is practically used in everyday life (<i>Borodina O.</i>) [14, p. 51]
7	A set of innate abilities and acquired knowledge, skills and motivations, the purposeful use of which will increase profits (at the level of the individual, enterprise or society) (<i>Ilyich L.</i>) [16]

Common features for both of them are: presence in a person and inseparability from him; the ability to maintain its condition at a certain stable level or depreciation. Thus, the main criterion for identifying these two concepts is the receipt (or non-receipt) of income in any form.

In addition, at the present stage of society development, human capital is a major factor in the formation and development of innovative economy economy.

It follows from the above mentioned that human potential can be the initial reward of a person in the form of abilities and inclinations, which will later serve as a good guide when searching for the desired activity. Note that the potential of the whole society consists of individual achievements of people who exist in different sectors of socio-economic activity and are selected by the labor market so as to realize their ability to self-realization in the most rational manifestation. Particular emphasis should be placed on the fact that potential opportunities can be both a human advantage at birth and its unique competitiveness, which will have material reward in the future.

A more practical understanding of the «human potential» requires an analysis of its structure (Fig. 1).

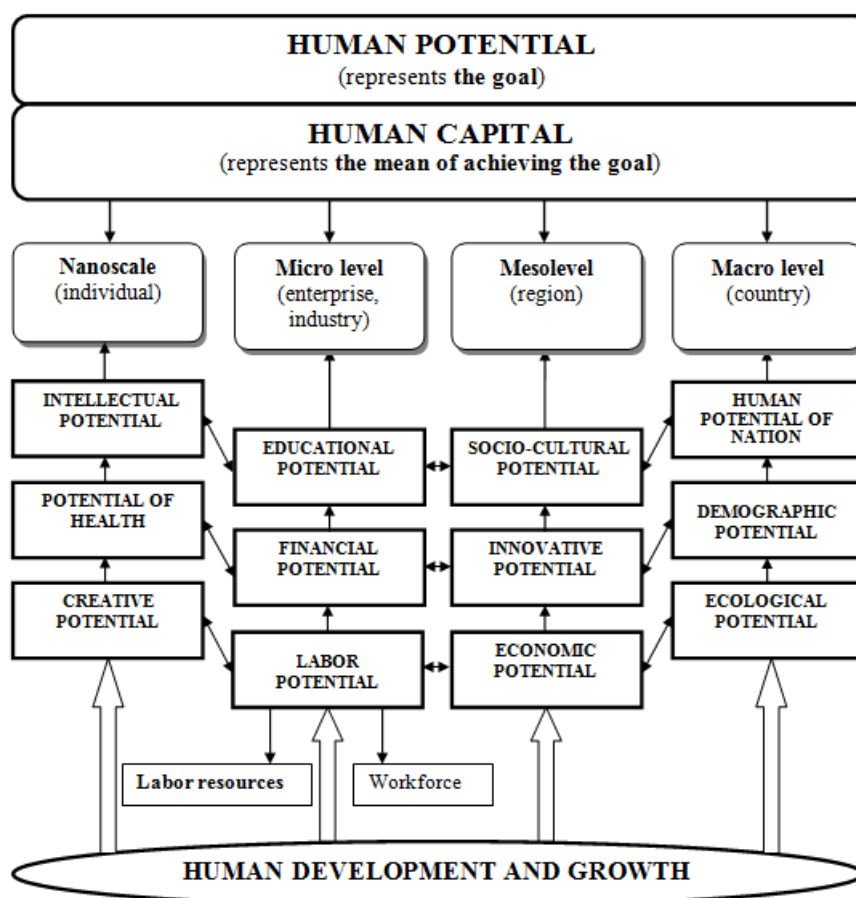


Figure 1. Organizational and level structure of human potential in the system of human development

Source: developed by the authors

Thus, it makes possible to formulate the definition of human potential as a socio-economic category that embodies the set of abilities, knowledge and capabilities of human and society as a whole, which are realized during the life cycle, interact with other types of potentials, bringing additional benefits and enriching materially and spiritually nation to achieve the goals of individual and human development.

In particular, Grishnova O. and Libanova E. in their research identify the following components of human potential: socio-demographic, socio-economic, activity and socio-cultural. All of these categories include socio-demographic potential, which includes population, gender balance, health, and life expectancy. Regarding the socio-economic potential, it combines economic activity, qualification and professional structure of employees, welfare and other components [9, p. 29]. Activity and socio-cultural potentials include personal and cultural development, adding to this process various institutions of active recreation and creative realization.

The organizational component of the structure of human potential includes the following most important components: labor potential, creative potential (human potential of creative individuals), intellectual potential, innovation potential, human potential of the nation, and others.

In the level distribution, human potential includes the following components: nanolevel (individual), microlevel (enterprise, organization, industry), mesolevel (region) and macrolevel (country or group of countries). Different levels demonstrate interdependencies with each other, at the same time being subordinated to higher levels in the hierarchy, which can both inhibit and stimulate the growth of aggregate human potential.

According to O. Williamson and J. Oxley [17; 18], the institutional environment is a set of basic political, social and legal norms and provisions that are the basis for production, exchange, distribution and consumption, that is establish the basis for economic activity in general.

Social environment, in contrast to the institutional, is considered as part of the living person environment, in which he interacts with others, forming his worldview. In detail, this environment is divided into a micro-environment (family, group of friends and team) and a macro-environment (social institutions, public culture, public consciousness, etc.).

However, the main criterion that distinguishes the concept of «human potential» from the concept of «human capital» is that the latter necessarily has its value and is designed to bring its owner a future profit. In this case, there is an identity when a person`s human potential is the sum of his human capital and social environment.

The main assets of human capital include: primary education; health care; adult education, which includes training and advanced training in production, self-improvement, additional education, etc.; education of humanitarian components of human capital; strengthening the motivation of employees to improve the quality of their work; migration of workers and their families in order to improve employment conditions; search for economically important information; property, possession of which adds success in communicating with people [19, p. 163].

Conclusions. The development and complete realization of human potential in Ukraine largely depends on the quality use of human capital and proper state protection of key components of the social sphere. In this process, the formation of social market system of income, the concept of lifelong learning and the renewal of the health care system should be a priority. Particular attention should be paid to the social environment in which human potential is formed and developed, because it determines the vectors of practical implementation of all those abilities and skills that are laid down from birth and change during the life cycle.

References

1. Novyi tumachnyi slovnyk ukrainskoi movy. New explanatory dictionary of the Ukrainian language: in 3 volumes / uklad. M. Gedz and others. Kyiv: Aconite, 1999. Vol. 3. 630 p. [In Ukrainian].
2. PyrozHKov S. Y. Trudovoi potentsyal v demograficheskom yzmerenyy. Kyiv: Naukova Dumka, 1992. 230 p. [In Russian].
3. Sen A. Ob etyke y ekonomyke. On ethics and economics. M.: Nauka, 1996. 130 p. [In Russian].
4. Becker G. Human Capital: A Theoretical and Empirical Analysis. N. Y., 1964.
5. Dolhushkyn N. K., Novykov V. H. Katehoryy “trudovie resursi”, “rabochaia syla”, “kadri” – sushchnost y sodержanye. Categories “labor resources”, “labor force”, “personnel” – the essence and content. Ahrarnaia nauka. Agricultural science. 2001. No. 4. P. 11–12. [In Russian].
6. Edvynsson L., Meloun M. Yntellektualnii kapytal: opredelenye ystynnoi stoymosti kompanyy. Intellectual capital: determining the true value of the company. Novaia postyudustrialnaia volna na Zapade: Antolohyia. New Post-Industrial Wave in the West: An Anthology. M., 1999. 434 p. [In Russian].
7. Zadorozhna S. M. Vidtvorennia liudskoho potentsialu v umovakh transformatsii regionalnykh sotsialno-ekonomichnykh system: avtoref. dys. na zdobuttia nauk. stupenia kand. ekon. nauk: spets. 08.00.07 “Demohrafiia, ekonomika pratsi, sotsialna polityka i ekonomika”. Reproduction of human potential in terms of transformation of regional socio-economic systems. Kyiv, 2006. 28 p. [In Ukrainian].
8. Fysher S., Dornbush R., Shmalenzy K. Экономыка. Economics. M.: Delo, 1993. 864 p. [In Russian].
9. Hrishnova O. A. Liudskyy rozvytok. Human development: textbook. Kyiv.: KNEU, 2006. 308 p. [In Ukrainian].
10. Dolan E. D. Rinok: mykroekonomycheskaia model. Market: microeconomic model: [Per. s anhl.] / edvyn Dzh. Dolan, Deivyd E. Lyndsei. SPb.: Pechatny Dvor, 1992. 496 p. [In Russian].
11. Stefanyshyn O. M. Liudskyy potentsial ekonomiky Ukrainy: monohrafiia. Human potential of the economy of Ukraine: monograph. Lviv: LNU Publishing Center named after Ivan Franko, 2006. 315 p. [In Ukrainian].
12. Holikova N. V. Liudskyy kapital yak faktor zrostannia ta rozvytku ekonomiky: avtoref. dys. na zdobuttia nauk. stupenia kand. ekon. nauk: spets. 08.01.01 “Ekonomichna teoriia”. Human capital as a factor of growth and development of the economy. NAS of Ukraine. Institute of Economic Forecasting. K., 2004. 24 p. [In Ukrainian].
13. Shaulska L. V. Stratehiia rozvytku trudovoho potentsialu Ukrainy: monohrafiia. Strategy of labor potential development of Ukraine: monograph. Donetsk: Institute of Industrial Economics of the NAS of Ukraine, 2005. 386 p. [In Ukrainian].
14. Borodina O. Liudskyy kapital yak osnovne dzherelo ekonomichnoho zrostannia. Human capital as the main source of economic growth. Ekonomika Ukrainy. Ukraine economy. 2003. No. 7. P. 48–53. [In Ukrainian].
15. Zaslavskaya T. Y. Chelovecheskyi potentsyal v sovremennom transformatsyonnom protsesse. Human potential in the modern transformation process. Obshchestvennie nauky y sovremennost. Social sciences and modernity. 2005. No. 4. P. 13–25. [In Russian].
16. Illich L. M. Efektyvnist vidtvorennia trudovoho potentsialu Ukrainy: monohrafiia. Efficiency of reproduction of labor potential of Ukraine: monograph. K.: Energy Plus, 2007. 212 p. [In Ukrainian].
17. Uyliamson O. Chastnaia sobstvennost y rinok kapytala. Private property and the capital market. EKO. 1993. No. 5. P. 4–11. [In Russian].
18. Oxley J. E. Institutional environment and the mechanism of governance: The impact of intellectual property protection on the structure of interfirm alliances. Journal of Economic Behavior & Organization. 1999. No. 38. P. 283–309.
19. Liudskyy rozvytok v Ukraini: mozhlyvosti ta napriamy sotsialnykh investytsii. Human development in Ukraine: opportunities and directions of social investments / E. M. Libanova (ed.). K.: Inst. Of Demography and Soc. research. NAS of Ukraine, 2006. 356 p. [In Ukrainian].

Список використаної літератури

1. Новий тлумачний словник української мови: в 3 т. / уклад. М. Гедзь та ін. Київ: Аконіт, 1999. Т. 3. 630 с.
2. Пирожков С. И. Трудовой потенциал в демографическом измерении. Київ: Наукова думка, 1992. 230 с.
3. Сен А. Об этике и экономике. М.: Наука, 1996. 130 с.
4. Becker G. Human Capital: A Theoretical and Empirical Analysis. N. Y., 1964.

5. Долгушкин Н. К., Новиков В. Г. Категории «трудовые ресурсы», «рабочая сила», «кадры» – сущность и содержание. *Аграрная наука*. 2001. № 4. С. 11–12.
6. Эдвинссон Л., Мэлоун М. Интеллектуальный капитал: определение истинной стоимости компании. *Новая постиндустриальная волна на Западе: Антология*. М., 1999. 434 с.
7. Задорожна С. М. Відтворення людського потенціалу в умовах трансформації регіональних соціально-економічних систем: автореф. дис. на здобуття наук. ступеня канд. екон. наук: спец. 08.00.07 «Демографія, економіка праці, соціальна політика і економіка». Київ, 2006. 28 с.
8. Фишер С., Дорнбуш Р., Шмалензи К. *Экономика*. М.: Дело, 1993. 864 с.
9. Грیشнова О. А. *Людський розвиток: навч. посіб.* Київ.: КНЕУ, 2006. 308 с.
10. Долан Э. Д. Рынок: микроэкономическая модель / [пер. с англ.] Эдвин Дж. Долан, Дэйвид Е. Линдсей. СПб.: Печатный Двор, 1992. 496 с.
11. Стефанишин О. М. *Людський потенціал економіки України: монографія*. Львів: Видавничий центр ЛНУ ім. Івана Франка, 2006. 315 с.
12. Голікова Н. В. *Людський капітал як фактор зростання та розвитку економіки: автореф. дис. на здобуття наук. ступеня канд. екон. наук: 08.01.01*. К., 2004. 24 с.
13. Шаульська Л. В. *Стратегія розвитку трудового потенціалу України: монографія*. Донецьк: Ін-т економіки промисловості НАН України, 2005. 386 с.
14. Бородіна О. *Людський капітал як основне джерело економічного зростання. Економіка України*. 2003. № 7. С. 48–53.
15. Заславская Т. И. Человеческий потенциал в современном трансформационном процессе. *Общественные науки и современность*. 2005. № 4. С. 13–25.
16. Ілліч Л. М. *Ефективність відтворення трудового потенціалу України: монографія*. К.: Енергія плюс, 2007. 212 с.
17. Уильямсон О. Частная собственность и рынок капитала. *ЭКО*. 1993. № 5. С. 4–11.
18. Oxley J. E. Institutional environment and the mechanism of governance: The impact of intellectual property protection on the structure of interfirm alliances. *Journal of Economic Behavior & Organization*. 1999. No. 38. P. 283–309.
19. *Людський розвиток в Україні: можливості та напрями соціальних інвестицій* / Е. М. Лібанова (ред.). К.: Ін-т демографії та соц. дослідж. НАН України, 2006. 356 с.