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## EMPLOYMENT TRANSFORMATION IN THE NEW ECONOMY

*Laushkin O.*, postgraduate student of the personnel management and labour economics department Donetsk national university**Лаушкін О. Трансформації зайнятості у новій економіці**

У статті досліджуються ключові аспекти процесу трансформації системи зайнятості в умовах переходу світогосподарської системи в нову якість – глобальну економіку знань. На думку автора, основним стримуючим фактором трансформаційних змін на сучасному етапі є висока резистентність системи зайнятості, обумовлена низькою схильністю учасників соціально-трудових відносин до зміни статус-кво, яка, в свою чергу, є результатом зусиль власників індустріального капіталу до збереження домінуючого положення в системі соціально-трудових відносин. Можливість реактивації трансформаційних змін автором вбачається в реформуванні базових інститутів соціалізації – сім'ї та освіти, які, маючи значний потенціал впливу на процес формування особистості, здатні звільнити свідомість індустріального працівника від стереотипів і патернів, закріпити новий категоричний імператив, сформульований в термінах ліберального гуманізму, і створити самопідприємця, людину-творця.

Ключові слова: трансформація зайнятості, нова економіка, людський і соціальний капітал, знання, самопідприємець.

**Лаушкин А. Трансформации занятости в новой экономике**

В статье исследуются ключевые аспекты процесса трансформации системы занятости в условиях перехода мирохозяйственной системы в новое качество – глобальную экономику знаний. По мнению автора, основным сдерживающим фактором трансформационных изменений на современном этапе является высокая резистентность системы занятости, обусловленная низкой склонностью участников социально-трудовых отношений к изменению статус-кво, которая, в свою очередь, является результатом усилии собственников индустриального капитала к сохранению доминирующего положения в системе социально-трудовых отношений. Возможность реактивации трансформационных изменений автором усматривается в реформировании базовых институтов социализации – семьи и образования, которые, обладая значительным потенциалом влияния на процесс формирования личности, способны освободить сознание индустриального работника от стереотипов и паттернов, закрепить новый категорический императив, сформулированный в терминах либерального гуманизма, и создать самопредпринимателя, человека-творца.

**Ключевые слова:** трансформация занятости, новая экономика, человеческий и социальный капитал, знание, самопредприниматель.

**Laushkin O. Employment transformation in the new economy**

The article examines key aspects of the employment system transformation process in a context of the world economic system transition towards the new global knowledge economy. In the author's opinion, the main restraining factor of transformational changes at the present stage is the high resistance of the employment system due to the low propensity of major actors in socio-labor relations to changing the status quo, which, in turn, is the result of the efforts of owners of industrial capital to preserve a dominant position in the current system of social and labor relations. The possibility of reactivation of the transformation the author sees in reformation of the basic socialization institutions – family and education, which, exerting a significant impact on the process of an identity formation, are able to liberate an industrial laborer's consciousness from stereotypes and patterns, to affirm the new categorical imperative, formulated in terms of liberal humanism, and to create a self-entrepreneur, Homo-creator.

**Keywords:** employment transformation, new economy, human and social capital, knowledge, self-entrepreneur.

**Introduction.** The process of the employment system's transformation in the new economy is complex and multiphase, and its successful completion depends on a number of factors and conditions. When initialization of any item (parameter) of the system is delayed or some mandatory requirements are not fulfilled, the transformation process can be slowed down to a complete halt, and the system, reaching the point of bifurcation, cannot transit to a new state. The main threat which this forced stoppage in the transition process poses for the system is that the latter, remaining for a long time at the point of bifurcation loses its stability and becomes chaotic. In a chaotic regime, an arbitrarily small change in a current state of the system as the effect of some external influence, can lead to unpredictable consequences – irregular, chaotic dynamic changes of variables over time. In this context, conscious or unconscious restraining of transformational changes with the aim of preserving the status quo, will definitely lead to catastrophic consequences firstly for the system, chaotic regime of functioning of which contributes to a rapid increase in its volatility and instability to infinitely small disturbances, and secondly for the individual, extremely high uncertainty of decision-making environment for whom means the impossibility of implementing Pareto-efficient outcomes for a multitude of interactions due to the unpredictability of counterparts' decisions and behavior.

**Analysis of recent research and publications.** In the scientific development of theoretical and applied problems of the employment transformation a significant contribution was made by Ukrainian scientists: O. Amosha, S. Bandur, V. Geec, O. Grishnova, V. Inozemtsev, A. Kolot, E. Libanova, N. Lukyanchenko, V. Onikienko, L. Shaulskaya, as well as eminent foreign researchers: C. Baldry, D. Bell [7], P. Drucker, G. Friedman, A. Gorz [8], D. Hounshell, F. Machlup [9], D. North, M. Porat, G. Torlak, R. Volti, D. Zonderman et al.

**Statement of the problem.** The main goal of this work is to study the problems and prospects of employment transformation in the new economy.

**Results.** At present, the risk of the employment system falling into the vicious circle of "infinite" transformation is substantial enough due to the fact that the unique human and social capital, unable to overcome the resistance of the industrial system and to become a new driver of transformation remains a deviation, an exception from accepted norms. The high resistance of the system is caused by the low risk propensity of major actors of social and labor relations – workers and owners of industrial capital. For an employee, disappointed in her ideals and lost faith in her own power, upholding the status quo appears to be the only rational solution, which is dictated, first of all, by the subjectively perceived inferiority of her cognitive and creative abilities, the use of which in the framework of the industrial employment system was not found; secondly, the affirmance in an industrial worker's mind a strong mental connection between disutility of labour – an inevitable burden, painful, tedious activity under coercion – and usefulness of allowance that allows to acquire the necessary amount of vital means of subsistence. Unlike an employee, the threat to well-being of whom resulting from the rejection of so-called "guaranteed" employment within the industrial system is unfounded, the subjectively perceived threat to the hegemony of industrial capital as a result of changing the status quo is justified and read, as a radical revision of the existing model of social and labor relations and a labour content, means the liberation of productive creative labour of cognition and creation from the power of capital, and consequently, the lack of opportunities for the latter to obtain monopoly rents and profits from over-exploitation of physical labour.

The movement of the source of wealth from the sphere of material to the sphere of intangible, nonmaterial, devalues industrial capital, eliminates the original, historically conditioned asymmetry in the distribution of resources and establishes a direct relation between the volume of investment in self-development and welfare in the current period, contributes to intensification of owners of industrial capital' efforts to curb transformational changes. The complex of preventive measures aimed at reducing the risk propensity of an employee consists of two parts: mental, affecting the consciousness of the worker and the material, which affects the distribution of gains (payoffs), which an agent, making a choice, attributes to each of many available options (strategies).

Systematizing the inner motives of the employees who opt for the strategy of upholding the status quo, it is possible to establish a causal link between the efforts of industrial capital to fix in the minds of employees certain stereotypes and mental patterns and the low risk propensity of the latter (Fig. 1).

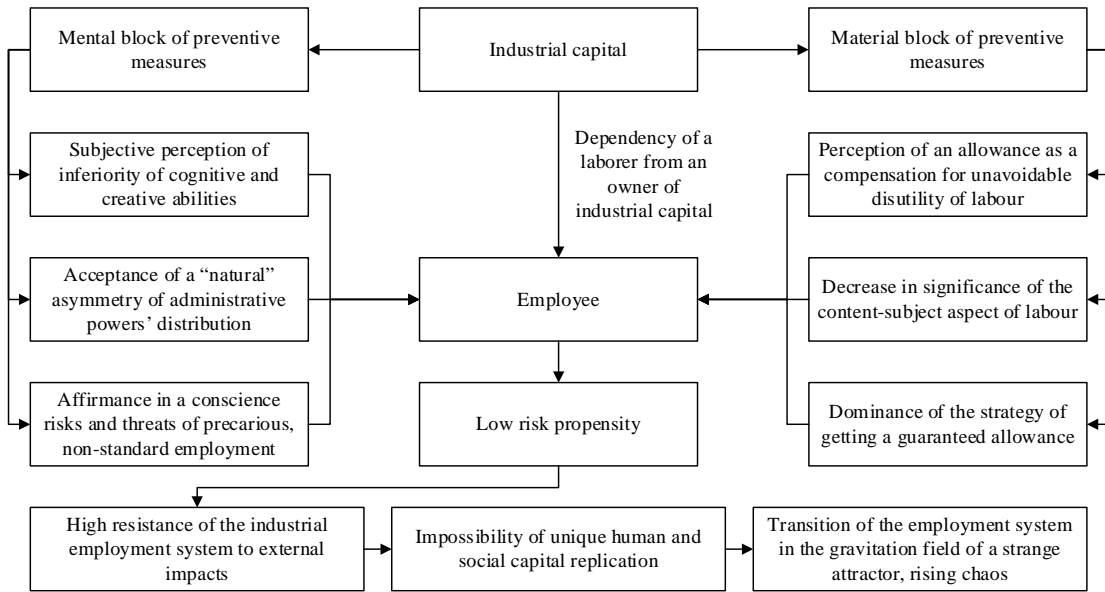


Fig. 1. The causal link between owners of industrial capital's efforts to prevent employees from changing the status quo and the low risk propensity of the latter

Affirmance of stereotypes and patterns in consciousness occurs in the process of socialization – introduction of an individual to social experience, values, rules and norms. In the employment system, the function of socialization accomplishes an institutional environment, which, through formal rules, informal constraints (generally recognized norms, agreements), as well as mechanisms for their enforcement, typifies behavior, thinking and choice of a person. In a sense, the institutional environment can be viewed as a printing machine, which transfers information from a matrix (printing form) on a surface (in this case, the information should be understood as socially sanctioned behavior modes, rules and regulations, and the surface – as the identity of a person). Exactly on the content of information recorded on a matrix largely depends what normative values, which will be determinative for decisions and behavioural responses of an individual. Appropriately changing the content of transmitted information, it is possible to stimulate development of specific properties and personal qualities, to fix in consciousness a particular set of mental routines (heuristics) and behavioral patterns, as well as to promote the formation of aspirations and expectations of a human being. In the broad opportunities of the institutional environment of personality "programming" can be found a significant potential for overcoming outdated stereotypes of thinking and perception of an industrial worker and replacing them with new normative values and behavioral imperatives of a self-entrepreneur, Homo creator. However, in order to "reprogram" the personality of the industrial worker it is required not only to change the content of information recorded on a matrix, but the matrix itself – an institute, which translates "rules of the game" for all participants of social and labor relations.

Considering the fact that the liberation of consciousness of an industrial worker from the imposed mental stereotypes and behavioral patterns contains the possibility of overcoming the resistance of the employment system and enhancing the process of transformation, the vector of efforts should be aimed at reformation of the socialization institutions in which a person is introduced to rules, norms, and values. These institutions, acting as translators of social experience, exert a significant impact on personality formation of an individual through cultivation of moral values, understanding of duty, complicity and other qualities, which are then fixed in consciousness as a categorical imperative, the standard, the measure of all things. It is through reformation of socialization institutions the existing categorical imperative – publicly meaningful prescription, having the force of unconditional principle of human behavior – can be changed to a new one, which aims at removing artificial restrictions and prohibitions that penetrate consciousness of an industrial worker and subject her will to the perverse logic of consumerism. A new categorical imperative must be formulated in terms of liberal humanism, according to which a person is recognized as the highest value, in freedom of cognition and creativity realizing her supreme destiny – the eternal search for truth, the root cause, metaidea of existence. Fixation of this categorical imperative in consciousness and its application as a guidance for judgments and actions, allows an individual to become a subject of control, independently determining the trajectory of own development as well as defining the vector and the amount of efforts applied at achieving the goal. As a result, a worker appears as not just a carrier of abstract ability to labour (the function which owners of the industrial capital predetermined for her), but a self-entrepreneur, unique creative workshop, in which the only productive force is human and social capital, and the labour of cognition and creation creates not only new knowledge, but also enriches and develops the personality of a Homo creator.

The affirmance of a new categorical imperative becomes possible through reformation of key institutions of socialization – family and education, which predetermine basic behavioral and normative values of a personality, shaping its worldview (vision of reality) in the process of introducing an individual to social experience, culture, traditions and norms of a society. By the intensity of the impact on a person, the family and education have no equal among the multitude of institutions in the sphere of influence of which an individual gets at various stages of her social maturation. Therefore, reformation of these institutions appears to be the most important prerequisite for overcoming outdated counterproductive mental stereotypes and patterns of an industrial worker and, consequently, ensuring the successful transformation of the employment system in the new economy.

In general, the logic of reformation of the basic socialization institutions, family and education, has much in common with the classical model of spontaneous formation of an institute by D. Kreps, in which the probability of a successful dissemination of an institutional innovation depends on the quantity of agents, who already use it in their practice. Avalanche-like diffusion of new "rules of the game", initiated by an institutional entrepreneur, leads to the gradual replacement of the existing norms and rules, outcomes of which are no longer perceived individually or collectively efficient by even the most conservative agents. With the inclusion of an increasing number of individuals in the pool of supporters of new rules and regulations, the latter ceases to be thought of as a deviation, the exception from accepted standards, and becomes an institutional alternative to existing formal rules. Transition of new rules in the category of institutional alternatives determines the moment of liberation of an industrial worker's consciousness from stereotypes and patterns and allows an objective, unbiased comparative analysis of benefits and payoffs, associated with each of available strategic choices. The only possible outcome of such an analysis is conscious refusal of forced by the industrial employment system "rules of the game" and apperception of liberal humanistic values, transmitted by the institutional environment of the post-industrial employment system. Fixation of the new categorical imperative in an individual's mind creates a self-entrepreneur, Homo creator, for whom the motivation to work is not a reward in a sense of efforts' disutility compensation, but an opportunity for self-actualization, realization of internal cognitive and creative capital in the activities most adequate to her abilities and talents.

In summary, it should be noted that the process of transformation of the employment system at the present stage is artificially constrained by owners of industrial capital, for whom the change of the status quo means the end of their undivided dominance in the system of social and labor relations. Awareness of the threat, which poses liberalized, emancipated labour to an industrial capital, encourages its owners to seek levers of pressure over an industrial worker to reduce her risk propensity. Strengthening the associative link between remuneration and inevitable disutility of labour, as well as between non-standard employment and the absence of social security, certainty and long-term stability of employment relations, owners of industrial capital facilitate the formation of employees' fatalistic expectations, which determine their passive stance on the issue of resolving the system conflict. It is obvious that the passive position of employees and their voluntary acceptance of discriminatory "rules of the game" causes the conflict to become latent, which, in its turn, diverts the system further from its Pareto-optimum state. In such conditions, there is a real risk of the employment system falling in the vicious circle of endless transformation, in which the probability that an accidentally emerged unique human and social capital will be able to overcome the resistance of the industrial system and becomes the main attractor, which pulls phase trajectories out of a strange attractor's gravitational field, approaches zero. However, there is a distinct possibility of reactivation of transformational changes and it can be found in reformation of the basic socialization institutions, family and education, which, exerting a significant impact on the process of an identity formation, are able to liberate minds of an industrial worker from stereotypes and patterns, as well as to affirm the new categorical imperative, formulated in terms of liberal humanism. The logic of construction of the new basic socialization institutions, which form the identity of a self-entrepreneur, Homo creator, can be represented in the following scheme (Fig. 2).

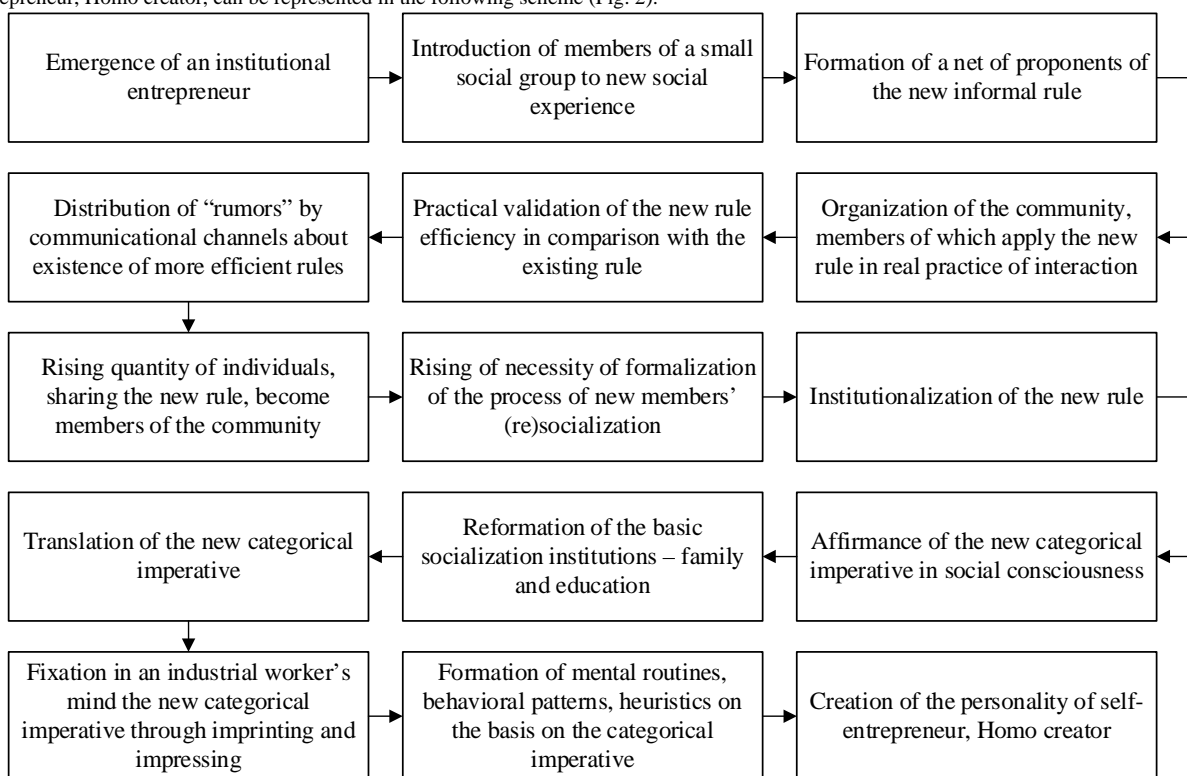


Fig. 2. Logic of construction of the new basic socialization institutions, which form the identity of a self-entrepreneur, Homo creator

**Conclusion.** It should be noted that the ultimate goal of reforming the basic socialization institutions, family and education, is not "creating" in the sense of "constructing" a personality, "fitting" it to certain norms and rules, but, on the contrary, granting it full freedom of self-determination and choice of path of development, broad opportunities of inner identity revelation, realization of intellectual and creative potential in the work of cognition and creation, the work agreeable with interests and abilities, intellectually and spiritually enriching work. Only in freedom from stereotypes and patterns that permeate the consciousness of an industrial worker, an individual acquires the ability to perform a critical, unbiased analysis of the prospects that open before her in the industrial and alternative postindustrial employment systems. In terms of elimination of the influence, which owners of industrial capital exert on the distribution of benefits and payoffs associated with the strategic choice of the path of an individual's development, the only dominant strategy is the strategy of changing the status quo and development in the post-industrial employment system. The willingness of an individual to change the status quo defines the moment of overcoming the counterproductive influence of factors, restraining the transformational change and drawing phase trajectories in a gravitational field of a strange attractor. Subsequently, under the influence of the gravitational field of the main attractor – the unique human and social capital – the employment system transits into a qualitatively new state, characterized by a modified set of coordinates' values in the multidimensional phase space. Thus, the transition to the postindustrial employment system becomes possible through raising a person's awareness of her true value as the creator, actualization of an individual's inherent, internal aspiration to freedom, realization of own strengths and capabilities of changing the system in order to fulfil the highest purpose of a human being – cognition and creation of existence in the process of incessant creative labour.

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#### THE INSTITUTIONAL PROBLEMS OF INNOVATION ENTREPRENEURSHIP IN UKRAINE

*Lyamar V.*, PhD in economics, senior lecturer of agrarian economy department of NUBiP NATI (Nizhyn, Ukraine)

##### **Лимар В.В. Институціональні проблеми інноваційного підприємництва в Україні.**

Дана стаття присвячена визначенню інституціональних проблем інноваційного підприємництва в Україні, а також запропоновано шляхи їх вирішення. В статті проаналізовано існуючі інноваційні моделі в Європі, порівняно ефективність інноваційної діяльності в країнах Європи та Україні, визначено роль малих та середніх фірм в сучасній економіці, визначено важливість інновацій для конкурентоспроможності малих та середніх фірм та запропоновано шляхи залучення інновацій в бізнес.

**Ключові слова:** інноваційне підприємництво, технологічний розвиток, інноваційні моделі, малі та середні підприємства (МСП), інноваційні індикатори.

##### **Льмарь В.В. Институциональные проблемы инновационного предпринимательства в Украине.**

Данная статья посвящена определению институциональных проблем инновационного предпринимательства в Украине, а также предложены пути их решения. В статье проанализированы существующие инновационные модели в Европе, сравнены эффективность инновационной деятельности в странах Европы и в Украине, определена роль малых и средних фирм в современной экономике, определена важность инноваций для конкурентоспособности малых и средних фирм и предложены пути привлечения инноваций в бизнес.

**Ключевые слова:** инновационное предпринимательство, технологическое развитие, инновационные модели, малые и средние предприятия (МСП), инновационные индикаторы.

##### **Lyamar V. The Institutional Problems of the Innovation Entrepreneurship in Ukraine.**

The article is devoted to the definition of the institutional problems of innovation entrepreneurship in Ukraine and the acts of their solving are given. Existing innovation modes in Europe and innovation performance between the European Union and Ukraine are analyzed. The importance of innovations for SMEs competitiveness and the role of SMEs in modern economy are defined. And the acts for implementation of innovations into business are given.

**Key words:** innovation entrepreneurship, technological development, innovation modes, small and medium entrepreneurship (SMEs), innovation indicators.

**The problem of the investigation.** Despite the heterogeneity between countries, the variants of the European social models, and the overwhelming number of policy initiatives to support technology development and innovation, the European experience emphasizes the role of innovation for growth and development. Innovation in this context is not seen as an end in itself but as an instrument to stimulate growth and development.

“Sustainable growth” adds yet another twist to this topic: if growth is to be sustained over long periods of time growth policies must pay sufficient attention to the limits of growth: the environment, the depletion of raw materials, energy, people, etc. Europe has striven to couple the existing growth orientation with the “new” challenges emanating from climate change and the depletion of natural resources in Europe in order to create and develop truly ‘innovation-driven sustainable growth models’. The challenges ahead are substantial but they lack alternatives.

Ukrainian enterprises sector is developing in the complicated conditions of a transition economy, facing the inevitable constraints imposed by deficiencies in legislation and market failures. The following problem areas in Ukrainian business environment are identified by the International Finance Corporation as those impeding SME development: financing; taxation; inspections; permits; registration; licensing; certification and standards.

**The analysis of last investigations and publications.** The problems of sustainable growth and importance of innovations in modern life and economy are analyzed by Ukrainian and foreign scientists such as S. Katsura, Yu. Makogon, V. Lyashenko, T. Medvedkin, I. Hadzhynov, T. Korneeva, L. Ladonko, W. Keller, E. Mensfield, M. Hirooka.

Economic and innovation policies take place in a complex and dynamic environment. Consequently, analyzing the sources of growth is a demanding exercise, which nevertheless identifies some generic growth drivers but emphasizes at the same time the context specificity of growth policy measures. A concept to bring this into perspective is the “technological frontier” which draws a line between countries that work on or close to the technology frontier and those who are in a catching-up mode. In the first place, the policy mix needs to aim at an outward shift of the technology frontier through radical innovations while for the second group of countries it has to support a catching-up process where imitation is a major component.

The policy mix (i.e. the measures) but not the policy headlines have to be different in each of the two cases. Radical innovations are the major instrument to shift the technological frontier outwards and – if you are already working on the frontier – the only option to differentiate yourself from your competitors and to create potential for future growth. Of course, radical innovation also happens in catching-up mode but it is most likely not the most prominent form of innovation. Even in front-running mode most innovation activities need to be incremental.

**Emphasizing of the unsettled problem.** There is no single policy measure to support either front-running or catching-up activities but a bundle of measures across horizontal policy fields. Catching-up mode countries (i.e. the companies and individuals) strive to build up capabilities and competencies in order to reduce the gap with the leading countries. This process is often supported by limited competition in the product markets; large firms take the lead in modernizing process and may have close ties to banks that finance their operations, government subsidies to gain momentum, educational systems emphasizing primary, secondary, and specialized undergraduate education; and rigid labor markets that favor the accumulation of experience within firms. The front-running mode is just the opposite and stresses radical innovation, strong competition on markets for products and services and an educational system that requires the acquisition of a broad skill basis and tertiary education.

**The aim of the investigation** is to define institutional problems of innovation entrepreneurship in Ukraine and propose acts to solve them.

The tasks of the investigation are: to analyze existing innovation modes in Europe; to compare innovation performance between the European Union and Ukraine; to analyze the role of SMEs in modern economy; to define the importance of innovation for SMEs competitiveness; to propose actions for implementation of innovations into business.

In both modes of operation formulation, triangle policies, i.e. research, education and innovation, are crucial for the realization of the growth potential of an economy as these policy areas are mutually reinforcing or – if not developed in a coordinated way – creating bottlenecks which limit