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## Role of the family in formation of the human capital

Abstract: Role of the family in formation of the human capital. The main topic of this article is investigation of the role of the family and family policy in formation of the human capital in modern Russia. There were used data of official statistics and sampling inquiries of population. There were supported the main directions of the family policy in formation of the human capital. There were proposed indicators for assessment of activity effectiveness. Key words: human capital, family, family policy, families with children.

### Introduction

At the present time the concept “human capital” is considered within the context of conception of personal growth. The formation and development of human capital is a popular theme in conditions of particular attention to opportunities for growth of effectiveness of economic model in the context of reduction of natural increase and bad demographic situation in many countries of the world.

Investing to the human capital (education, qualification, experience, health) is now considered as a strategy of successful economic and social behaviour, providing individual freedom, material stability, but at the same time, contradicting with the intention to have children and take care of elderly people. Within a framework of the present article there was presented an approach to assessment of the family role in formation of human capital and importance of family policy.

### Main definitions

Human capital is intelligence, health, knowledge, qualified and productive labour and quality of life. To estimate the level of human capital development the applicable index is used. The Human Development Index (HDI) is an aggregative index of the personal growth level in this or that country. It is often used as a characteristic of attained quality of life. HDI displays the country’s position in the world in relation of the level of health, education and income of its citizens. The increase of population quality improvement is also an important index of effectiveness of the conducted social and family policy. In 2012 Russia took the 55<sup>th</sup> place from 187 in terms of HDI rate. It took one year to rise from the 66 place (in comparison with 2011). But having higher levels of education and income per head comparing with Byelorussia and Montenegro, Russia takes the lower position in the rating because of the lag in expected lifespan against the background of longevity growth in the majority of countries<sup>1</sup>.

The modern stage of civilization is characterized with the focus on such values as freedom and independence, considerable financial stability. Investing to the human capital (education, qualification, experience) is now considered as a strategy of successful economic and social behaviour, providing individual freedom, independence, material stability, but at the same time, contradicting with the intention to have children and take care of elderly people<sup>2</sup>. Within a framework of the present article there was presented an approach to assessment of the family role in formation of human capital and importance of family policy. The important social result of modernization is a change of the family and family relations, strengthening personal freedom and

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<sup>1</sup> Human Development Report 2013. The Rise of the South. UNDP, NY, 2013

<sup>2</sup> P. McDonalds, Low Fertility and State: Policy Effectiveness // Materials from the International Workshop "Low Fertility in the Russian Federation: Challenges and Strategic Approaches. Moscow, September 14–15, 2006 — UNFPA, 2006.

responsibility, but weakening family ties. We have a situation, when who possesses more knowledge and burdened with less liabilities, has more chances for winning in competitive struggle.

To comply with the new standards, families rejected from having many children and delegated the range of authorities to the state and markets to bring up their children and support the elders. If the state and markets can't take the part of social authorities, there is a danger of "modernization failure" and civilization lag from the developed world.<sup>3</sup>

The main sources of investments in human capital are the state, the market, the family. The model of social policy in relation to families with children differently takes into account the interests of these three sources. In the significant part of the cases the family's interests are ignored, so the contradiction appears: on the one hand, the state emphasizes importance of a activity on the formation of the human capital, on the other hand, investments of the families in education, health, family members are considered only as a choice and a matter of the family.

### **Directions of the analysis of the family role in formation of the human capital in Russia**

Estimating the role of the family in formation of the human capital on the base of definition of its nature, we need to pay attention to such parameters as the quality of life for families with children, education costs of the families, family's role in health protection for its members and formation of self protection behaviour.

Families bear significant expenses on payment of educational services. According to sampling household budget survey, held by Rosstat (Russian Statistics Committee), every month the family spends more than one thousand rubles (1063 rubles in 2011) per one student. The costs vary from 644 rubles for a pupil of the general education institution to 2172 per student of the institution of higher education. According to the integrated survey of population living conditions, 90,4% of the costs of the paid professional education are borne by families (9,1% accrue to sponsors or other relatives, not living in the household; 0,7% - enterprises or organizations at the workplace).

As a result of growth of birth rate in recent years the number of children registered for admission to pre-school educational institutions increased by 26,9% by the beginning of 2013 (comparing with 2009) and amounted to 2403,9 thousand children.<sup>4</sup> The lack of the social assistance system and the developed sector of institutional and non-institutional childcare services leads to low, in comparison with other households, economic activity of able-bodied members of families with children. The unemployment rate is significantly higher among women with children. According to the sample survey on employment, the overall unemployment rate among women aged 20-49 years was 5.9% in 2011. At the same time unemployment rate for women with 2 children was 6.5%, with 3 children - 11,6%, with 4 and more children - 16,1%.

According to the complex survey on the living conditions of the population, 39.3% of women and 25.1% of men are daily engaged in childcare, 7.2% of women and 4.2% of men are daily engaged in care for other persons who need assistance.

Specialists think that the situation when practically the entire load of care for incapacitated members of society (children, elderly people, disabled people and others) is laid upon family social services can be an insurmountable obstacle to implementing the modernization scenario of the development oriented towards increasing workforce productivity: the labour force takes the entire burden of the family load upon itself and cannot achieve its economic and labour potential.

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<sup>3</sup> T.M. Maleva, L.N. Prokofyeva, Social Modernization in Russia: theory, history, challenges// Spero, 2009, No. 10. p. 14

<sup>4</sup> Demographic year-book of Russia-2012. Federal State Statistics Service. - URL: [http://www.gks.ru/bgd/regl/B12\\_16/Main.htm](http://www.gks.ru/bgd/regl/B12_16/Main.htm) (date of reference 12.12.13)

Families with several children find themselves in a difficult economic situation. The more children there are in a family the less resources there are available for each member of the family (see the following table).

Available household resources depending on the number of children under 16 (according to the sampling survey on household budgets, on average per each household member, monthly, %)

	2009	2010	2011
All surveyed households	100.0	100.0	100.0
including:			
Households without children	113.0	116.2	114.7
Households with children under 16	85.9	82.4	84.7
including households with:			
1 child	91.1	87.2	91.5
2 children	82.2	80.8	80.5
3 or more children	60.1	47.5	47.5

34.2% of all households in Russia have children under 16 years of age. However, 59.7% of low-income households have children (2011). The risk of becoming a low-income household is 1.5 times higher for households with children than for those who have no children.

Housing is a serious problem that makes the life of family with children more difficult. According to the complex survey on the living conditions of the population, 48.6% of households with children characterize their housing conditions as tight. Besides, Russian households on average need to save money for 11.6 years to buy 18 square metres of accommodation (judging by the level of annual incomes minus consumer expenditure).<sup>5</sup>

On the whole, without sharing financial and time expenses on creating human capital with the family, it is impossible to: solve the demographic problem of providing the society with the necessary human resources; form a harmonic personality and a citizen who can act not only in his or her personal interests but in the interests of society; save the family as a leading social institution of society; create human capital that ensures the competitiveness of the economy.

### **Necessity of the family policy**

The experience of the world community shows that family problems are better solved with the help of the government family policy.

Considering the necessity of implementing an effective family policy, it should be kept in mind that the efficiency of the modern economic model is achieved through ignoring the natural and sociocultural context. Modern economists talk about market failure zone — about those benefits necessary for a civilized human being that the market economy cannot provide for due to the profit motive. The human factor takes the leading position among disallowed production costs: public health, human efficiency, primary socialization background in the family do not belong to the production costs that can be calculated, instead, they are assigned collectively. The family turns out to be on the margins of economic interests, the market considers that it is not worth taking family interests into account in the economic development.

The size of the basic social benefits in Russia leaves much to be desired so far. The contribution of family and maternal benefits to the family income is getting lower in Russia. Expenses on family and maternal benefits constituted 1.6% of the money income of the population in 1996 (3.6% in 1991), about 0.7% in 2008, about 1.5% in 2010. Besides, the ratio between expenses on family and maternal benefits and the GDP reduced from 1% in 1996—97 to 0.4% in 2008 and 0.6% in 2010.

Trying to lower the poverty of families with children through changes on the labour market, we should keep in mind that the minimum wage should approach not the living wage of an able-

<sup>5</sup> Social status and standard of living of the population of Russia – 2012. Federal State Statistics Service. - URL: [http://www.gks.ru/bgd/regl/b12\\_44/Main.htm](http://www.gks.ru/bgd/regl/b12_44/Main.htm) (date of reference 12.12.13)

bodied person (through even this postulate determined by the recommendations of the International Labour Organization was observed in the modern history of Russia only within the short period at the end of 2008 and at the beginning of 2009), but the sum of the living wage of a able-bodied citizen and a certain amount of money on children maintenance. The government should use the national wage policy to meet its most important obligations – providing its citizens, including those under age, with the necessary standard of living.

The issue of reducing the time a woman spends on caring for and bringing up a child is an important aspect of the family policy. Social measures that imply the development of childcare services are taken to solve it. It can be public institutions for preschool children, compensating for a part of childcare payment in private day-care centres and also developing the institution of domestic childcare services (babysitters, nannies, governesses).

New technologies have changed the labour market and the view on the scale and location of production and enhanced the abilities of a single person. It proves the necessity of enabling such aspects in the interaction of the family and the labour market under the conditions of new communications technologies as creating conditions allowing the family to successfully fulfil its upbringing function and to combine family and professional roles (working flexible hours, forming a system of social insurance taking into account the interests of families with children, developing the network of day-care centres on factories and firms, taking into account the interest of family workers in collective agreements, developing the social infrastructure of family activities). The right to part-time work is extensively granted in countries around the world: a whole series of developed countries<sup>6</sup> grant parents the right to adjust their working hours. According to the complex survey on the living conditions of the population conducted in Russia in 2011, 23.7% of women and 8.7% of men looking for a job would prefer part-time employment<sup>7</sup>.

In order to provide families with assistance in their life-guarding functions, it is necessary to ensure the availability of healthcare (territorial, personnel, financial). Besides, it is necessary to create conditions that contribute to health and self-protective behaviour promotion.

On the whole, the main tendencies in the cooperation of the family and society in forming human capital are: developing laws contributing to increasing the quality of population; improving the income and employment policy with family interests taken into account; taking measures supporting family businesses; improving the tax policy with family interests taken into account; developing the social infrastructure of family activities, first of all, the education and health systems; assisting families in improving their housing conditions; developing the system of social services and social work.

### **Evaluating the effectiveness of the family policy**

The following approach can be used to evaluate the effectiveness of the activity aimed at developing the role of the family in forming human capital. Taking into account that the main goal of this activity is increasing the quality of the population, it makes sense to use the interrelation between the HDI and some characteristics making it possible to assess the role of the family in the social and economic development of society. For instance, R. Easterlin and J. Bongaarts used a similar approach. Taking into account data from 69 developing countries for 1960—1985, they showed the role of the social and economic development in the tendencies of demographic processes: if the human development index is less than 0.4, no social and economic developments can cause a demographic transition.<sup>8</sup> In this particular case we can use the following characteristics:

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<sup>6</sup> Ray R., Gornick J. C, Schmitt J. Parental Leave Policies in 21 Countries. Assessing Generosity and Gender Equality // Center for Economic and Policy Research Briefing Paper. — 2009.

<sup>7</sup> Summary of the complex survey on the living conditions of the population. URL: [http://www.gks.ru/free\\_doc/new\\_site/KOUZ/survey0/index.html](http://www.gks.ru/free_doc/new_site/KOUZ/survey0/index.html) (date of reference: 12.12.13).

<sup>8</sup> Human Development Report 2010. The Real Wealth of Nations: Pathways to Human Development. UNDP. M.: "Entire World" Publishing House. 2010

$X_1$  – family benefits in GDP, %;

$X_2$  - legal provisions for family taxation (or the number of households using the family taxation option);

$X_3$  - the level of the family business development, the number of small businesses for 1000 people;

$X_4$  - available places in preschool education institutions for 1000 children of the corresponding age;

$X_5$  - expenses on guarding the maternity and childhood in GDP, %;

$X_6$  – low-income households among households with children, %.

If reliable data from world countries is available, it is possible to conduct the comparative evaluation of the effectiveness and contribution of the family policy to forming human capital.

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