

UDC 331.5

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THE PROBLEMS OF COMPETITION AND COMPETITIVENESS ASSESSMENT IN THE LABOUR MARKET

У статті розглядаються питання конкуренції на ринку праці і основні проблеми її виміру і оцінки. Виявлена специфічна структура сил конкуренції на ринку праці і її особливості в порівнянні з товарними ринками. Виділені особливості визначення і оцінки конкурентоспроможності суб'єктів ринку праці з основним акцентом на найнятих робітників. Підкреслюється, що на цьому ринку неможливо порівняти конкурентоспроможність індивіда лише до його професійних і соціальних компетенцій.

***Ключові слова:** ринок праці, конкуренція, конкурентоспроможність, компетенції, сили конкуренції*

Problem Statement. The matters of competition and competitiveness in the labour market can be considered as those of utmost importance and at the same time of considerable complexity. The former can be explained by both economic and social reasons, as the labour is arguably the key resource for any company and any type of economic activity as well as its holder – human being – is very sensitive in terms of living standards and social identification in the existing humanistic world [4].

Out of the five known production resources, which include information, land, capital, labour, and entrepreneurship, the last two can not exist or be separated from humans and the first one – information – is generated and consciously applied by humans even if the computers and other apparatuses help keeping and processing it.

Human resource appliance in economy is subject to cyclic changes just as well as any other resources. But unlike the other resources labour can not be reserved for the future periods in any possible way that does not cause considerable present expenditures, prepositioned or partly withdrawn from the market. The cyclic crisis approaches, but the companies have no way to get rid of the extra human resources other than such as are not acceptable for the public and government. Crisis passes, but the existing population can not provide more labour than it is physically possible and legally permitted, so in case of closed

economic system the business has to wait till new humans are born and grow up. In open economy companies import labour resources but the next crisis comes and the problems rise again and stronger than before.

Publication Analysis. Certain features of the labour market have been studied by a number of Russian economists such as Yu.G. Odegov, N.A. Volgin, A.I. Rofe, A.A. Fedchenko, M.I. Bukhalkov and many others. Nevertheless, specific attention to the competitiveness in the labour market is only paid by the talent acquisition marketing concept advocated by such authors as T.I. Savenkova [5], B.M. Genkin [2], I.B. Durakova [3] and some others. We consider the present state of researches in this area absolutely inadequate and requiring further effort.

Research Objectives. So, the important question is measuring the intensity of competition in the labour market and detection of the factors forming and affecting the degree of competitiveness of individual employees and their groups. This sets a number of goals for the present research:

- i) definition of the competition and competitiveness in the labour market;
- ii) definition of the factors affecting the competitiveness in the labour market;
- iii) means of measuring and improving the competitiveness in the labour market.

Statement of the Key Research Results. Competition in the markets is generally understood as the rivalry among the market subjects for the better condition for their business activities: production, sales, loans, resource acquisition, etc. But the facts prove the position of M. Porter [1] who states that the competitive forces are much wider and more various than just sellers of the similar goods wishing to increase their market share. He listed the five competition forces as follows:

- industry rivalry;
- threat of substitutes;
- threat of new entrants;
- bargaining power of suppliers; and
- bargaining power of buyers.

Studies of the labour market convince us that all these forces are at work within its structure, but their comparative weights are by no means equal or even similar. First of all we address the industry rivalry which takes the shape of competition among the potential employees who wish to fill the same positions provided by the employers. Let us note that different positions in different companies involve different attractions for the applicants consisting of wages, schedule, specific feature of the job description, prestige, career prospects,

morals within the group, etc. It is impossible to make a kind of range of job attractiveness in general, as various people place greater store on different aspects of jobs. One even may argue that there is the ideal job somewhere for each person in the world, he/she only needs the complete information about them all (which is absolutely impossible to get, unfortunately). Nevertheless, this variance greatly reduces the rivalry among the applicants down to such number of them as consider this particular job attractive. That is one of the reasons why some positions remained unfilled for some periods; the other reason is lack of information and unsatisfactory speed of its spread. On the other hand, there are still quite a lot of people who would like to get the same job in many cases, and the employer may choose the most suitable one in accordance with the desirable competences.

Rivalry among the actual employees and the unemployed never ceases but on the same time it can not be separated from the threat of new entrants. The labour market is arguably very heterogeneous, but its sectors are not very stable and isolated. Geographic sectors' stability greatly depends on the human resources mobility which, in its turn, is defined by the national and local features such as tradition, social situation, and precision of the available information and the existing opportunities. Thus, rural population in some places actively moves to the cities and stays put in other areas. People from some comparatively poor countries migrate to other countries while this process goes much slower in other, equally poor countries. Professional and industrial sectors also can not be considered to be formed once and forever. People change fields of their activities, their occupation, obtain second education or learn directly at their workplaces, etc. Besides, actual employees continuously improve their skills from their current experience, thus becoming more competitive and gaining the opportunities for better positions and improving the career prospects. That is why we suggest that the entry of the young people starting their first jobs is not the only source of new rivals' entry to a labour market sector, as well as the elderly employees are not the group most affected by this competition force.

On the other hand, people from the territorial or professional segment with the most intensive rivalry may move to another sector, thus reducing the competition pressure.

The idea of the goods substitution in the labour market is also very unclear. When we consider labour resources or labour services, we face the opinion that they may be replaced by capital, partly at least. In Russia the generally observed situation is ambiguous. The capital is expensive while the manpower is cheap, so in some fields the substitution is the other way round. Some companies prefer hiring more people instead of procuring more

productive equipment and machinery, as the latter requires considerable investments. Moreover, such investments should often be made at once as such mechanisms as credit, leasing, factoring, etc., are also very expensive and not so easily available.

But the up-to-date views accept that human resources bring to a company their entrepreneurship abilities and organizational knowledge as well as the labour services as they are, and the latter can not be considered at more important than the rest. Obviously, entrepreneurship and organizational knowledge can by no means be substituted by any type of resources, not even by labour, and are directly associated with human resources of a company. On the other hand, if the object of our research is the various sectors of the labour market instead of this market as a whole, the substitution can be understood as the opportunity to fill the positions with candidates with various education, experience, and skills. In this case the rivalry takes completely different form and essence. The key aspect here is the competitive approach and the resulting elements of selection, adaptation, and stimulation.

The bargaining power of suppliers as the competition force can not be applied for the labour market, as people need no supplies to get their working abilities ready to be sold. However, this market demonstrates three other forces, different as they are, but altogether they may be considered as an analogue of the bargaining power of suppliers:

1) Demographic characteristics of population of the country or region in question. They, together with the reproduction behaviour, are the key reason why this region possesses the existing number of employable population as well as the factors affecting the changes of this number in the future.

2) Influence of trade unions and other organizations of employees. They may change the competition situation in the labour market. Indeed, without them the most labour market segments in Russia can be presented at the markets with oligopolistic demand (few companies providing employment for certain professional groups within the industry and the settlement in question) and atomistic supply (many people applying for jobs, at least dozens of them in every settlement or district, and professional group which makes them capable of successfully filling the same position). While any organization of employees makes them act as one unity, at least to some limit, thus reducing “many” participants to “one”.

3) The activity of the organizations preparing people for work (or, should it be said, any type of economic activities). These are educational, training, career-guidance organizations and any other making people better suited for taking the desirable positions in the companies of their choice. When the

operation efficiency of such organizations drops, there appears a gap between the results of their work and the demand of the employers, the competition situation becomes distorted, people cannot find satisfactory jobs and the companies cannot fill the positions and get efficient and productive employees.

The joint influence of these three forces may be considered more or less equivalent to the bargaining power of suppliers within product markets.

The bargaining power of buyers is clearly represented in the labour market. First of all, the buyers of the labour services are naturally larger and better organized, and have clearer ideas concerning what kind of employees they need, as they are companies. It does not mean that they are safe from ever hiring unsuitable people as the market transparency is poor just like in any other service market; however, their risks are low compared to those for the employees. Secondly, the companies can also join holdings, associations or other uniting organizations forming even larger employers and more influencing party of the labour market segments. Even though the labour legislation of the Russian Federation provides much better protection of the employees' rights than employers', we often observe the breaches of the law by companies bringing no considerable negative results to them as the law enforcement system of our country is still deficient.

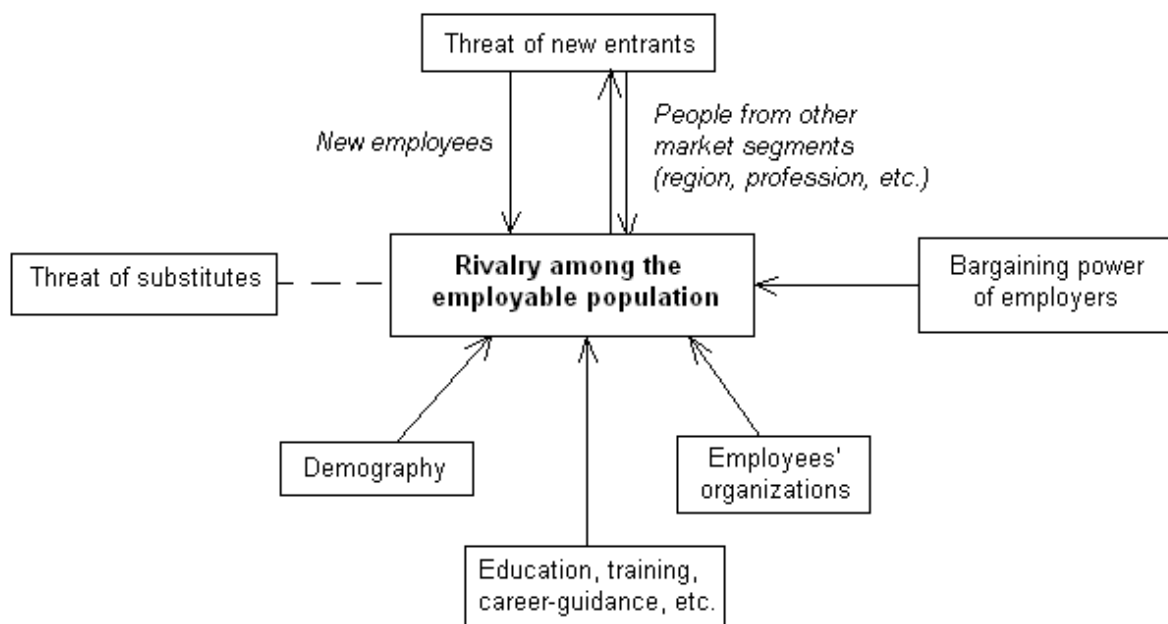


Fig. 1. Rivalry forces in the labour market

So, we state that the Porter’s five forces scheme can be applied to the rivalry in the labour market but with some adaptation, as it is shown in the figure 1 below.

Each of the presented forces adds to the features of the competition in this market and the characteristics of participants making them more or less competitive.

According to what we see in this scheme, the rivalry in the labour market is more complex in terms of its structure than that in product markets. But it does not necessarily mean that it is any more intensive and vigorous. Actually, we come again to the idea of heterogeneous labour market, where the intensity of competition varies greatly depending on the industrial, professional, or territorial segment.

To be able to assess the rivalry intensity and the competitiveness of market participants, we have to accept the understanding of the competitiveness as the potential to get better conditions for the economic activities of the subject in question or his ability to occupy larger share of the market. The existence of this potential does not cause the direct results of getting such conditions or occupying such market share, and it is especially true for the latter within the labour market. If a person is more competitive than the other one, and is invited to take some attractive position, he does not necessarily do so and even if he does, he may quit his previous job or may keep it and work for two employers if it is possible and desirable for him. First of all, a competitive employee may be invited to two or three equally attractive positions, however, the highest probability is that he cannot take them all and needs to choose only one. This means that being competitive as he is, the person still cannot take the bigger share of the labour market than his physical and psychological limitations allow. To the contrary, in many cases a person’s taking two jobs means his wages are unsatisfactory, and his labour services less competitive. Secondly, the description of the “desirable” job with ultimately “better” conditions for a person’s labour (economic activity) is very subjective and disputable. There is a list of characteristics making a job attractive for most of employees, including but not limited to:

- salary,
- bonuses,
- career prospects,
- business hours and leisure,
- working conditions,
- employment guarantees,

- social guarantees,
- job description and its features like responsibility, creativeness, decision-making, novelty, etc.,
- atmosphere, and many others.

The important point is that many people would name all these aspects as important in job selection, but if we ask to range them, the order in terms of importance will be very different. This makes the same job very desirable for one person and indifferent or even unwanted for another. Even salary and other monetary factors cannot be general indicator of job attractiveness. So, it might sometimes be quite difficult to judge whether a person got better job than the other due to his competitiveness, or the other one just prefers different things in his work. Nevertheless, we suppose that it is possible to consider salary as one of the universal features of job “quality” used to assess a person’s competitiveness. On the other hand, salary cannot be the only feature for such assessment. There definitely should be at least one other indicator of a person’s competitiveness – his ability to find a new acceptable job within the shortest period possible after quitting the previous one. Normally, longer period of search leads to finding better salary, and vice versa (fig. 2), even though there always exists the randomizing element. But, supposedly, highly competitive person can find satisfactory job offer in, say, three tries, while less competitive one – in fifteen.

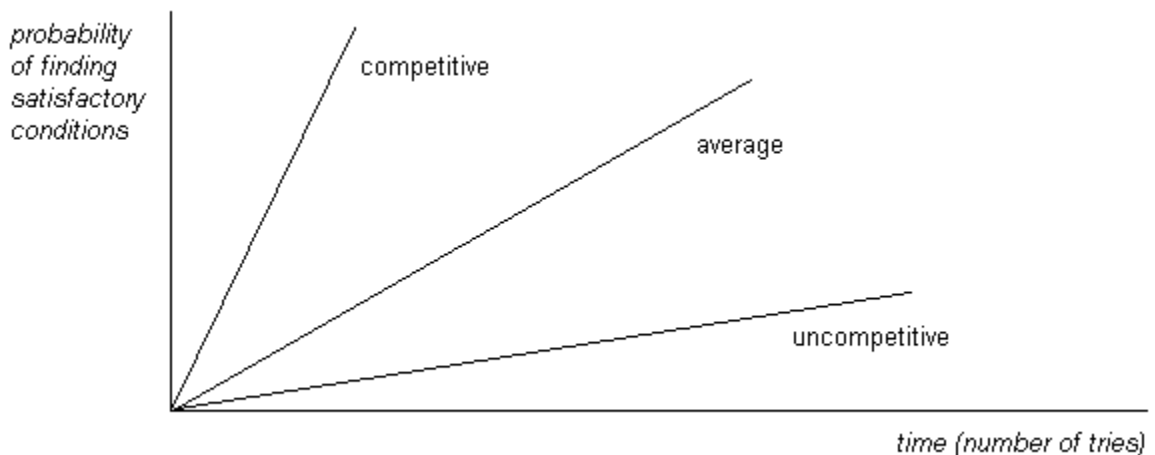


Fig. 2. Satisfactory job search

Thus, we suggest estimation of the manifestation of a labour market participant’s competitiveness by two key indicators: length of unemployment (or the share of the employable age lost through unemployment) and the size of salary. However, we are conscious that the potential feature of an entity such as competitiveness is not always outwardly manifested. A person may be

competitive in his target segment of labour market but temporarily or permanently unwilling to seize the opportunities of getting a job or improving his position available to him. On the other hand, loss of the rivalry is definitely not the only reason for leaving the labour market and stopping suggesting an individual's labour service to employers. Many people become economically inactive under various circumstances unconnected to the competitiveness, for instance:

- marriage and becoming housewives;
 - becoming incapacitated or care for incapacitated family members;
 - getting pension before the person is actually incapable of working (military, police, hazardous industries, Extreme North, other circumstances);
 - other sources of income, for example, rent or yield on financial capital;
 - desire to put more time and effort to family, hobby, sport, health, etc.
- also makes people move to part-employment.

Such people do not necessarily lose their labour competences and competitiveness immediately, even if they do so later, after years of voluntary unemployment. But at the moment of their choice their competitiveness level might be even higher than of those who remained in the labour market and took their posts.

So we conclude that a person may possess the professional and social competencies making him competitive in the labour market, but not use them to improve his position in it. In some cases such situation might result in less competitive people taking better positions.

However, we insist that, due to the atomistic supply in the labour market, such situations may exist theoretically, but take place only occasionally. For instance, a young mother with really good position (and salary) often prefers to return to work early after the birth of a child and engage a babysitter, for she can afford it; an adult son of old and incapacitated parents hires a nurse instead of quitting job, and so on. We only note that a person highly competitive in the labour market has a choice in such situations, while the less competitive (and probably – getting lower income) one does not. Besides, the labour market usually can provide at least as good an employee for the vacated position, as the quitted one.

And lastly, we consider it necessary to note that a set of professional and social competencies possessed by a person is not the only feature of his competitiveness in the labour market. If we interpret the competitiveness as the ability to improve the job-associated conditions in the widest possible understanding of this term, we also need to accept that there are many factors

affecting it beside the knowledge, experience or social skills. Sometimes a good job is taken by a person who just happened to get there first, which logically follows from the assumption that this person was better informed about the existing opportunities. Sometimes a person has good skills in presenting his best qualities during the interview which can induce the employer to hire him immediately, despite the fact there might be more capable executor out there. And there are still situations when a person is hired due to his connections or other circumstances and the employer pays no attention whatsoever to his abilities or behaviour.

Conclusion. In general it is very difficult to estimate all professional and general qualities of a person during short interaction preceding the employment agreement. At the same time the outside observer may make wrong conclusions concerning a person's competencies and skills from the two factors we suggested above, as his being well-employed is not associated with these qualities. Nevertheless, we can argue his being highly competitive in the labour market in this case, the competitiveness consisting in the qualities he actually possesses instead of professional competencies.

All this makes the measurement of competitiveness of a person or a group extremely complex and the success in the labour market can not be directly associated with the professional characteristics only.

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Т.В. Сабетова Проблемы оценки конкуренции и конкурентоспособности на рынке труда. В статье рассматриваются вопросы конкуренции на рынке труда и основные проблемы ее измерения и оценки. Выявлена специфическая структура сил конкуренции на рынке труда и ее особенности по сравнению с товарными рынками. Выделены особенности определения и оценки конкурентоспособности субъектов

рынка труда с основным акцентом на наемных работников. Подчеркивается, что на данном рынке невозможно приравнять конкурентоспособность индивида лишь к его профессиональным и социальным компетенциям.

Ключевые слова: рынок труда, конкуренция, конкурентоспособность, компетенции, силы конкуренции.

T.V. Sabetova The Problems Of Competition And Competitiveness Assessment In The Labour Market This article addresses some aspects of competition in the labour market and the key problems in assessing and estimating it. The five competition forces, when applied to the specifics of the labour market, demonstrate certain diversity from the situation in the product markets, but the method is still helpful for rivalry analysis. Each of the presented forces adds to the features of the competition in the labour market and the characteristics of participants making them more or less competitive. The rivalry in the labour market is more complex in terms of its structure than that in product markets. We understand the competitiveness as the potential to get better conditions for the economic activities of a subject or his ability to occupy larger share of the market. But the existence of such potential does not cause the direct results of getting better conditions or occupying larger market share if we speak of the labour market. A competitive employee sometimes chooses not to seize the existing job opportunities or even quit the market completely, while his place is taken by a less competitive one. We also state that market competitiveness defined by more qualities and circumstances than professional competencies usually estimated by an employer in his potential employee. We suggest that it is possible to measure market competitiveness of an employee based upon his salary and the time he needs to find a satisfactory position. On the other hand, these factors do not allow estimation of his professional qualities. All this makes the measurement of competitiveness of a person or a group extremely complex.

Key words: labour market, competition, competitiveness, competencies, rivalry forces.