

Performance and Satisfaction of Work as Characteristics of Human Capital (Comparative Analysis of Some Indicators of Human Capital in Several Balkan Countries)

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Abstract: The paper analyses the role of such elements of human capital as performance and satisfaction of work for its further improvement. It is indicated that due to its complex nature human capital is a core element in many sides of development. Basic results of a survey of human capital carried out in Turkey, Bosnia and Bulgaria are discussed. The multifarious effects of human capital are analyzed indicating in particular the specific functions of performance and satisfaction of work in its growth. From this perspective the authors look for a broader vision of the role of satisfaction of work and its link with the performance to improve the skill and knowledge regarded as basic indicators of human capital. The conclusion is that despite regional differences the performance and satisfaction of work are highly correlated with the income and the social setting within the team the respondents work.

Introduction

The interest in the influence of human factors on economic growth and development is increasing, which is result of many reasons. The main rationale maybe the understanding that while in the post-war restoration of the world economy capital is of a crucial importance, nowadays human factors are decisive for the success and survival in the sharply increasing competition in the global economy due to advantages given by the new technologies. More and more the elements influencing human behavior in the reproduction process become predominant in the theoretical and empirical studies on growth and development.

The present paper follows this tradition. It is aimed at tracing out the influence of such basic elements of human capital as performance and satisfaction of job. We give short theoretical survey on the basic visions of the role of performance and satisfaction of job in the human capital literature. Next we proceed with the empirical study of the level of performance and satisfaction of job in three Balkan countries: Turkey, Bosnia and Bulgaria. Finally we conclude.

The Theoretical Background

Human capital is the basic category, which reflects the contribution of labor to growth and development. In the past it was interpreted as the level of education and experience (learning by doing, Arrow, 1962 and Sheshinski, 1967), which was complemented to the labor force indicators as for example the Harrod-neutral technological progress, (Barro, and Sala-i-Martin, 2003).

While in the classic model of growth labor was included into the production function (the basic growth model) as

$$Y = A(t)K^\alpha L^{1-\alpha}$$

the attempts to find more correct reflection of the labor contribution to growth resulted in the introduction of new indicator – human capital as an exponential improvement of the quality of labor force mainly by means of learning by doing mechanism.

$$Y = A(t)K^\alpha L[Le^{ht}]^{1-\alpha}$$

where e^{ht} is the exponential improvement of the quality of labor force.

Nowadays it is clear that this very essential approach to such complicated factor of production as labor is too far from outlining a realistic picture of the actual contribution of labor to growth. There are many reasons

to recommend the need for further improvements. First, human capital creation depends strongly on the health status of the individuals, which is reflected by the health human capital indicator already commonly accepted in the Development literature. The health is however not the only indicator necessary for more correct reflection of labor force contribution to growth. People must be first of all satisfied with the current job they are employed and next to be motivated to work further. Besides, we think that the job performance is standing on higher level of contributive elements than satisfaction in sense that people may be motivated to work for many reasons one of which can be the satisfaction to work.

Thus, we can complement the growth model with a new one, which describes the job performance as

$$JP = f(S, X_1, X_2, X_3, \dots, X_n)$$

Where JP is the job performance

S – Satisfaction of work

$X_1, X_2, X_3 \dots X_n$ – factors influencing the performance.

The very satisfaction is however also function of other factors, some of which are common with the performance model. So $S = f(Z_1, Z_2, Z_3, \dots, Z_n)$. We think of performance and satisfaction as subsets of human capital set in which $JP \cup S \rightarrow HC$.

Among the elements included into this set we can define:

1. Money paid for the job
2. Social surrounding
3. Social importance of the job
4. Nice spending of time
5. Team-working satisfaction feeling.

The choice of the variables was result of a scrutinize literature survey covering economic, social, psychological and other studies on job performance and satisfaction. In most general terms job performance is commonly identified with productivity. Kostiuk P. and Follmann D. (1989) are studying the effect of the on-the-job learning, experience and the individual characteristics on productivity regarding it as an indication of job performance. Bishop (1990) however underlines that “while job matching is an important phenomenon at most small- and medium-sized establishments, it does not account for a significant share of the rise in average productivity that occurs in the first year of tenure on the job”.

The deeper roots of the job performance and satisfaction are coming from the value system of the individuals, which origin was studying by Halaby (2003) paper of the link between the performance and the entrepreneurial ability of “the willingness to accept responsibility and the capacity to process information for the purpose of effective problem-solving and decision-making under varying conditions”. Halaby provides detailed study of the entrepreneurial ability as a function of cognitive ability and talent, as well as “decision-making and problem-solving skills acquired through experience or schooling”.

Wise (1975) early studies provide econometric estimations of job performance measured as the rate of salary increase assumed to be adjusted “to match individual performance”. He found out that “job performance, as measured by rate of salary increase, was not only correlated with academic achievement but the evidence suggested that mastery of academic subject matter contributed to an individual's ability to perform job-related tasks”.

Concerning the satisfaction of job a big variety of studies provide various evidences of its influence on the formation of human capital. The attempts to develop a theory of job satisfaction dates back to 1970's with incorporating differences in work values and perceived job characteristics as “key explanatory variables” (Kalleberg, 1977). The theoretical backgrounds are empirically testing the relationship between job satisfaction and such indicators as work values, job rewards associated with “six dimensions of work-intrinsic, convenience, financial, relations with co-workers, career opportunities and resource adequacy”.

By highlighting the job satisfaction over the whole life-cycle of individuals Kalleberg and Loscocco (1983) underline the importance of nonwork roles for explaining work-role outcomes. Two explanations are formulated concerning the link between the age and job satisfaction: one that “the relationship between age and satisfaction is the result of generational differences in education and value systems (i.e., a cohort explanation)” and second, that “this relationship is simply a function of older workers having moved into better jobs across their careers (i.e., a life cycle explanation)”. Janson and Martin (1982) find out that neither explanation is adequate, leaving the question of what accounts for higher levels of satisfaction of older workers unresolved”. Since that time there is not a sufficient support of these two explanations.

Most of the literature however unambiguously indicates the direct link between education (the basic factor of human capital) and job satisfaction. Glenn and Weaver (1982) empirically estimate that “the total effect of education is positive for both sexes but is considerably stronger for women than for men”.

Short Characteristics of Human Capital in the Balkan area

It is difficult to present a short characteristic of human capital in the Balkan area as it is a category with multifarious dimensions. Normally the share of expenditure on education in GDP is regarded as the most general indicator at least as a necessary precondition for generating of human capital. It is presented in table 1 for the last two decades, which are a period of big transformations in the Balkans. Nevertheless, the dynamics of this indicator shows that there is not a big gap between the Balkan countries and the rest of Euroarea and the middle income countries.

Country	Years		
	1990	2000	2008
Albania	6	3	3
Croatia	7	4	5
Bulgaria	5	4	4
Greece	2	3	3
Romania	3	3	3
Serbia	..	2	4
Slovenia	..	6	6
Turkey	2	3	4
Euroarea	5	4	5
Middle income countries	4	4	4

Table 1: The share of total expenditure on education as a % of GDP.

Source: World Development Indicators on Line, (2010)

<http://ddp-ext.worldbank.org/ext/DDPQQ/report.do?method=showReport>

More synthetic measure of the state of human capital in the Balkan area is given by the UNDP's Human Development index (HDI), which "is a summary composite index that measures a country's average achievements in three basic aspects of human development: health, knowledge, and a decent standard of living" (UNDP, 2010). The dynamics of this indicator for the last three decades (Table 2) unambiguously indicates convergence of the Balkan area to the advanced Western European economies, which is a good precondition for further improvement of the quality of human capital in the area. The detailed analysis of the basic components of the HDI reveals various details indicating the difficulties in this process. Not only increased funding is needed in the crucial sectors forming human capital, serious institutional adjustment is also required to overcome the difficulties of the transformation process in the formally centrally-planned economies in the area.

HDI rank	Country code	Country name	1980	1985	1990	1995	2000	2005	2006	2007
8	FRA	France	0.876	0.888	0.909	0.927	0.941	0.956	0.958	0.961
22	DEU	Germany	0.869	0.877	0.896	0.919	..	0.942	0.945	0.947
25	GRC	Greece	0.844	0.857	0.872	0.874	0.895	0.935	0.938	0.942
29	SVN	Slovenia	..	..	0.853	0.861	0.892	0.918	0.924	0.929
45	HRV	Croatia	..	..	0.817	0.811	0.837	0.862	0.867	0.871
61	BGR	Bulgaria	..	..	..	..	0.803	0.829	0.835	0.840
63	ROM	Romania	..	..	0.786	0.780	0.788	0.824	0.832	0.837
67	SRB	Serbia	..	..	..	..	0.797	0.817	0.821	0.826
70	ALB	Albania	..	..	..	..	0.784	0.811	0.814	0.818
76	BIH	Bosnia and Herzegovina	..	..	..	..	..	0.803	0.807	0.812
79	TUR	Turkey	0.628	0.674	0.705	0.730	0.758	0.796	0.802	0.806

Table 2: HDI is the Balkan countries for the period 1980 – 2007.

Source: UNDP, Human Development Reports, 2010, <http://hdr.undp.org/en/statistics/data/>

The Study

The role of performance and job satisfaction as preconditions for improvement of human capital cannot be revealed by means of the official statistics, they are to be obtained by interviewing. Due to a project funded by the Research fund of Fatih University data have been collected about the quality of human capital in three Balkan countries: Turkey, Bosnia and Bulgaria. Although the collection of data is still on-going some ideas about the role of performance and satisfaction of job on the formation of human capital can be formulated to trace out the influence of human capital on growth more correctly.

The sample includes 426 interviews from Turkish citizen, 275 interviews from Bosnian citizens and 182 interviews from Bulgarian citizens. The samples are not representative so the results should be cautiously interpreted.

The performance and job satisfaction were measured mainly by 5-scale level. Special attention has been paid on the estimation of the match between the level of skill and knowledge on one hand and the requirements of the present job on the other. The respondents have been asked by 5-scale codes to declare do they think they have the skill and knowledge sufficiently enough to complete their job properly.

Among the factors influencing the ability and willingness to work (the basic elements of labor supply) the respondents have to scale out:

1. The rise of the level of skill and knowledge they possess.
2. The efficiency of management in the firm they work in.
3. The problems in their personal life and health.
4. The state of economy in their country
5. The state of the world economy

Findings

Below we report only the basic characteristics of the indicators measuring job performance and satisfaction. Detailed study of the links between these two indicators and the factors influencing their behavior will be published after the completion of the collection of data.

The salary promotion as an indicator of job performance commonly used in the research studies reflects only one side of the problem. Outside the attention remains another very important aspect of the job performance: how the very respondents estimate their own performance. Certainly this is a subjective measure of the performance, nevertheless it is important to know the own vision of their status and to juxtapose it with the carrier promotion. Such a comparison may provide very interesting information for many sides beyond the job performance. For example the gap between the carrier promotion (income growth) and the self estimation can be regarded as a proxy of the level of corruption in society. On the other hand however it is well known fact that normally everybody pretends to receive more than he actually deserves - an old tradition in the Balkan (and not only in the Balkans of course). Our study provides information was based on the self-estimation principle: the respondents had to declare their own estimation of their job performance during the current year and the last three years. The results of the interviewing are indicated in table 3.

Level of performance	Turkey		Bosnia		Bulgaria	
	Current year	Last 3 years	Current year	Last 3 years	Current year	Last 3 years
1. Lowest	0.7%	0.7%	0.4%	1.1%	0.0%	0.0%
2.	2.4%	3.1%	0.8%	1.1%	1.7%	1.1%
3.	18.2%	17.9%	17.9%	19.5%	9.1%	11.3%
4.	51.7%	51.0%	58.9%	58.0%	44.6%	40.7%
5. Highest	27.0%	27.3%	22.1%	20.2%	44.6%	46.9%
No. of answers	422	418	263	262	175	177

Table 3: Self-estimation of job performance

As a whole the picture is of a relatively stable short-run dynamics (the last three years) of the job performance in the countries of observation. This is an evidence of the stability of this indicator, which accumulates the influence of many factors.

The level of satisfaction of job is measured in the similar way – by means of 5-scale discrete choice presented in table 4. It is distributed as follows:

Level of satisfaction	Turkey	Bosnia	Bulgaria
1. Lowest	1.4%	1.1%	3.9%

2.	8.3%	2.3%	7.9%
3.	33.7%	19.9%	37.1%
4.	43.9%	53.8%	42.1%
5. Highest	12.7%	22.9%	9.0%

Table 4. The level of satisfaction of job

The influence of the factors on the level of job satisfaction has been measured in two aspects: factors influencing high level of satisfaction and factors influencing low level of satisfaction. Several factors influencing positively the level of satisfaction of job have been formulated, namely:

1. Giving good money to enjoy the life
2. Ability to meet very good friends
3. The understanding of the social importance of the job
4. Spending time very nicely during the working hours
5. The pleasure to work with the team.

The respondents rank the presented above alternatives in the following way: Bulgarian respondents (136) give highest rank on the giving money to enjoy the life (29.4%) as the reason for the high level of job satisfaction, followed by the understanding of the social importance of job (alternative 3) – 25.0% and the pleasure to work with the team 19.1%. The ability to meet very good friends and the spending time very nicely during the working hours have equal ranking of 13.2% (weighted average 30). Turkish respondents (366) are distributed in the following way: 47.9% are satisfied from their job because it gives them money to enjoy the life, 18.7% are satisfied as they find their job socially important, 12.7% enjoy their job because it gives them ability to meet very good friends, 11.8% have a pleasure to work with the team and 8.8% are satisfied as they spend very nice their time during the working hours. The Bosnian respondents are more evenly distributed in the voting for their job satisfaction: like the previous respondents they give highest share of the job as a source of having money to enjoy the life (33.4%), followed by almost equal share of the understanding of the social importance of their work (22.2%) and the pleasure to work with the team (21.4%). Almost equal share is given to the understanding of social importance of their job (11.7%) and the spending time very nicely during the working hours (11.3%).

The results look quite realistic and allowing to draw important conclusions: there is a big resemblance of the factors influencing satisfaction of job among the compared countries. Quite normal sounds the predominance of the materially-related motivations as having money to enjoy the life followed by the social importance of the performed job in all countries. It is also indication of our ability to create a network of data collection producing comparable results despite the restriction of the non-representative sample.

Similar is the picture also related to the opposite side of job satisfaction – the reasons leading to its low level. Although in all countries the answers of this question are small, nevertheless they are important for better understanding of the reasons for dissatisfaction of job. Bulgarian sample has only 43 answer of the ranking of reasons leading to low job satisfaction. The biggest share of the answers (65.1) is due to the too low level of payment, followed by the unpleasant atmosphere in the team respondent works with (18.6%), uselessness of the job for society (9.3%) and the job as boring and irritating activity (7%). The Turkish respondents (120 answers) are distributed in the following way: Too low level of payment is indicated as the reason for low level of satisfaction of job by 57.5%, 15.0% indicate as such a reason the unpleasant atmosphere in the team the respondent works with, 14.2% as the job is found as boring and irritating, 8.4% as finding the job useless for society and 5% as the lack of interesting persons in the firm. Bosnian respondents (52 answers) find the basic reason for dissatisfaction of job the low level of payment (67.3%), following by boring and irritating work (11.5%), the unpleasant atmosphere in the team the respondent works with (9.6%), with equal share (5.8%) of the uselessness of the job for society and the lack of interesting persons in the firm.

Important information related both the job performance and satisfaction was hidden into the present and past vision of the respondents for the correspondence between their level of experience and knowledge on one hand and the adequate completion of the tasks they were responsible for - on the other. As to the present correspondence between the level of experience and knowledge and the present job half of the Turkish respondents thing it is good, 28.8%, - very good, 18.4% - average, 1.2% - low and 0.9% - very low. This distribution for the Bulgarian respondents (174) is: 55.7% - very high, 32.2% - high, 7.5% - average and 4.6% - low (0 answer of very low). The Bosnian respondents (270) give the following ranking of the correspondence between the level of experience and knowledge and the completion of the tasks of the present job: 38.9% - very high level of correspondence. 48.5% - high level, 11.9% - average level and by 0.4% for the low and very low levels.

The distributions of the same problem for the past are as follows: Turkish respondents (420): 22.6% - very high, 54.0% - high, 21.4% - average, 1.4% - low and 0.5% - very low; Bulgarian respondents (174): 45.4%

- very high, 35.1% - high, 15.5% - average, 3.4% - low and 0.6% - very low; Bosnian respondents (263): 31.9% as very high, 52.9% as high, 13.3% as average, 1.1% as low and 0.8% as very low.

The presented above analysis is an evidence of big similarity in the mechanisms of creating human capital in the compared Balkan countries related to such a basic characteristics of human capital and job performance and satisfaction. This is a good indicator of the expectations for their further successful integration and accession to the EU – an ongoing tendency and strategic aim of the economic policy in the whole Balkans.

Conclusions

The presented above results of the empirical study of performance and job satisfaction as elements of human capital indicate that there are good preconditions for its further growth and improvement in the selected Balkan countries. There is a definite need for increasing the expenditure of R&D and education to materialize these preconditions in real contributions to the economic growth of the region.

The collected information which is still on-going allows constructing various models of revealing various sides of human capital and the ability of its improvement of the aims of reaching sustainable development in the area.

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