Essence and substance of personal welfare, the strategies for its growth in the digital economy

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Abstract—The article substantiates the authors’ vision, a viewpoint which is alternative to the existing one, on understanding of strategy for an individual’s personal welfare growth as a basis for his life sustenance; the essence and the substance of personal welfare, as well as the essence of its growth strategy, are revealed. The structural elements constituting the content of personal welfare growth in the digital economy are shown. The factors contributing to the personal welfare growth, while its strategy is being formed, are described.

Keywords—an individual’s personal welfare, regularities in an individual’s development, personal welfare growth strategy, essence and substance of personal welfare growth strategy in the context of the digital economy.

I. INTRODUCTION

In the context of globalization and the digital economy, individuals encounter the difficulties in preserving competitive advantages, which can actually become their key factors for successful working practice providing for the growth of their personal welfare. Holland K. [1] states that only 10-20% of the university graduates worldwide are ready for the competitive working activities (the rest of the graduates lack either professional knowledge and skills for generating income, or intrinsic motivation for diversification thereof, or social and communication competencies). Therefore, not only the ability to achieve high indicators of his work performance and retain them is important for an individual engaged in any profile of activity, but also important is the ability to use them effectively, based on internal capacities and external opportunities, while promoting the development of individual competencies in the system of market relations for growth of personal welfare. This circumstance reflects the strategic importance of the formation process and the realization of an adequate strategy for personal welfare growth, which, in many cases, serves as a source for the formation of individual competitive advantages in the context of the digital economy development.

II. METHODOLOGY FOR STUDYING THE ESSENCE AND THE SUBSTANCE OF PERSONAL WELFARE, AS WELL AS ITS GROWTH STRATEGY IN THE DIGITAL ECONOMY

Theoretical works on strategic management do not provide a full definition of understanding the strategy. Hence there flows forth the uncertainty of practical activities related to the implementation thereof. There are different schools of strategy formation and implementation: planning school, entrepreneurial school, cognitive school, configuration school and others. And the approaches to studying this category are not always clearly defined. All approaches documented in the literature can, with more or less precision, be attributed to either of the two basic streams: an organizational stream or an individualistic stream [2]. It is indisputable that, if there is a case of an individual’s personal welfare, the individualistic approach is most likely applicable.

We endorse the individualistic approach, which puts a greater attention on personal characteristics as a source of personal welfare growth, besides some researchers tend to consider the entrepreneurial abilities as an innate characteristic trait requiring further development, while others perceive them as a peculiarity of high-quality professional training, that is to say, as an exclusively acquired characteristic trait. Within the scope of this approach, there is much focus on interpersonal interactions both in the course of formation of personal welfare growth strategy, and in the course of its further practical realization, inasmuch as the latter is closely correlated to a separate individual’s comparisons and ideas about the limits for improving the content of his entrepreneurial activity, which are personally available to such individual. “In its most general sense, personal welfare represents a situation, in which a person is provided with indispensable material and spiritual benefits.” [3].

In our view, the concept of formation of personal welfare growth strategy within the framework of the individualistic approach is closed related to the concept
of functioning of the objective economic laws, their manifestation and use in an individual’s practical activities. As applied to a separate individual, it means that he is objectively both the producer and the consumer at the same time. Consequently, a person’s capabilities must be developed and, in the final analysis, there must be an all-round development of both his capabilities and needs, the interaction of which provide for the growth of his welfare.

Nevertheless, this approach concerns mostly the form of manifestation of an individual’s personal welfare. Therefore, the essence and the substance of a human’s personal welfare can hardly be revealed using the individualistic approach only. To reveal the essence and the substance of personal welfare, as we see it, we need to use reproductive methodological approach, which could be based on principles of: systemacity, cause-and-effect and process/result.

The system of economic relations, economic laws and forms of their manifestation creates an essential basis for personal welfare. The essence is revealed in its form that is the substance of personal welfare, which is composed, as a social and economic system, of three interrelated sub-systems: material and physical object-based system, society system and process-related system.

The material and physical object-based sub-system creates the substantial side of personal welfare and includes the following structural elements: labor, labor instruments, work objects, produced goods. The society sub-system acts as a social form of the personal welfare substance. It affects labor productivity and effectiveness, as well as the volume of produced goods. It is formed by economic relations, production relations, economic-and-organizational relations, labor relations, market relations and others; economic laws, within the framework of which such relations are being realized; the process-related sub-system is composed of the processes resulting from the interactions of: material and physical object-based aspect, social aspect; labor, labor instruments and work objects; technological operations, distribution, exchange and consumption of goods, etc. The aforesaid components of the essence and the substance of the material and physical object-based sub-system, society sub-system and process-related sub-system of personal welfare as a social and economic system allow for defining directions and ways of formation and realization of its growth strategy.

The objective, essential and substantial aspect of the process of personal welfare growth is revealed for an individual through the factors of influencing the substance of this process, the trends explaining how they change an individual’s activity in the market competitive environment. A person’s activity involves: economic, political, social, cultural and other types of activities. The economic activity occupies the first place in a human life, because it is associated with generation of the goods, which are necessary for a person’s existence. The result of the personal welfare growth is expressed in specific indicators, which are represented in a form of an individual’s welfare and life quality level.

A person’s life activity is objectively regulated by two economic laws: the law of recovery of workforce inputs and the law of rising necessities. The law of recovery of workforce inputs expresses the proportion between the labor quality level and the value of costs of reproducing the workforce. An individual’s quality substance as of producer includes the properties of the abilities to work. A person’s abilities consist in his workforce, human capital and labor potential. They differ: in nature (physical, intellectual, creative abilities); in quality (professional capabilities, qualification capabilities, energy-related capabilities, spiritual capabilities); in reproducibility (the capabilities are being acquired, accumulated, improved, developed, realized and restored). The interrelation of production and consumption is the basis for the development of an individual’s capabilities, growth of his necessities and welfare [4].

There is an obvious link between the development of an individual’s capabilities and the growth of his necessities and personal welfare. As a result of the reproduction process involving the movement of capabilities, they are transformed into the corresponding forces, which provide for labor functioning. The highly-developed capabilities provide for qualitative and productive performance of work. An individual with such capabilities gets competitive advantages in the labor market. High comparative competitiveness of an individual, given other favorable conditions of his work, includes a market guarantee for him to receive a comparatively greater income for the results of his efforts. With this aim in view, an individual should make practical decision concerning his strategic behavior. It means that “explaining of social, political or economic phenomena is appropriate only when it is based on an individual’s convictions, attitudes and decisions.” [5] [6]. If an individual is convinced that his competitiveness on the labor market is high, he tends to preserve this lever in order to gain his profit through receiving a greater income. “The exchange object at the labor market is not labor or workforce as a commodity, not a human-provided service, which is represented by labor, but a labor-generated service, that is a labor service. It should be understood that labor service implies an action performed through a hired worker’s labor, expressed in the obtained useful effect that meets employer’s needs.” [6] Therefore, it is possible for an individual to achieve high competitiveness in the labor market due to the growth in quality of the labor service provided by him.

An individual’s realized capabilities and the spent energy shall be restored. The recovery of an individual’s inputs, which are associated with formation and realization of his capabilities, depends on performing a specific type of work, its complexity and quality. These inputs involve the following expenses: general and professional education, restoration of an individual’s physical and intellectual energy, training of a new
workforce; health care, including the costs of disease prevention, nutrition, improvement of living conditions, as well as creating favorable conditions for his work. The formation, development and realization of capabilities and their recovery represent in the aggregate the basic result of an individual’s life activity.

“The life activity comprises two main processes: a process of personal consumption of various life goods, including individual and social ones; a process of performing a purposeful activity, which is work.” [7] [8] [9]. These processes provide for a natural development of an individual’s capabilities and necessities. Due to consumption, he forms and accumulates his capabilities, and in the process of purposeful activity he realizes them. Here, it is important to understand two assumptions, each with its own principal substantiation.

Firstly, the aforementioned two processes can normally work only given their complete interaction, given the uninterrupted transformation of one into the other. In other words, as a result of functioning of one process, the premises for improvement of the other process emerge. Otherwise, transformation of one process into the other is interrupted. In the final analysis, when these processes work with interaction, there is a self-reproduction of an individual’s living as a regularity of the process of creating and developing capabilities through consumption of the life goods and the process of purposeful activity. This assumption is based on the continuity principle of the two processes of human living, given other favorable conditions of his existence.

Secondly, both personal consumption and purposeful activity possess different kinds of individual quality, the growth of which occurs on the basis of interaction of properties characterizing these processes. Inasmuch as the quality of personal consumption depends on the quality of consumer value of products and services, a high-quality competitive labor service, by creating the said value, can increase the consumption quality, i.e. the consumption, which provides for all-round development of an individual’s capabilities. This assumption is based on the principle of qualitative correlation of two interacting processes pertaining to human living.

Both the first and second assumptions are realized as a result of operation of two economic laws: the law of the recovery of workforce inputs and the law of the recovery of necessities. In their operation, these laws are closely interrelated by means of quality. Each law has its quality basis. The first one is represented by the quality of labor service; the second one is represented by the quality of the consumed goods.

The process of personal consumption and the process of an individual’s purposeful activity provide for the natural development of his capabilities and necessities. By consuming goods he forms and accumulates his capabilities, and in the course of the purposeful activity he applies them. Finally, a regularity of self-development of personal welfare is being realized under the changing conditions of individual life activity.

III. THEORETICAL MODEL

Summing up the results of analyzing the regularities that cause the objective growth of personal welfare, their representation can be made in the form of a theoretical model. Here, while applying the level-based approach, the processes and the results of personal welfare growth are shown, including the set of structural elements and sub-systems that, by means of ties and relations, create an integrated system reflecting the practice. An individual’s actions concerning the formation of his own personal welfare define the nature of the economic relations that are being established in the course of production, distribution, exchange and consumption of the life goods.

At the first level, there are pure abstractions, which are represented: on the one side, by an individual’s capabilities that create workforce and human capital; and on the other side, by his necessities in general, as a mentally visualized need for any kinds of goods.

At the second level, following the interaction of the aforesaid elements, there appear an event context of labor process, as part of which the goods are being produced, and a process of using the goods by an individual with the purpose of satisfying his needs, and the action of mechanisms, out of which they stem, is revealed. The first factor is the factor pertaining to self-development of labor processes and the process of satisfying an individual’s needs. The second factor is the regulation factor, which is needed for restoration of the self-development factors, if the latter doesn’t work due to the failure of the principle of qualitative correlation between the interacting elements therein.

At the third level, two specified sub-systems are established: the material and physical object-based sub-system and the society sub-system. The special role is given to the society sub-system consisting, for the most part, of the set of economic relations, which are being realized through the operation of the economic laws: the law of increasing labor productivity, the law of rising necessities and the law of recovery of workforce inputs and human capital. The operation and use of these laws are subject to a single target function – regulation of personal welfare growth. The strategy as a way to achieve a goal in the course of an individual’s life activity emerges at first in a form of an ideal sensible plan for personal welfare growth, then it requires a practical realization.

The choice of strategy is necessitated by the need for setting and delivering the objectives of personal welfare growth in accordance with the need for realization of an individual human potential in the context of macro and micro environment for an individual’s life activity. That is, life strategy is a principled (implemented in various life circumstances) capability of a personality to combine its individuality and the living conditions, to reproduce and develop this strategy. The strategy for the growth of personal welfare is a kind of a universal way of a human being’s adaptive living in various spheres of his life. That is why, at the fourth level, a place is given to the action
of the regularity in the development of an individual’s capabilities and necessities in the course of his work and the growth regularity pertaining to personal welfare on the whole as a result of the process leading to this growth [10][11][12].

While applying the process/result principle to analyzing the personal welfare growth, we can explain by which means, ways, under the impact of which factors this growth strategy is being realized. This being said, it is important to determine the degree of dependence of an individual’s personal welfare level on the process of his purposeful activity aimed at increasing his own welfare. This growth represents, above all, the process, in which there interact the elements constituting the structure of labor activities and an individual’s personal welfare. In such case, it is quite acceptable to single out two processes: the process of increasing the labor productivity and the process of personal welfare growth. Each of these processes has its substance as a set of interdependent elements, the interaction of which leads to realization of the process of self-development of the personal welfare system. The owner of production factors develops and implements the living strategy in a form of a strategy for doing business, a hired worker offers his labor service to the employer. An individual, while possessing a workforce and human capital of required quality, realizes them in his work. By working, he produces a labor service, which he sells to the employer, while receiving on that account a required income in the form of payroll. Their incomes depend on labor quality and useful effect produced by the labor service, intermediated by the economic relations arising between the hired worker and the employer. Thus, by his working, while interacting with the physical production factors, an individual ensures the realization of the strategy for personal welfare growth and spends his capabilities, which are subject to restoration.

The second process - the process of implementing the strategy for personal welfare growth – consists in consumption of the goods by an individual in order to restore the potential that he spends and to ensure its development. This process is being carried out by means of market exchange. Using his income, the individual acquires on the market the goods that satisfy his needs. By consuming them, he restores and develops his capabilities that will provide him anew with a possibility of performing work. Thus, we define the strategy for personal welfare growth as the activities involving the systematic identification of key positions based on continuous development of competencies needed for preservation of competitiveness, as well as the development of individual human potential architecture contributing to development, preservation and effective use of the aggregate level of competencies for the sake of achieving the goals related to personal welfare growth.

The process of personal consumption and the process of an individual’s purposeful activity ensure the natural development of his capabilities and necessities. Finally, the regularity of self-development of personal welfare is being realized under the changing conditions of individual living under the impact of the digital economy.

Using process/result principle in reproduction-based approach, we can define the influence of the digital economy on manifestation of the regularity of self-development of an individual’s personal welfare. Inasmuch as the objective basis of the digital economy is labor instruments, they act as an original commencement in the development of a single reproduction process of an individual’s viability. Transformation of labor instruments into a form of digital technology provides for the development of all production factors and, above all, an individual’s professional, qualification capabilities, as well as intellectual capabilities, in the context of decrease in the share of live labor. Such decrease in live labor should be compensated with the growth of its quality, which brings about the necessity of correlation between labor and capital with regard to their quality. In its turn, for labor quality growth, it is required to ensure an individual’s personal consumption growth for development of his capabilities. The labor instruments in a form of the digital economy change both the labor process and the complete technological process. The digital economy embodies the scientific principles, methods, techniques and substantial sequence of performing work operations. A set of technological operations brings about a technological process, with the help of which new way of impacting a work object is being defined. Consequently, the whole labor process is being changed towards the growth of its productivity. Changes occur also in the production relations, which make a social form promoting the growth in labor productivity as an objective basis for growth of an individual’s personal welfare.

Thus, the interrelations of labor instruments in a form of the digital technology with labor productivity, with production relations, economic laws, with a technology for labor process and production add objectivity to the digital economy in its impact on people’s personal welfare.

IV. CONCLUSION

The work described the vision of the authors of the article, a viewpoint which is alternative to the existing one, concerning the understanding of a great number of controversial and newly raised issues relating to personal welfare. The article substantiated a number of assumptions revealing personal welfare as a social and economic system, its essence, substance and the development strategy factors, which are very important both for theory and practice.

The methodology of studying personal welfare employed the scientific principles of: systemacity, cause-and-effect, functional relationship and process/result principle, which served as the basis for such methodological research approaches as reproduction-based, dynamics-based and level-based approaches. This allowed us to carry out a systematic analysis of personal
welfare and describe it as a social and economic system. The all-round ties could be seen therein between the structural elements of personal welfare constituting its essence and substance.

The article revealed the essence of personal welfare as a social and economic system. The interrelationships between various aspects of this category were shown therein. Those are the interrelationships between the action of the economic relations and the economic laws regulating the processes of personal welfare.

The structure of the substance of personal welfare was laid open. It includes three sub-systems: material and physical object-based sub-system, society sub-system and process-related sub-system. Each of the said sub-systems has its own internal structure of elements. The interrelationships between the sub-systems and the elements provide for holistic unity of the complete social and economic system of personal welfare.

The material and physical object-based sub-system composes the substantial side of personal welfare. In accordance with the binarity principle, two substantial sides are shown: the production side and the consumption side. When it comes to the production side, the process of creating the life goods by means of interaction between live labor and labor process, which is embodied in the production facilities, is being analyzed. As for the consumption side, there occurs the process of consuming the life goods by an individual as a basis for his welfare growth.

The society sub-system is a foundation for creating a social form of material and physical object-based substance of personal welfare. Economic relations, production relations, labor relations, market relations and other relations arising between the employees and employers, and other individuals serve as the elements constituting a social form. The social form ensures the development of the substance of personal welfare subject to their correlation in terms of quality.

It is obvious that an individual’s life activity is composed of two processes: the process of creating the life goods by working and the process of consuming the goods by this individual. These processes are united in their action and cannot be divided with regard to their quality.

The authors made an attempt of substantiating the assumption, according to which while using the process/result principle in the reproduction-based approach, the positive effect of the digital economy on the manifestation forms revealing the regularity of self-development of an individual’s personal welfare can be defined.

The authors consider that the originality in the article consists in the fact that it deals with methodological-economic, theoretical research of personal welfare as a social and economic system allowing for identification of the interrelationship between the essence, the substance and the process of individuals’ practical activities related to formation of the strategy for personal welfare growth. The personal welfare growth is attributable to the dialectics of the interrelation of production and consumption (expressed in personification of an individual’s capabilities and necessities); correlation of personal welfare and opportunities existing in the economic space for realization of his life strategy (in the context of the system-wide rivalry in obtaining these heterogeneous facilities) and, correspondingly, the personal welfare growth as a result aimed at increasing an individual’s level of living and life quality. The theoretical model based on the level-related approach confirms that this research is built on the principle of rising from the abstract to the concrete.

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