

TRENDS OF INTERACTION BETWEEN URBAN AREAS AND HUMAN CAPITAL TODAY

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Abstract

Knowledge, culture, material and energy resources are concentrated in the urban areas, and there their interaction takes place, thereby providing a good basis for development. Although social, as well as health, and environmental problems exist in the urban environment, still closeness of the people, proximity of businesses and various services also mean greater opportunities.

Key words: cities, population, human capital, facilities, competitiveness.

Man and nature find themselves in constant interaction, and their relationship over time has been changing and diverse. Urban area is a reflection of these mutual relations, which has an eclectic character. The city can reasonably be regarded as the place where the most important global, political, economic and social processes take place. Cities and towns are the places where people, their knowledge, skills and abilities are concentrated, and there, as a result of human physical and intellectual development and activities, values are created.

Under conditions of limited global material and energy resources, the city becomes the dominant socio-spatial form of the society existence. The city is a special administrative, territorial, socio-economic and socio-cultural form of community existence. The city is characterized by the following features:

- large number of human concentration;
- high population density in a relatively limited area;
- building compactness (often multi-storey buildings);
- high human economic diversity and integration degree;
- greater part of the population is employed outside the agricultural sector [1].

The city is an urban area with its socio-economic environment and a relatively higher population density compared to the rural areas. Cities are characterized by dense construction of city infrastructure - streets, squares, transport networks, energy, water, waste management and other businesses. Social infrastructure and security services play an important role in the urban environment. Even a small town cannot do without medical institutions, emergency, rescue, social welfare and other agencies. Educational establishments and cultural institutions,

e.g., nurseries, schools, universities, museums, theatres, etc. are mainly located in cities and towns [2].

Today the largest part of the world's population lives in cities. The United Nations report "State of world's population" emphasizes that 2008 became a very important milestone in the development of the world, because for the first time in human history, more than half of the world's population, i.e., around 3,3 billion people, live in cities. It is expected that by 2030, this figure could rise to 5 billion people. This is evidenced by the statistics data that show that in the 20th century the urban population has been rapidly growing (see Table 1).

Table 1. Urban and Rural Population of the World 1950-2030 (population, billions) [6]

World	1950	1975	2000	2005	2030
Total	2,52	4,07	6,09	6,46	8,2
Urban	0,73	1,52	2,84	3,15	4,91
Rural	1,79	2,56	3,24	3,31	3,29
Urban percentage					
	29,0	37,2	46,7	48,7	59,9

While the world's urban population grew very rapidly (from 220 million to 2,8 billion people) over the 20th century, the experts predict that the next few decades will experience an unprecedented scale of urban growth in the developing countries. This will be particularly notable in Africa and Asia, where the urban population will double between 2000 and 2030. This means that the accumulated urban growth potential of these two regions during the whole span of the history of humanity will be duplicated in a single generation. It is expected that, in 2030, the urban residents of the developing countries will constitute as much as 80% of the total urban population across the world.

The significance of cities for the development of national economy continues to grow. The cities have a leading role in regional and national economic development, as they have become major drivers for economic activities. They focus on a large capital and intensive turnover of goods and services. In the cities decisions are made that determine the economic life, progress and development of the country.

The most important contemporary urban developments are as follows:

- population (labour force) mobility; capital mobility;
- information revolution;
- rapid and extensive dissemination of new technologies;
- transition to market-based principles of production of almost all goods and services;
- international trade and investment expansion;
- reduction of logistic costs;
- increased spatial differentiation, etc. [1].

All the above mentioned factors can have a direct impact on the fact, why more and more people are choosing to move to the cities. In principle, cities can offer their population higher quality of life, because of more favourable economic, social and environmental conditions. Cities generate new jobs faster, thus increasing people's income. With good governance, urban population can be delivered education, health

care and other services more efficiently than the rural population.

One of the most important gains of the cities is the variety of positive effects, resulting from business, human capital and creative people being relatively close together, for example, using a common infrastructure and labour market, creating new knowledge or building formal and informal communication. These positive side effects reduce the costs of innovation, promote their development and spread.

The pulsating urban life and its various options attract both the skilled and non-skilled workforce. If someone wants to build a successful career, he/she usually has no other choice, but to move to cities, where the best universities, companies and the government departments are located. Studies have shown that, in all countries of the world most of the gross domestic product is generated in urban areas. The higher the country's level of urbanization, the greater the prosperity; the richer the country, the more people live in cities. In Latvia, more than 50% of the gross domestic product is produced in Riga, where the GDP per capita is almost twice the national average [7].

The urban areas must provide wide opportunities for education and for acquisition of valuable cultural heritage. The opportunities for human interaction in the cities are presented in Figure 1.

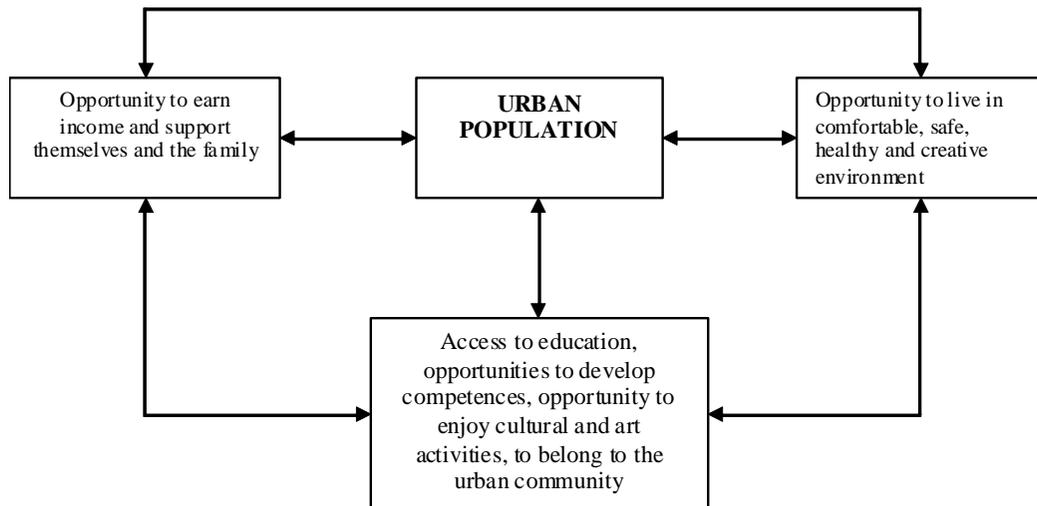


Fig. 1. Opportunities for human interaction in urban areas [3]

As shown in Figure 1, the urban population can make use of many benefits in a concentrated form, providing themselves a higher quality of life than for the rural population. The city

offers its residents every opportunity to prove themselves, and to this end, local government should promote both entrepreneurship activities, thus ensuring revenue growth, and create a

harmonious, convenient and secure environment, as well as, help people integrate into society and realize themselves in the most acceptable and appropriate manner.

Human capital is a set of human knowledge, abilities and skills and the economic and social activity potential depends on it. The concept of human capital is mainly linked with individuals' economic behaviour, especially with the way in which their accumulated knowledge and skills increase their productivity and income, thereby increasing the productivity and income of the society as a whole. One of the founders of the concept of human capital G. Becker characterizes it as follows: the technological breakthroughs are unable to bring benefit to those countries where there is a shortage of qualified staff who know how to use them. Economic growth depends on the synergy between new knowledge and human capital. Therefore, better access to education and training is accompanied by the technological knowledge progress in all countries that have reached a significant economic growth [1]. Furthermore, in their researches such scholars as E. Glaeser, J. Scheinkman, etc. have shown that human capital is an important factor in urban socio-economic development. Human capital concentration at specified locations reduces the costs of transfer of knowledge and creation of new knowledge and ideas, thus increasing the productivity of individual companies, as well as, the entire region as a whole. In addition, higher level of education can reduce criminal activities and increase participation of urban population in public decision making at local and national level. In addition, today, in urban areas with developed knowledge, creativity and innovation capacities, including the ability to use them, socio-economic development is occurring faster. In the future, particularly in Europe, human creativity and innovation will play a more important role in fostering national, urban and business competitiveness [7].

In any city, its main functions have changed over time, while changing the city's appearance and layout, leaving an impact on the city's economic growth and social structure. When analyzing the urban functions, the American scientist L. Mumford stressed that "the chief function of the city is to convert power into form, energy into culture, dead matter into the living symbols of art, biological reproduction into social creativity." [8, 14].

In the future, economic development will need to promote cities successfully as drivers of economic growth, which together with their regions can assert themselves as attractive locations. This aspect is of great importance, taking into consideration the increasing mobility of workers and enterprises, and the increased internationalization of the economy. Many cities have significant development potential, so that in today's fast changing environment, they could establish themselves as places for successful knowledge, skills and social capital use. These locations serve as a basis for knowledge-intensive economic growth, for example, they do not offer only a wide range of services and the necessary infrastructure, such as universities, popular education establishments and research institutions, but also provide higher quality of life and cultural diversity for highly skilled and creative workforce.

In the research paper "Socio-economic development trends in Latvian urban areas" where 38 Latvian cities and towns were involved, it was found, that urban areas have sufficient human capital. Almost all cities and towns, involved in the research, indicated that they face a new trend of brain drain, leading to losses of young specialists. Taking into consideration that the socio-economic situation is not stable, smart and creative people from small towns look for opportunities to moving and finding jobs in larger cities, where they are offered a more competitive salary and better living conditions. The SWOT analysis is presented in Table 2.

Table 2. Analysis of human capital and creativity in cities [made by the authors on the basis of 11]

Strengths	Weaknesses
- existence of human capital	- lack of qualified specialists
- developed employability	- outflow of people abroad
- highly educated workforce	- uncompetitive remuneration
- greater cooperation opportunities	- low ability to pay aging
Opportunities	Threats
- creation of new jobs	- deterioration of socio-economic situation
- increase in overall level of city infrastructure	- decrease of individual income level
- use of renewable energy resource	- overall public health, education and social deterioration

In comparison to rural areas cities and towns have indicated that they have a developed educational system and better health care and social services, as well as, utilities and infrastructure services are more accessible and diverse, thus higher quality of life is ensured.

At the same time, the research found that the city of Riga still lacks a critical mass of creative people and international investments, to become recognized, as a centre of European significance, and resemble such cities as London, Paris, Munich, etc. In turn, other Latvian cities and towns lack the critical mass required for their development, so that they could provide companies with growing return on investment opportunities, and generate substantial, positive external effects in a variety of knowledge. The critical mass necessary for urban development should not be created by resource concentration, but rather by combining the resources of different cities with the transport and information technology infrastructure [11]. This would help to promote mutual co-operation between cities and towns. Nevertheless, within one region the majority of self-governments in the future plan tourism development, industrial development, and development of culture, sports and recreational activities, which lead to town seclusion, isolation and mutual competition rather than networking.

The urban environment and social, economic, political or environmental processes affect all the urban population, as well as the guests, so in the long run the winners or losers are all of them.

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