HISTORICAL ASPECTS OF LABOR MARKET DEVELOPMENT IN MEGACITIES AS A FACTOR IN INCREASING THEIR COMPETITIVENESS

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ABSTRACT

In modern conditions, the formation and implementation of effective competitive strategies of megacities for the sake of ensuring the high competitive status of states is a priority task for policies of all developed countries of the world. The competitive environment of a country and its megacities, respectively, determine the competitive advantages of business entities, the quality of life of citizens and their safety.

This paper analyzes the study of human capital as a factor in the competitiveness of megacities. The study presents the evolution of the labor market in megacities as a factor in increasing their competitiveness.

Keywords: Megacity, Labor Market, Competitiveness, Urbanization, Centralization, Concentration, Creativity.
1. INTRODUCTION

The international experience shows that the world economic progress at all stages of its historical evolution has always been characterized by uneven dynamics of competitive development of megacities, their structural subsystems and elements, as well as the special role of megacities in the socio-economic and political system of society.

It should also be noted that in the process of world economic development, the competitive status of megacities was not permanent, which means that they were constantly relocated on the economic map of the world under the influence of a system of socio-economic, political, innovation-technological, demographic, humanitarian and other factors.

Thus, the constant changes in competitive status and disposition of megacities in the world economic system require the comprehensive study of the evolution of the labor market as a factor of their international competitiveness in the light of the development of economic activity localized in megacities.

The purpose of the study is to analyze the historical aspects of the development of the labor market in megacities as a factor in increasing their competitiveness.

2. HUMAN CAPITAL AS A FACTOR IN THE COMPETITIVENESS OF MEGACITIES

The main determinants of the cities’ high competitive status formation are institutions, politics and regulation, infrastructure, social and human capital.

The urban growth theory of J. Jacobs has become an influential contribution to both economic and social studies of urban competitiveness. According to this theory, cities, rather than national macroeconomics, are regions that accumulate the economic prosperity of nations. A city creates growing revenues through the exchange of knowledge between diversified firms and economic agents within a specific geographic area [1].

The important role of megacities was explored in the works of J. Robinson and C. Segbers [2, 3]. Thus, researchers note that many public and private research institutions are concentrated in major cities, there are main companies that provide key business and financial services, employment opportunities, high wages, and high-quality infrastructure.

P. Taylor considers several factors of competitiveness of megacities affecting their innovative development, one of which is highly skilled workforce [4].

R. Lang and P.K. Knox primarily allocate human capital among the factors of competitiveness of the city and consider a competitive city as a territory of innovation, with developed sectors of the creative economy, which encourages advanced technological innovation, as well as supports investment in improving the skills of the labor force [5].
3. EVOLUTION OF LABOR MARKET DEVELOPMENT IN MEGACITIES’ AREAS AS A FACTOR IN INCREASING THEIR COMPETITIVENESS

In our opinion, it is possible to distinguish five stages of megacities’ development evolution and, accordingly, five stages of development of the labor market in them.

Thus, the first stage (3000 BC – 6th century AD) – covers the period of ancient centralization, which is characterized, first of all, by separation of handicrafts from agriculture, and consequently, the birth of the first cities in the most developed agricultural regions and coastal regions (port cities) with their gradual inclusion in international trade.

Depending on the functions performed by the cities in economic and political system of ancient society, as well as ensuring the competitiveness of the respective territories, they were naturally stratified into such groups as the residence cities (the ancient Egyptian cities of Memphis, Thebes); temple cities (arose around a certain religious structure – the city of Asia Minor and Syria); colonial cities (formed as a result of the resettlement of excess of the rural population, as well as a result of military or trade colonization of certain territories); city-states (where the privileged part of the population was concentrated, which led dependent peasants).

The existing competitive potential of the labor market of ancient cities in terms of mobilizing and exporting to the international market a variety of goods, as well as trading in goods of domestic origin and transiting goods that went through their territory, contributed to the political consolidation of many countries of the world with the subsequent formation of state entities in their territories. In the course of development of trade in ancient cities, their role as key regional transit centers through which the movement of commodity masses was provided gradually took shape.

With the onset of the stage of primary medieval centralization (6th – the beginning of the 17th century), the second stage of evolution of megacities began, which, quite naturally, made fundamental changes in the labor market as a factor of their international competitiveness. Thus, the growing export of goods from the leading European cities ensured dynamic development of economy and crafts at that time, thus forming a stratum of artisans and merchants. Such a massive export acquired more and more expressive commodity direction, prompting dynamic development in the cities of patrimonial craft production in the 11th century, specifically focused on the supply of its products to international markets.

In this context, it should also be noted that the economic relations of large world cities at this stage were, to a certain extent, equivalent and equal in nature, given the dominance of foreign trade as the main form of cooperation. They acted not only as powerful exporters of domestically produced products to foreign markets, but also played a significant transit role in the supply of overseas goods to markets in different countries of the world.

It is no coincidence that it was from this time that the commercial bourgeoisie actively developed in the cities, and therefore, the megacities of the leading countries of the world, in addition to rigid distribution function, were increasingly moving towards the realization of the exchange function between artisans and later manufactories and the nearest rural settlements.

The end of the 15th century became a turning point in the period of primary medieval centralization. – the first half of the 16th century, which was associated with profound structural socio-economic transformations in Western Europe. Under the conditions of development of capitalist relations, manufactory production and concentration of population in cities, agricultural production in Western Europe has significantly decreased, which led to an increase in prices for food products, etc., price revolution caused by the importation into Europe of significant mass of precious metals after the great geographical discoveries of the
late 15th – early 16th century. Given this, from the middle of the 15th century in the trade relations of European cities, the role of labor markets of port cities was noticeably increasing, and their merchants were becoming important trade intermediaries in the trade of many European countries. Their activity was aimed at concentrating the sale of foreign goods in cities, as well as export-oriented commodity masses, which means that the merchant fleet was actively developing.

Summarizing, the main factors of the labor market can be singled out, which in the period of the primary medieval centralization had a decisive influence on the international competitive positions of cities and world economic development in general.

Firstly, the increase in labor demand due to increased urbanization and increasing scale of manufacturing in rural areas. As a result – the significant excess of demand in the labor market over its supply and increase in the level of wages. Their highest level was established in London and Amsterdam, where workers received wages, which at the end of the 17th century were at least four times the cost of the subsistence minimum for their families [6].

Secondly, the rapid increase in the level of literacy and development of skills for the labor of the urban population of European cities as a result of rising wages in industry and development of the trade economy. The data on dynamics of the share of the adult population with elementary literacy (able to write their name) in different countries of Europe from 1500 to 1800 indicate the general increase in literacy with the highest level achieved in the cities of Western and Northern Europe [7, p. 40]. In turn, the expansion of commerce and manufacturing industries led to the increase in demand for educational services, which, having acquired high economic value, stimulated the development of European universities, which were again located in major European cities.

A qualitatively new level of competitive development of megacities is associated with their entry into the third stage of evolution – the stage of the industrial revolution, which covers the historical period from the 18th century until the end of the 19th century.

The complex character of this stage of competitive development of megacities is impossible without the impact of industrial revolution on the development of the labor market. Having created fundamentally new means of production and opened up new opportunities for increasing the productivity of social labor in megacities, the industrial revolution significantly expanded the factors of their competitiveness due to those associated with dynamics of industrial mode of production, the pace of mastering the innovative achievements of industrial revolution, the level of development of technical and economic base and organization of production, as well as dynamics of population growth. Suffice it to say that in 1900, GDP per person in the group of developed countries amounted to 10.3 thousand dollars, while for developing countries – 1.6 thousand dollars.

Not by chance, the industrial revolution gave a powerful impetus to the acceleration of the pace of global urbanization and acquisition of the status of “locomotives” of economic growth by megacities in countries and entire regions. Thus, the conditions for the formation of the system of international division of labor, which had to be during this period, increasingly begin to determine the industrial specialization of megacities. The largest cities of the leading states, due to the dynamic development of their industrial base, secure specialization in the processing industry for themselves, as well as the production of major groups of industrial goods, which required further changes in the labor market. At the same time, their colonies were actively turned into agrarian and raw material base of metropolitan economies through the planting of farms there and development of the mining industry. As a result, the stable economic relations were finally formed in the “metropolis – colony” system and inequality of international exchange and unequal model of international division of labor were consolidated.
Historical Aspects of Labor Market Development In Megacities As A Factor In Increasing Their Competitiveness

The dynamically growing trade of the cities of Holland and England with their colonies became the main driving force behind the development of economies of these countries, which was manifested in the growth of their international competitiveness, as well as that of export-oriented manufacturing industries.

The employment structure has changed accordingly. So, if in the Middle Ages from 70% to 75% of the population were employed in agriculture, then as of 1750 – from 40% to 60%. If in 1500, the most competitive by world standards were the cities of Italy and Spain, which had the most developed manufacturing industry, then in 1750, the leadership passed to the cities of England. In this context, it is enough to say that the population of London increased from 50 thousand people in 1500 to 200 thousand in 1600, and to 500 thousand in 1700, reaching the record high of 1 million citizens in 1800. The lion's share of urban residents of England was engaged in manufacturing industry, and the goods they manufactured were increasingly acquiring the international character [8].

In the Netherlands, the level of urbanization was even higher than in England, but other European countries experienced significantly less transformational changes relative to urban processes, respectively, the increase in the share of population employed in manufacturing and handicraft production, as well as the level of urbanization were relatively small.

However, megacities’ formation even of these states, during the industrial revolution, began to strengthen their competitive influence on the world economic system. This is confirmed by the fact that in 1700, there were only 14 cities with a population of over 100 thousand inhabitants in Europe, whereas in 1800, there were already more than 200, and by 1900, about 5.5% of the total population of the planet lived in the cities of this category. At the beginning of the 20th century, in the most developed countries of the world (England, USA, France, Germany), the urban population, whose share had grown to 40-70%, became the main producer of goods and services, as well as the generator of national wealth.

During the period of industrial growth, peculiar industrial bases of megacities were formed with constant expansion of their industrial zones, and due to the removal of individual industries beyond their limits, the trend developed towards growth in the labor markets of the largest rural settlements, whose economy was increasingly “tied” to megacities production.

Since the 1920s, the fourth agglomeration stage of competitive development of megacities took its origin. This stage of evolution of megacities, which lasted until the end of the 1980s, is characterized primarily by a significant increase in the scale of localization of economic activities of megacities and formation of satellite cities around them, united by a common infrastructure. Consequently, the key features of the labor market as a factor in the competitiveness of megacities in the era of agglomeration are the degree of concentration of human resources.

Thus, the agglomeration economy is a phenomenon of the positive influence of concentration on the rate of economic growth. With increasing concentration of labor resources in large metropolitan areas of the leading countries of the world in the first half of the 20th century, there is dynamic development of large-scale production, and the status of so-called “industrial” cities was steadily established behind them. This was a natural reaction of agglomeration formations, including the massive influx of rural people into the cities.

Not by chance, from this period for the first time in the history of megacities, the deep modernization of their structure took place, with active formation around their historical core of new cities and centralized periphery from the so-called “sleeping areas” of satellite cities and rural settlements united by the common infrastructure. In other words, interaction and convergence of urban areas and adjacent territories are intensified, manifested in the formation of large urban agglomerations, megacities with the merging of a number of large
megacities and agglomerations into the single economic zone: San Francisco – San Diego, Tokyo – Osaka.

The dynamic development of industrial megacities led in turn to the development of unified urban systems of engineering and transport infrastructure, which made it possible to significantly increase the efficiency of utilization of the labor resources of megacities, optimize transportation, which activated the processes of “commuting”.

The high dynamism of concentration of industrial activity, intensification of investment and foreign trade activities of megacities, increasing the inflow of financial capital into their economies at the beginning of the 20th century led to the formation of the first TNCs, the headquarters of which, as the priority places of deployment were created mainly in megacities.

One of the turning points in the development of megacities during the industrial boom was the technical revolution of the late 19th – early 20th century, based on which the production of the third technological structure and the corresponding labor market began to be formed in megacities of developed countries of the world.

Fundamental post-industrial transformations in the structure of the world economy, which especially clearly were crystallized in the early 1990s marked the beginning of the fifth stage of the megacities’ competitive development, which continues to this day. In our opinion, there is every reason to qualify it as a stage of creation of megacities, given the profound transformation of their localized economic activity.

The essential content of the phenomenon of creativity, according to the interpretation of the famous American sociologist and economist G. Florida, is the production by man of radically new useful forms and products based on his/her accumulated knowledge and experience [9]. Consequently, the creation of social reproduction, as the material basis for the growth of labor productivity, is becoming the main driving force of modern world economic development, macroeconomic growth of countries and dynamic development of megacities.

The high level of megacity localization of business activity, its creative development and formation of new organizational forms significantly affect the competitiveness of megacities, which today is determined not only by the total scale of TNCs, business structures, banking and financial institutions, universities and service industries concentrated here, but also by adaptivity to the needs of entrepreneurship, level of technological development, effectiveness of their participation in transnational chains of value, ability to effectively implement the strategies of post-industrialism, as well as the achieved degree of comfort of life of local residents, their tolerance towards foreigners [10].

In this regard, such modern features of the labor market as a factor in the competitiveness of megacities should be noted as the presence of highly qualified personnel, opportunities for ensuring the process of continuous interactive training of workers, etc. At the same time, well-developed information and communication networks can ensure effective information exchange and diffusion of innovations within megacity units and, therefore, are a powerful catalyst for the concentration of critical mass on their territory assets, which accordingly increases the competitive status of local companies.

The increasing role of post-industrial factors in ensuring the competitiveness of modern megacities is evidenced by the fact that in the last twenty years the capitals of such countries as the USA, Finland, Sweden, Denmark, Belgium, the Netherlands and the United Kingdom
have really moved to the development of the creative economy. Their creative sectors show extremely high growth rates – from 5% to 20% annually, they account for from 5% to 11% of GDP of the OECD member countries.

In these same cities, today the production of intellectual services, which provide consumers with wide access to knowledge and information not only of local but also of international origin, is increasingly concentrated. Despite the presence of developed and diversified information and communication channels and links connecting the “center” and “periphery”, intellectual and creative companies prefer megacities, because here there is the possibility of live communication with partners and sharing new knowledge. Moreover, special, highly dynamic post-industrial, high-tech and creative world is being formed in megacities, thanks to which, according to J. Simmy and S. Strambach, they become key agents of knowledge economy [11].

Today, megacities are the main centers for training highly qualified personnel for the most important sectors of national economies of countries and leading scientific centers. In addition, large cities have a certain “magnetism” with the provision of unique opportunities for the functioning of round-the-clock production processes, the growth of labor productivity, intensification of production, the introduction of innovations and unlimited prospects for the harmonious development of personality.

As key employment markets, megacities can absorb growing migration flows, and the presence in their territories of the headquarters of most TNCs, leading media concerns and companies providing telecommunications services turn big cities into global information centers and logistics megahubs.

4. CONCLUSIONS
Summing up, it should be noted that each stage of world economic development is characterized by corresponding economic activity of megacities. At the same time, at all stages of world economic development, the decisive role in ensuring the competitiveness of megacities was played by the factor of development of megacity labor market.

In the context of their global leadership and based on the preferences of the modern network organization of economic, innovation and financial activities, people are witnessing the process of transforming individual megacities into peculiar “growth poles” on the territory of their own states.

Personnel, scientific, production, information and investment-financial potential is concentrated in them, and favorable business climate and wide possibilities of financial and currency operations based on modern information and communication technologies provide internationally attractive conditions for economic activity of megacities.

REFERENCES


