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THE IMPACT OF THE PANDEMIC ON HUMAN CAPITAL. HUMAN CAPITAL INDEX

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Abstract. In the first half of 2020, as a result of the spread of coronavirus in the world and the implementation of preventive measures, the volume of production was sharply reduced, there were shortages in the supply of goods the service sector was limited. Additional difficulties for Georgia and many other developing countries have been created by the sharp decline in remittances from our citizens in other countries, which has become one of the reasons for the decline in retail trade. Countries whose tourism accounts for a significant share of their economy have been particularly hard hit. In countries where restrictions were delayed, more massive pandemic outbreaks occurred, with high mortality rates and severely restricted business activities. As a result, unemployment and poverty rates have risen. After the "repulsion" of the first wave of the virus, in many countries, including ours, there was a certain revival of the economy. However, this increased mobility has led to an even more devastating second and subsequent waves of the virus and the world is currently fighting yet another wave. The pandemic factor in Georgia, in parallel with the second, third and subsequent waves, was accompanied by an unstable political situation. This has become an additional pressure and impacted the economic downturn and the devaluation of the Georgian Lari.

As in the rest of the world, the coronavirus pandemic in Georgia has had a direct impact on human capital, with a negative impact on education and human health. Unlike natural disasters, devastating effects of which on physical capital are far greater than on human, the pandemic has left factories, plants, infrastructure intact, but has had an extremely negative impact on human health, disrupting the learning process of pupils and students.

The closure of schools and colleges and the transition to distance learning have resulted in the loss of much of the school year. A separate problem is the less efficiency of the distance learning process and the difficulties associated with knowledge testing. At the same time, the current situation exacerbates the divergence between different social strata in terms of access to full-fledged education.

Pandemic kills thousands of people. Many of those who recovered from the pandemic suffer from both health and psychological problems. In the current situation the health sector is not given the full opportunity to deal with other diseases. Once the pandemic is over, significant investments will need to be made in both education and healthcare.

The level of human capital development is an important factor for the economies of all countries. Differences between countries in GDP by 10-30% are caused by differences in the level of human capital development. It is noteworthy that the current shortcomings caused by the pandemic in the development of human capital will have a negative impact on many in the coming years.

Since 2018, the World Bank has been implementing the Human Capital Development Project. Within the framework of this project, a so-called The Human Capital Index (HCI) was developed, which shows the productivity of the next generation of workers compared to the standard of complete education and perfect health. Due to the pandemic, this index has deteriorated in all countries of the world, including Georgia.

KEYWORDS: COVID-19 PANDEMIC, TOURISM, HOTEL BUSINESS.

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INTRODUCTION

Due to the Covid-19 pandemic, the world economy is experiencing its deepest decline in the last eighty years. In order to emphasize the importance of the economic crisis, the term "coronomics" was created by combining the two terms "corona" and "economics". The term refers to the sub-

field of economic science that should study the impact of the coronavirus pandemic on the economy (Papava, 2020). Unlike the economic crisis of 2007-2009, the current crisis did not emerge from the depths of the economy, and overcoming it will depend more on the effectiveness of measures to deal with the pandemic than on measures to revive the economy.

In the first half of 2020, as a result of the spread of infection and the implementation of preventive measures, the volume of production was sharply reduced, there were shortages in the supply of goods, the service sector was limited. Additional difficulties for Georgia and many other developing countries have been created by the sharp decline in remittances from our citizens in other countries, which has become one of the reasons for the decline in retail trade. Countries whose tourism accounts for a significant share of their economy have been particularly hard hit. In countries where restrictions were delayed, more massive pandemic outbreaks occurred, with high mortality rates and severely restricted business activities. As a result, unemployment and poverty rates have risen. This has especially complicated the employment prospects of young specialists, which, even without it, were difficult (Chokheli, Paichadze, Keshelashvili, Kharkheli & et.al., 2016). After the "repulsion" of the first wave of the virus, in many countries, including ours, there was a certain revival of the economy. However, this increased mobility has led to an even more devastating second and subsequent waves of the virus and the world is currently fighting yet another wave. The pandemic factor in Georgia, in parallel with the second, third and subsequent waves, was accompanied by an unstable political situation. This has naturally complicated the process of effective functioning of state institutions, which is vital in crisis situations, and has put an additional pressure and impacted the economic downturn and the devaluation of the Georgian Lari.

The opinion of researchers is divided. One part believes that the way to save companies, maintain competitiveness, expand market share is to maximize customer satisfaction. According to the second part, the first condition for success is the relevant human resources. It is human resources that are the basis for achieving competitive advantage. Human resource management is an important part of the organizational structure. The relationship between employees and management in the organization has a significant impact on the effectiveness of the organization. If employees are confident that they will play an important role in the success of the company, will be involved in formulating the goals and objectives of the organization, then they will be more diligent in fulfilling their responsibilities. If we convince employees that progress-success will be automatically reflected on each employee, then they will do their job more efficiently, more conscientiously. Consequently, the management of any organization must recognize that human resources, human capital are essential for the success of the organization. In conditions of uncertainty in the economy, managers must take care of human resources, maintain employee loyalty, purposefulness, energy.

As in the rest of the world, the coronavirus pandemic in Georgia has had a direct impact on human resources, with a negative impact on education and human health. The process of accumulating human capital has also significantly deteriorated. "Human resources are the main wealth of any society. The notion of "human resources" is more capacious than the notions of "labor resources" and "personnel" because, unlike them, it encompasses a combination of socio-cultural

and personal-psychological characteristics of human beings" (Paichadze, 2019). Human resources are an essential asset for any company. Human resource management refers to the process by which managers ensure that employees with the required number and capabilities are present at the required time and place (Robbins & Coulter, 2019). Human resource managers, in evaluating existing employees or hiring new ones, consider their education, experience, language skills, special abilities and skills - components that define human capital.

Human capital is the sum of knowledge, skills, experience, and social qualities that contribute to a person's ability to perform work that produces economic value. Education and health are key features that improve human capital and also directly contribute to economic growth. In terms of accounting, human capital is not reflected in company documents as an asset because people are not owned by companies. In economics, however, "capital" refers to all the assets that a business needs to produce the goods and services it creates and sells. In this sense, capital includes equipment, land, buildings, money and, of course, human capital.

Unlike natural disasters, whose devastating effects on physical capital are far greater than on human, the pandemic has left factories, plants, infrastructure intact, but has had an extremely negative impact on human health, disrupting the learning process of pupils and students.

The closure of schools and colleges and the transition to distance learning have resulted in the loss of much of the school year. A separate problem is the less efficiency of the distance learning process and the difficulties associated with knowledge testing. However, the current situation exacerbates the gap in terms of access to full-fledged education for different social strata.

Pandemic kills thousands of people. Many of those who recovered from the pandemic suffer from both health and psychological problems. In the current situation the health sector is not given the full opportunity to deal with other diseases. Once the pandemic is over, significant investments will need to be made in both education and healthcare.

The level of human capital development is an important factor for the economies of all countries. In our time, "knowledge creation" has a higher economic value. In the past, material and human capital, such as rich natural resources, cheap and abundant labor, which provided economic growth, were key and in our time, the key to economic growth is knowledge, it is necessary to use science and technological development (Chokheli, Paichadze, Keshelashvili, Kharkheli & et.al., 2016). Differences between countries in GDP by 10-30% are caused by differences in the level of human capital development (Hsieh & Klenow, 2010). At the same time, the success of any organization essentially depends on the effectiveness of its management. In turn, the effectiveness of a management and an individual manager depends on the qualities and skills it possesses (Kharkheli & Morchiladze, 2020) or human capital. It is noteworthy that the current shortcomings caused by the pandemic in the development of human capital will have a negative impact on many in the coming years. An example of this is the inadequate level of

education and health of children born during the pandemic of 1918, which had a negative impact on the economic development of countries many years later (Guimbeau, Menon & Musacchio, 2020). Similarly, in the case of Georgia, the very low quality of the medical care and education system in 1991-1995 had a negative impact on the development of the economy, which had a significant negative impact on the "accumulation" of human capital.

During the pandemic, the role of the state in carrying out various administrative measures increases significantly. However, it is important to strike a balance between actions that are detrimental to the development of the economy and those that are essential to the health of the population. Proper and timely investments in the healthcare system are needed both for the timely defeat of the pandemic, as well as for the preservation of human capital and its accumulation for the future. During the pandemic, in order to accumulate an adequate level of human capital, it is essential to take effective steps in the field of education as well. Significant investments need to be made in modern technologies. In many cases it is necessary to train teachers and professors to use these technologies effectively. There is a need to increase population access to the Internet. Moreover, even after the end of the pandemic and the economic crisis caused by it and the understanding of the damage caused, significant investments will need to be made in both education and health.

Since 2018, the World Bank has been implementing the Human Capital Development Project. Within the framework of this project, a so-called The Human Capital Index (HCI) was developed, which shows the productivity of the next generation of workers compared to the standard of complete education and perfect health. Due to the pandemic, this index has deteriorated in all countries of the world, including Georgia. It is necessary to study the extent of deterioration of the components of this index as a result of the pandemic.

The Human Capital Index estimates the amount of human capital that a child born today is likely to accumulate when he or she reaches the age of 18 years. It shows the productivity of the next generation of workers compared to the standard of complete education and perfect health. This index is produced for 157 countries. It consists of five indicators, these are:

- Probability of reaching the age of five;
- Number of years of school education of the child;
- Harmonized test scores as a measure of learning quality;
- Older age achievement rate (proportion of 15-year-olds who reach 60 years of age);
- The proportion of children whose development proceeds without delay.

Globally, 56 percent of all children born today will, at best, reach half of their potential productivity in adulthood; And 92 percent, at best, 75 percent of their potential productivity.

According to 2017 data, a child born in Georgia will reach 61 percent of his/her potential productivity in adulthood with full education and perfect health (Georgia HCI, 2020). This coefficient was calculated based on the following data:

- 99 out of every 100 children born in Georgia reach the age of 5;
- A child who starts school at the age of 4 is expected to complete 12.5 years of high school by the 18th birthday;
- As of today, students in Georgia receive 445 points on a scale, where 625 is a high score and 300 is a minimum score;
- Learning-adjusted school years, the estimated number of school years based on students' actual learning is only 8.9 years;
- 85 percent of 15-year-olds across Georgia will reach the age of 60;
- 89 out of 100 children develop without delay. The development of 11 out of 100 children is delayed and thus faces a cognitive and physical risk that can last a lifetime.

According to the data before the 2020 Covid-Pandemic, the human capital index was 57 percent. One of the reasons for the decline in the index is probably the reduced number of estimated school years corrected to 8.3 years based on students' actual learning. The reason for the deterioration of the index from 2017 to 2020 is the deteriorating economic situation (Georgia's GDP in dollars was declining even before the Covid-Pandemic). Human capital and economic growth are closely correlated. The reduction of GDP and consequently the deterioration of the economic situation worsens the process of accumulation of human capital and, conversely, high levels of human capital affect economic growth and contribute to the development of the economy.

The human capital index differs significantly between girls and boys. It is much higher in the case of girls. For example, according to 2020 data, the index is 53 percent for boys and 61 percent for girls.

The Covid-Pandemic had a significant negative impact on all data needed to calculate the Human Capital Index. As Professor E. Mekvabishvili writes, "The economic crisis caused by the Covid-19 pandemic turned out to be the hardest test for the economy of the world and economies of individual countries. The crisis is still going on, but with its depth and severity it is already surpassing the global financial crisis of 2007-2009 and equating to the "Great Depression" of the 1930s. The coronomics crisis has significantly slowed down the process of globalization, although there is currently no real threat of de-globalization.

The negative impact of the coronomics crisis on the Georgian economy was extremely large. In 2020, the country's gross domestic product (GDP) decreased by 6.1% compared to the previous year, while in January 2021, the decline in GDP was 11%. The field of tourism, which has been the main source of foreign currency inflow in Georgia in recent years, has found itself in a particularly difficult situation" (Mekvabishvili, 2021). Consequently, deteriorating economic conditions, overcrowding of the health care system, and delays in the education system naturally lead to deteriorating factors such as: the probability of reaching the age of five; Harmonized test evaluation scores; the rate of reaching old

age; the proportion of children whose development proceeds without delay.

Thus, the pandemic and the crisis caused by it will significantly worsen the human capital index both globally and for Georgia. This will lead to the emergence of additional barriers to economic development in the long run. It is too early to talk about what exactly it will fall to. However, the fact is that with this figure, 57 percent before the pandemic, we are

significantly behind the developed countries, as well as the countries of our region. In the current period and in the long run, in order to reduce the expected negative impact on the economic development, it is necessary to effectively use the assistance provided by the international community to Georgia, to use all internal and external resources in the health and education systems and to ensure their targeted use.

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