



The Academy of Management and Administration in Opole

# **Improving living standards in a globalized world: opportunities and challenges**

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Edited by Tetyana Nestorenko

Tadeusz Pokusa

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### Editorial Office:

The Academy of Management and Administration in Opole  
45-085 Poland, Opole, 18 Niedziałkowskiego Str.  
tel. 77 402-19-00/01  
E-mail: info@poczta.wszia.opole.pl

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## 6.2. Quality of life: challenges of globalization

At the beginning of the 21<sup>st</sup> century the competition of countries for the rate economic growth is not so significant as before. Nowadays we can observe increasing competition for the quality of life against the backdrop of globalization. At the same time, in the post-crisis world, the role of income from labour is decreasing against the background of a general increase in profits.

Globalization, makes the world more united, confuses the process of historical principles of social development, establishing a single social ones throughout the rapidly changing world. Countries that are objectively were at different stages of social and economic development find themselves in a single space. Including informational one, that gives the chance for a person from any corner of the planet to observe the life of people in other countries practically on-line. High standards of quality of life are perceived as the only possible and justified ones throughout the world.

Specialists started to include good high-paying job, affordable quality education, effective medical care, and long healthy life to the “inalienable social rights”.

Undoubtedly, such standards can only be based on effective economic development. However, it is a necessary point, but not a sufficient condition. Economic growth does not always converts into people’s quality of life.

A vivid illustration of this is the experience of African country Botswana. This state in southern Africa has achieved truly tremendous success in economic development in recent years. In terms of growth rates of gross national income per capita, it ranks third in the world, behind only China and South Korea. GNI at purchasing power parity per capita is \$ 13,100. At the same time, the country failed to achieve the same breakthrough results in improving the quality of life of the population – from 30 to 40% of the population are unemployed, almost every third citizen of the country lives below the poverty line. As a result, the country ranks only 125<sup>th</sup> place on the UN Human Development Index (HDI).

The problem is that a universal and effective “success algorithm” for developed countries has not been identified yet. Features of the social contract in a particular

country are “responsible” for the variety of different development strategies. Indeed, often formally the same institutions have different content, the mechanisms of their interaction and existing informal practices are very different, which significantly complicates the interpretation and comparison of the results.

In the context of globalization of markets, including labour markets, developed countries face a rather tough dilemma: to promote an increase in the level and quality of working life in developing countries or to reduce the level of social guarantees, the standard of living and its quality at home, which is fraught with an increase in the level of social conflicts and social instability.

The negative effects of globalization are felt by employers who comply with labour laws and guarantee decent working conditions for their employees. They find themselves in deliberately unfavourable conditions, significantly increasing their costs and thereby slowing down the development of their business. Such conscientious employers undoubtedly oppose unfair competition (cheaper products through lower social costs) through various mechanisms of corporate social responsibility, the spread of social standards of doing business, etc.

Even 10-15 years ago, it was impossible to imagine that the WTO would write down the need to comply with international labour standards in its contracts, and the World Bank would abandon the criteria for labour market flexibility as factors favourable for doing business in a particular country. Meanwhile, today it has become a reality: the International Finance Corporation (IFC), since 2006, has laid down the requirements for fulfilling fundamental labour standards in all its projects, the World Bank’s public sector lending units since 2007 began to introduce basic labour standards in the documentation for the procurement of goods, and services as well as standard tender documents for the procurement of works.

Improving the quality of working life should become the most important component in improving the quality of life. Pensions, medical care, and education are in many ways derived from labour relations and the quality of the social and labour sphere. An analysis of the positive experience of countries with emerging markets, which have become leaders in world development in recent years, shows that this

happens where development is at the forefront – a great deal of attention is paid to health care and education, that is, the formation of human capital as the main resource for such development.

The UN Human Development Index (HDI) is calculated on the basis of such indicators as life expectancy, education level, and real per capita gross domestic product. It reflects observations of global human development trends from 1970 to 2010.

In the 2010 ranking there were ten top countries: Norway, Austria, New Zealand, the United States, Ireland, Liechtenstein, the Netherlands, Canada, Sweden and Germany. In 2020 ranking one can see other countries there, such as: Norway, which preserved the leading position, Switzerland, Ireland, Iceland, Hong Kong, Germany, Sweden, the Netherlands, Australia and Denmark [1].

The greatest progress has been made in East and South Asia and the Pacific regions. Moreover, if the gap between the rich and the poorest countries in terms of income growth has increased, then in terms of HDI, poor countries began to bridge the gap: from 1990 to 2010 by 1/5 and 1/4 since 1970.

At the same time, in some countries, as a result of such negative factors as the AIDS epidemic, various kinds of conflicts and a weak level of political and economic governance, a sharp setback was recorded relative to the 1999 level. This particularly affected countries such as Congo, Zambia and Zimbabwe. This suggests that progress is not linear.

A significant proportion of the countries in which the bulk of the working-age population lives are countries with emerging markets. In 2020, China had about 771 million working-age people; India – 471 million; Indonesia – 134 million; Brazil – 99 million; Pakistan – 72 million; Bangladesh – 67 million people; Russia – 71 million people. In the developed countries, significant reserves of labour resources are concentrated in the United States – 165 million people, Japan – 68 million people [1]. In total, in 2011, there were 3 billion 228 million people employed in the world, of which approximately 1 billion 400 million people were self-employed. The data show that over the past decades, employment in absolute terms in the world has grown at a

fairly rapid pace. It has grown by more than a third over the past 30 years. The bulk of this increase was in developing and emerging market economies [2].

The employment rate of the working-age population differs significantly by country and region – from 41% in Iraq, 48% in North Africa, 60–65% in developed countries, to more than 70% in China and Brazil, and almost 80% in Iceland. The global average employment rate fell from 66% in 2007 to 64.7% in 2011. This decrease is due to the rise in the unemployment rate during the global financial and economic crisis. The unemployment rate in the last pre-crisis years was 5.6-5.7%.

Economists identify two strategies for adapting the labour market to a crisis from the point of view of their impact on the quality of working life of the population. In many developed countries, there has been an almost “collapse” of the labour market, an increase in unemployment with all the ensuing socio-economic consequences. In countries with growing economies, a significant increase in the number of unemployed was not observed, the adaptation of the labour market occurred due to the fact that the conditions of employment under the influence of the crisis worsened significantly, as in terms of wages and in terms of the stability of labour relations.

The deterioration of the situation on the global labour market is also characterized by such indicators as the share of “insecure employment” (unpaid workers in family enterprises and self-employed persons, etc.), the share of informal employment (labour relations that do not receive legal registration), partially employed, and forcedly employed. All these types of employment, which threaten the quality of life of the general population, have grown in recent years.

Informal employment plays an essential role in social and economic life, primarily in developing countries. In the context of a shortage of resources for the development of the economy and social sphere and the lack of a sufficient number of “formal” jobs, the informal sector absorbs the “extra” labour force, providing livelihoods for millions of people.

A new ILO report shows that 2 billion people (more than 61 per cent of the world’s employed population) work informally, most of them in emerging and

developing countries. The majority lack social protection, rights at work and decent working conditions [3].

ILO data show that in Africa, 85.8 per cent of employment is informal. The proportion is 68.2 per cent in Asia and the Pacific, 68.6 per cent in the Arab States, 40 per cent in the Americas and 25.1 per cent in Europe and Central Asia.

The report shows that 93 per cent of the world's informal employment is in emerging and developing countries [3].

The ILO's "World of Work Report 2011: Making markets work for jobs" notes a strong differentiation in labour market recovery: the number of workers who have lost hope of employment, and in developing regions, employment is increasing, but there is still a large share of the vulnerable, as well as the "working poor".

These trends are in stark contrast to improvements in a number of key macroeconomic indicators: global GDP growth, growth in personal consumption spending. Capital expenditures, international trade and stock markets recovered in 2010 and exceeded pre-crisis levels. Shareholder profits and earnings are on the rise. Thus, in 83% of countries covered by the ILO study, the share of profit in GDP increased between 2000 and 2007, which was not accompanied, however, by an increase in "productive investment". According to the 2010 Human Development Report, over the past two decades, there has been a decline in the share of labour in income in 65 of 110 countries, about 60% of their number. In some large countries such as India, the Russian Federation and the United States – in 1990-2008 there was a significant decrease in the share of labour in total income – up to 5%, which led to a decrease in the average world share of labour in income by 2%. At the same time, dividend payments in non-financial sector companies grew: from 29% of profits in 2000 to 36% in 2009.

Thus, globalization, increasing the efficiency of modern economy, significantly changes the socio-economic realities of the modern world, making the existing social and labour relations less and less stable, increasing social and political risks. It is not a coincidence that experts from the World Monetary Fund note that measures taken by the governments of all countries to stabilize the economy can be effective only if

“more than ever, close attention is paid to the impact of the adjustment on income distribution” [2].

Quality of life is closely connected with different kind of indicators. The foundations of the social well-being of society can be considered as such elements as the standard of living due to indicators of total income and subsistence level, the concept of quality of life, established by the concepts of the state of health and sanitary well-being of the population, the probability of getting a compulsory medical care and social security. The social well-being is determined not only by external measures of social policy of the state to a person or social group, but also by the situation in the state economy and economic policy, material, socio-domestic and cultural living conditions. In many respects it is also subjective assessment by individuals and groups of the degree to which their social, economic and cultural needs are met. That is why, recently, researchers are increasingly combining the understanding of the concept of social well-being with the concept of happiness.

In the modern sense, human social well-being is a subjective concept that is simultaneously based on the social well-being of society, however, it is determined by a person's individual assessment of his/her well-being and life satisfaction in comparison with their own living conditions in the past or living conditions of other people.

In the study of social well-being, it is important to understand what parts it consists of. In modern science and practice, there are several contradictory approaches to determining its components. Rath Tom and Harter James K. in their work “Five Elements of Well-Being: Tools for Improving the Quality of Life” identify elements of general well-being as elements of general well-being: professional, social, financial, physical and well-being in the living environment (social well-being). At the same time, they understand pleasure as professional well-being from what we do every day in the performance of our professional duties, regardless of whether we work in an enterprise, institution, classroom, factory, etc.

Social well-being they associate with being within civilization, the most effective use of its benefits, and optimal implementation of vital activity in the conditions of high rates of development of the post-industrial, information-educational epoch.

Physical well-being includes good health and enough energy to cope with daily activities. In this case, physical well-being is closely linked to the financial well-being of the individual, which determines his/her financial capabilities in choosing a healthy lifestyle and daily activity. Well-being in the environment means the availability, proper quality and safety of housing, air, water, food and society – their compliance with the needs and ideas. People with high level of well-being in the living environment, feeling safe and seek to contribute to social development.

Although the level of material or financial well-being largely determines the level of social well-being, it is logical that a prosperous life creates better conditions for organizing human life and providing for their needs, provides more opportunities than unsecured life, and that the availability of comfortable living conditions causes more fun than living in ascetic conditions, however, there are studies that prove that such a connection is not mandatory and direct. In this case, the achievements in one of the areas can't make up for failures in another because we can't feel that we get everything from life without success in all 5 areas. The authors believe that it is never too late to start life again and make it happy and harmonious. At the same time, M. Argyle determined that the level of individual happiness and life satisfaction does not depend on the development of material and household elements of civilization and human wealth: these figures were equal in the surveyed individuals from France and Chad, Nigeria and the United States, and others.

The formation of a sense of social security has great importance both for stability and development in the state, and for people's perception of their individual social well-being and the management of the formation of social well-being at the level of society. After all, a sense of security is one of the basic needs of people, which determines their motivation, and their behavior, and perception itself. Social security in the broadest sense can be understood as a state of society and social institutions, which provide guaranteed protection of national interests, socially oriented development of the country as a whole, sufficient potential of socio-economic and socio-political development, even in adverse conditions of internal and external processes.

Western scholars C. L. M. Keyes (1998), as well as C. L. M. Keyes and S. J. Lopez (2002), considering well-being as a social phenomenon, argue that it consists of five social dimensions, including: *social acceptance* (acceptance of others as such, what they are); *social actualization* (positive level of comfort with society); *social contribution* (feeling that you can contribute to society); *social coherence* (understanding the social world as expected and understandable); *social integration* (feeling like part of the community) [4; 5].

There is a widespread classification of components of social well-being which is used for calculation of an index of well-being of Gallup-Healthways (Gallup-Healthways Well-Being Index). It distinguishes five aspects of well-being: physical health, income and well-being, social relations, lack of depression, work and leisure.

A difficult issue in the study of social welfare is its assessment and comparing the level of social welfare in different countries. Today for this purpose various integral systems and complex indicators that reflect all aspects of social well-being are used. They include the Human Development Index (HDI), Happy Planet Index, an indicator of social well-being according to Gallup World Poll, OECD Better Life Index, Australian Welfare Index HALE (Herald/Age Lateral Economics Index of Wellbeing), Quality of Life Index from the Economist Intelligence Unit, and a number of not so-known approaches to assessing of social well-being that are used in different countries and by different researchers and also have the right to life.

The most common and popular indicators among them is the Human Development Index, which was developed and implemented by the UN in 1990. It is an integrated indicator calculated annually for interstate comparison and measuring of living standards, literacy, education and longevity as basic characteristics of the human potential of the study area. For counting of HDI scientists take into account 3 types of indicators:

- 1) life expectancy;
- 2) the level of literacy of the country's population (average number of years spent on training) and the expected duration of training;
- 3) standard of living, estimated through GNI per capita at parity purchasing power in US dollars.

In 2010, the index underwent significant adjustments. In addition to used HDI, which is a consolidated indicator based on the average statistics and does not take into account internal inequality, three new indicators have been introduced: the Human Development Index, adjusted for socio-economic inequality (IHDI), the Gender Inequality Index (GII) and the Multidimensional Poverty Index (MPI) [6]. Note that the rating of the Development Index human potential in 1990, the USSR ranked 26<sup>th</sup> place with a rate of 0.920. In 2017, Norway, Switzerland, and Australia (0.939-0.953) opened the rating list for HDI. Ukraine received 88<sup>th</sup> place in this ranking with an indicator 0.751; Niger completed the list (189<sup>th</sup> place – 0.354) [7; 8]. Thanks to objective assessments of the social well-being of society based on HDI people have the opportunity to analyze its condition easily and direct their own activity to further improvement of social welfare. Thus, the indicators of the Human Development Index are the main indicators of the social well-being of man and society.

In 2013, the Gallup Institute, together with Healthways, introduced the Global Welfare Index (Gallup-Healthways Welfare Index). It consists of five components: individual achievements, including job availability (*purpose*), social connections and personal life (*social*), income, financial control for private money (*financial*), physical health and vital energy (*physical*), the availability of housing in a safe and pleasant environment (*community*) [9, p. 26]. It includes the following indicators: index of law and order; nutrition index and roof over the head; index of personal economic situation; personal health index; civic engagement index; welfare indices: prosperity, difficulties, suffering; *welfare indices*: positive events; *welfare indices*: negative events; index of trust in national institutions (army, justice, election system, etc.); corruption index; youth development index; index of basic needs of society; diversity index; index of optimism; index of respondents' use of electronic means of communication; violence index; index of religiosity. The study is based on national surveys that use a basic set of questions.

Thus, social well-being is a complex indicator that includes various aspects of human life and society and is based on objective statistics on the socio-economic

development of the country, as well as on the subjective perception of people of their lives, health, development opportunities, etc.

It should be noted that almost all researchers identify one of the components of social well-being of the population, in one context or another. This approach is fully justified, as public health is one of the strategic resources for building the development potential of the country, its economic growth. On the other hand, on the individual level of health there is one of the key factors for achieving other components of social well-being (including financial and social), and a prism for perception of own life and satisfaction with it.

So, system of public health created in Ukraine aimed at the formation and implementation of effective public policy to preserve and strengthen the health of the population, increase life expectancy and improve the quality of life, prevent disease, continue active, working age and the promotion of a healthy lifestyle by combining the efforts of the whole society.

Thus, social well-being are complex indicators that include various aspects of human life and society and are based on objective statistics on socio-economic development of the country, as well as on the subjective perception of people of their lives, health, development opportunities, etc.

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## **Part 5. Legal responsibility mechanisms in the context of globalization**

- 5.1.** *Svitlana Hlushchenko* – PhD in Economics, Associate Professor  
State Biotechnological University, Kharkiv, Ukraine.
- 5.2.** *Tetiana Duiunova* – Doctor in Economics, PhD in Law, Associate Professor  
State Biotechnological University, Kharkiv, Ukraine.
- 5.3.** *Oksana Kravchuk* – PhD in Economics, Associate Professor  
*Iryna Varis* – PhD in Economics, Associate Professor  
*Elena Kirianova* – PhD in Economics, Associate Professor  
Kyiv National Economic University named after Vadym Hetman, Kyiv, Ukraine.
- 5.4.** *Liudmyla Pivnenko* – Senior Lecturer  
State Biotechnological University, Kharkiv, Ukraine.
- 5.5.** *Serhiy Shvydky* – Doctor in History, Associate Professor  
*Nadia Shvydka* – PhD in Philology, Associate Professor  
Donbas State Pedagogical University, Slovyansk, Ukraine.

## **Part 6. Interdisciplinary approach to solving the problem of improving the life quality**

- 6.1.** *Aleksander Kuzienkow* – PhD of Physical and Mathematical Sciences,  
Associate Professor  
*Nikita Glazow* – Master Student  
Oles Honchar Dnipro National University, Dnipro, Ukraine  
*Jana Glazowa* – PhD in Economics, Associate Professor  
Berdyansk State Pedagogical University, Berdyansk, Ukraine.
- 6.2.** *Nataliya Martynenko* – PhD in History, Associate Professor  
Kharkiv National Medical University, Kharkiv, Ukraine.
- 6.3.** *Leonid Melnyk* – Doctor in Economics, Professor  
*Iryna Dehtyarova* – PhD in Economics, Associate Professor  
*Mykola Kharchenko* – PhD in Economics, Associate Professor  
Sumy State University, Sumy, Ukraine.
- 6.4.** *Wladyslaw Wornalkiewicz* – PhD, Professor WSZiA  
The Academy of Management and Administration in Opole, Opole, Poland.
- 6.5.** *Svitlana Avdieieva* – Senior Lecturer  
*Irina Minakova* – Senior Lecturer  
Zaporizhzhia Regional Institute of Postgraduate Pedagogical Education, Zaporizhzhia,  
Ukraine.
- 6.6.** *Mykola Balukh* – Lecturer  
Khmelnyskyi Humanitarian-Pedagogical Academy, Khmelnytskyi, Ukraine.