

A PROFESSIONAL ARMY AS A SUBJECT OF PUBLIC SECTOR AND OF THE LABOUR MARKET

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***Abstract:** This paper deals with topical issues of research referring to a professional army position as an economic subject. Using new knowledge of economic theory, some aspects of a professional army position on the competitive labour and human capital market are observed. The text emphasizes the necessity of further development of military-economic research that should draw attention of a wider professional public.*

***Key words:** military science, the state defence economy, economy of armies, national security, defence, professional army, human capital, recruitment potential.*

1. INTRODUCTION

The accelerated process of society's development, that is a characteristic trend of historical movement in human society, has reached a considerable intensity at the turn of the 20th and the 21st centuries. It is related to profound qualitative changes in all spheres of society's life and its quality itself even within the life of one generation. To avoid unexpected surprises it is essential to focus on the analysis of development trends/tendencies in particular spheres of society's life, mainly those of security and defence.

The defence economy as an identified element in the Czech Republic is divided into two sections: the state defence economy section and the armed forces economy. Since the year 2000, intensive discussions have taken place. They are focused on the search for and formulation of a new paradigm for the state defence economy as a science dealing with issues of economic support of the national security and the source of new research topics. The topic of a professional army as a subject of economic research belongs here. The systematic development of this trend relating to military technical research is supposed to become a source of

practical recommendations. These will make efficient use of limited resources that are earmarked for the needs of army system development.

2. THE IDENTIFICATION OF A PROFESSIONAL ARMY AS AN ECONOMIC SUBJECT

The coexistence of private and public sectors as two inseparable parts of the social and economic systems is typical of all free market economies. This is true because the market mechanism is not capable of performing all economic functions.

The public sector fulfils a number of social, political and economic functions. (Musgrave, 1994, p. 3-20).

These functions are carried out in the form of activities of particular subjects where the country's armed forces play a significant role. Economic functions of the public sector being emphasized, it is advisable to look upon these subjects as economic entities. At the same time it is not possible to neglect the fact that there are some particularities in their management.

The analysis of factors that determine an efficient management of economic subjects in the private sector, together with a recent

discussion dealing with principles of its existence, (Ochrana, 2001), have resulted in a requirement to find a unified concept of the public sector and its nature. The public sector is understood as a sphere of social reality that *... is in public possession where decisions are made in the form of a public selection from the political standpoint, where a rule of public control is introduced, whereas the purpose of public sector functioning is to meet public concern and to manage public affairs*“ (Ochrana, 2001, p. 11).

The implementation of the given features for public sector subjects within the field of defence offers the possibility of seeing a professional army not only as subject within the public sphere, but also as an economic subject. Further, instruments of economic analysis are implemented with regard to the orientation and activity of its sector.

The need to look upon the army as an economic subject at both theoretical and practical levels is not a purport in itself. It is a methodology requirement resulting from a new character of the army as a fully professional organization.

Full professionalisation of the army and its entry into the competitive labour market has changed the army as a system into a “full-value“ economic subject which is integrated into the market environment with all its aspects.

In past few years, studies focused on the army as an economic subject have appeared. However, their contribution is limited from the point of view of present-day needs. Most of their authors paid attention only to either a/ the position of the army as a subject of a final market product providing a public service in the form of national security or, b/ an area of research of “capital asset flows“ within the army system, with the aim of finding effective instruments and methods for the improvement of economy and efficiency in expenditures for defence allocated to the army. This orientation of the research is and still remains, topical because “one of the basic issues of the public sector economic subjects that there is scope to provide efficiency and effectiveness, both in economic (in a narrow sense) as well as social-economic (in a broad sense), in the process of

meeting public concern and the effectuation of common affairs“ (Kraftová, 2002, p. 2). A very small amount of attention has been paid to the economic analysis of internal and external factors that influence the position of the army as a **labour market** subject (including a “human capital market“) and “**the application of labour and human capital**“ in the specific conditions of the army. In other words, it is essential to pay more attention to the following:

- the analysis of the position of the professional army as a labour market subject;
- the efficiency of investments into human capital within army conditions.

The increasing need for economic assessment of processes taking place in the army on one hand and insufficient identification of the army as an economic subject on the other hand have found a concrete expression in comparing it to “a large firm“ or “an enterprise“. However, this concept has not been dealt with in detail. Too, a general explanation and the vague nature of this approach prevents a more thorough implementation of economic instruments of management into the army environment and correct solutions of questions that refer to needs occurring in practice. Practice outruns theory again.

The term “firm“ is one of basic terms of theoretical economics the definition of which remains on the implicit level with a number of authors. As a rule, the “firm“ is a subject that is engaged in production, i.e. in the change of rare production factors into necessary products and services as its output. The economic concept of a firm is not associated with the necessity of creating a profit. The economic theory functions even with other types of firms.

For the identification of the army as an economic subject the approach that identifies a firm on the basis of a determination of the so-called “essential general attributes“ and “specific features of a higher level“ is inspiring. In the Czech environment it is considered more suitable “...to indicate economic subjects-producers as firms without

regard to their a priori relations to profit creation.“

The essential attributes of a firm on the general level are:

- the manufacture of products (services) to satisfy needs in the process of supply;
- the character of a system that is based on the input/output principle together with a final function and intentional structure.“ (Kraftová, 2002, p. 2)

A high degree of general features or a low resolution of essential attributes requires their supplement with other identification criteria, which means specific features of a higher level of a firm. These specific features help characterize the army as an economic subject and identify it in the market environment. The criteria that specify a particular firm as an economic subject on a lower analytical level are:

- a product is produced for a final consumption or it is an intermediate product for the production process;
- a final function is described as an a priori profit or not (a priori profit and non-profit subjects);
- whether they operate within a private or public sectors and what a legal type of business the firm is.

Criteria applications of this approach in the army as an economic system lead to a statement that the army functions in the process of supply in the form of an internally structured and relatively opened system. This system acquires inputs (resources) from its environment and these are transformed into outputs that are delivered back to its environment. The product “national security“ is determined for a final consumption. The elements to profit production is not a goal. The army as an economic subject operates in the public sector. In this connexion it is necessary to point out that a target function of the army as an economic subject consists in the output in the form of *defence and national security required by the political representatives*. The fulfilment of this function should be supported “...by an intentional (expedient and adequate) structural character“. (Kraftová, 2002, p. 17) The absence of some elements of “the

economic structure“ or the insufficient ability of existing structural elements to interact in the direction of the final function of the army as an economic subject-a firm cause negative consequences that influence the realization of measures given by the economic theory. These measures should improve economy and efficiency in the activities of units and installations, on all levels of control in the army as a whole.

3. THE PROFESSIONAL ARMY AS A SUBJECT OF THE LABOUR MARKET

3.1. HUMAN RESOURCES AND RECRUITMENT POTENTIAL

The recruitment and retention of skilled workers is a part of the build-up of a professional army. The Army of the Czech Republic becomes an important subject of the Czech labour market, as far as demand is concerned. On the side of supply there are people – human capital investors. Both parties assess costs and returns on investment flowing from pertinent cooperation.

As a rule, conclusions of the classical economic theory is a starting point for the simulation process of possible supply and demand reactions to the assumed development of labour market parameters. The theory mentioned analyses the mechanism of labour market as a specific type of “market cleaning“, which is a process of balancing labour market supply and demand by the medium of its price - a salary. The supply is determined by the productivity of work as a productoin factor or by a limiting utility of additional work unit. A limiting productivity of a work unit is based on the applicable workers’ skills, i.e. on the applicable human capital. The classical model assumes a rational behaviour of labour market participants, homogenous work as a production factor, an easy substitution of work and capital and identical education and experience effects for all workers on the market.

However, the real labour market is not an homogenous closed system regulated only by supply and demand for labour forces but it is

interpreted as a “segmented“ market, i.e. a market where reciprocally separated certain groups of work activities or labour market sectors can be found. Simultaneously, there are also socially differentiated options of various individuals and groups on this market. This leads to the selective approach to activities and labour market sectors among them.

Former researches confirm that, provided institutionally defined relations are assumed as the basis, it is possible to analyze an individual behaviour as a reaction to regulations and incentives that are formed in various segments of society.

A professional army is a significant segment of the labour market with institutionally defined relations offering rewards and it also has detailed requirements on health, physical, age and personal aptitudes of individuals, their behaviour and - interest. World demographic trends, particularly European ones, find reflection even in the development in the Czech Republic. The conclusions of demographic studies call attention to unfavourable development of the age structure with the population. It can be a time-bomb not only for the economic development in the medium-term and long-term horizons, but also for the availability

of human resources necessary for the complement of a professional army.

It concerns mainly young people between the age of 19-23 who represent the most suitable recruitment potential for the complement of the Czech Army (Table 1).

Table 1 Age Structure of the Population of the Czech Republic

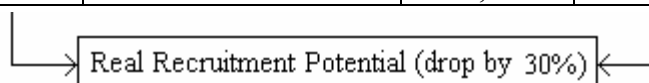
Age group	Numerical share in the age group (in thousands) in:		
	2005	2015	2025
0 – 2	282,5	274,5	232,1
3 – 5	274,5	285,1	247,3
6 – 14	934,1	853,6	818,2
15 – 18	513,0	364,4	287,3
19 – 23	673,7	538,2	478,7

Based on statistic data, it is possible to assume that there will be so few twenty-year old people around 2020, which will cause a deficit in influx of young people both into a civilian sector and the army.

The negative trend in the development of the recruitment potential also results from the comparison of the real recruitment potential in 2000 with the estimated potential in 2005 (Table 2).

Table 2 – Comparison of Recruitment Potential in the Age Group of 18-Year-Old Males

Year 2000 – MALES – 18 years: 70, 500			Year 2025 – MALES – 18 years: 49, 659		
Fit	37,5%	26, 438	Fit	37,5%	18,622
Competent	49,6%	13, 113	Competent	49,6%	9,237
Interested in service	10,0%	1, 313	Interested in service	10,0%	923



The basis for the comparison were segments of males at the age of 18 as given in statistic files by the Czech Statistic Office (ČSÚ) and principles (percentual representation of particular categories – fit, competent, interested in service) that are based on the document “The Reforms Within the Armed Forces of the Czech Republic“ issued by the Ministry of Defence in 2001.

Besides the fact that the recruitment potential will drop from 1,313 people in 2000 to 923 in 2025, i.e. approximately by 30%, in

the observed group of men at the age of 18 it is worth noticing the total drop in the population of the Czech Republic as well as the drop in the percentual representation of the compared segment of the population. The ČSÚ statistics assume a probable drop from 10,267,668 in 2000 to 9,927,102 in 2025. The share of males at the age of 18 in the total Czech Republic population was approximately 0.7% in 2000 and it should drop to approximately 0.5 according to the prognosis. (Šmondrk, 2004, p. 23-24).

This trend in the development of human resources exposes a very dangerous security threat and it is detrimental to a competitive position of the army on the labour market considerably. At the same time, there is a scope for wider options of approach to the military career for other demographic categories. Undoubtedly, women belong to the most discussed category. They perform a number of functions in the system of military organization in the present days. From the economic point of view it is of importance that female presence in a professional army does not create pressure on the overall volume of finances for salaries, for it is one of the few branches where the equal remuneration among men and women exists. Women in the armed forces have a higher salary by 30-50% in comparison to corresponding positions of the civilian sector. It is possible to apprehend this fact as a competitive advantage of the army on the labour market.

Present experience with “feminization“ of the army has shown not to have caused a decrease in the average productivity of labour. Further, no one has proved yet that women were or are less productive than their male counterparts in the fulfilment of various duties that constitute a content of public property called national security. Considering possible future enhancement of the female population segment as a recruitment resource, it should be taken into account that the exploitation rate of this segment is contingent on the diversity and scope of appropriate job positions.

3.2. LABOUR AND HUMAN CAPITAL MARKETS

Besides changes in the international political relations, changes in weapons and military equipment have been implemented in recent years as well.

Technical and technological innovations in the field of contemporary military science impose higher requirements on the intellectual features of 21st century land warrior. Many of them have been demonstrated convincingly in the course of the last military conflicts and they are often evaluated as a “military

technical revolution“. Consequently, the term “human capital“ (HC) appears more often, the labour and human capital markets are distinguished even in the conditions of military science.

In the course of 90’s of the 20th century, workers including military personnel have been looked upon as independent investors of human capital, i.e. their skills and abilities, increasingly.

They decide independently whether, to what extent and in whose favour they engage themselves. In this way conditions for the image shift from seeing them as a category of costs over assets to a human capital group have been created gradually. The workers as independent investors of human capital dedicate their time, talent, efforts, energy and personal interest in the process of production. It is only up to them whether and in whose favour they invest their human capital elements. Undoubtedly, these resources are an object of competition because the success of firms and other economic subjects is dependent on the human capital quality more and more nowadays. Simultaneously, there is a rule that individuals who are carriers of human capital of a high value are capable of investing it in a way that it can be valorized as highly as possible and they look for conditions accordant with its fruition.

To create such conditions is an essential competitive advantage for all subjects of demand side of the market including the army.

The supply of human capital investors (of his carriers) and the firms’ demand for human capital meet on the human capital market that developed from the labour market. This development process continues in the form of changing major parts of the market into a competitive human capital market. During the period of its development, the labour market was always characterized by the excess supply of labour over its demand for labour. As a result of the development of science, technical and technological progress and due to economic globalization this excess supply is expected to increase in future. The situation is the opposite in the human capital market, where a certain excess demand for human capital can already be observed in some

specializations at present. Due to the interaction of the same factors it is experiencing a rising tendency towards the excess demand growth. The accelerating effect amplifies the scope of this demand even to specializations belonging to the human capital sector that participates in the accumulation of the human capital.

Even there is no distinctive line between the labour market and the human capital market, there is a comparatively clear dividing area that is characterized by these parameters, particularly:

- on the labour market a worker receives a reward for the time spent at work while on the human capital market he receives a reward for the lease of exerted investments into the human capital;
- a reward on the labour market ranges within the range of a minimal salary and a multi-multiple of a minimum salary while a reward on the human capital market is higher (by an order or several orders higher than an average salary);
- a worker must face a danger of redundancy on the labour market while a lessor (owner) leaves a lessee open to a risk by offering him options for arranging a lease of his human capital for another lessee under advantageous conditions.

The key that opens a magic line between the labour market and the human capital market consists in an appropriate strategy and tactics in the accumulation of the human capital. On one hand, the accumulation is a result of exertion of a person who accumulates, on the other hand, the effort of service organizations. The accumulation can be carried out on the basis of an investment of the worker's own financial means or on the basis of financial means invested by a firm that has leased the human capital of the worker. This is a very interesting moment for the army from an economic viewpoint. It enables to identify resources and an investment size more precisely as far as the initial human capital quality as well as its subsequent changes are concerned. The assessment of investments into the initial quality of the human capital with a person

concerned in military service should be one of criteria in the process of setting a "recruitment price". It must be sufficiently motivating for subjects of the supply side. The analysis of preferences in a corresponding segment of *national human resources* is required in conformity with army needs.

3.3. FACTORS DETERMINATING A SUPPLY PRICE ON THE HUMAN CAPITAL MARKET

A significant factor that influences a concern in the army service is a value orientation of people concerned. It finds its reflection in the arrangement of their preferences. The professional army as a lessor must include this value orientation to decision-making starting points about lease cost of the human capital.

It is necessary to point out that preferences are a starting point for the inquiry of an individual's rational behaviour for the standard economic theory. The behaviour is based on a comparison of a goal (benefit that results from the consumption of properties) with costs spent to reach its accomplishment (pension). The benefit is a function of expenditures for public properties:

$$U = f(X_1, X_2, \dots, X_n) \quad (1)$$

The benefit function is derived from the consumer's preferences and indicates the direction of his preferences. The consumer's preferences are determined not only by basic biological functions, but also by his past and expected future consumption including the consumption (preferences) of people in his near neighbourhood, distant locations, publicity etc. This approach to preferences enables us to define two forms of human capital reserves (Becker, 1996, p. 4-23).

- **personal capital (HCP)**, i.e. a relevant **past consumption** and all other personal experience that can influence a current benefit of the given consumer;
- **social capital (HCS)**, i.e. influences of past decisions (acts) by reference group members and all other people who belong to a social network of the given individual.

Both forms of human capital (personal and social capital) influence a current as well as an

unexpected future consumption. The consumer's benefit function will depend both on expenditures for public properties and reserves of personal and social capital. The benefit function can be formulated:

$$U = F(X_t, Y_t, Z_t, HCP_t, HCS_t) \quad (2)$$

where X_t , Y_t , Z_t represent various properties, HCP_t , HCS_t personal and social capital of the given individual.

The role of personal and social capital HCP_t , HCS_t can be illustrated on the example of an university graduate who decides whether to join the army or not. Signing a time-limited agreement should mean an intermediate benefit in the sense of a secured certain existence. In most cases we do not meet our decisions only to enjoy a momentary benefit but we also take a future benefit into consideration. Even our graduate will ponder over the expected future benefit that results from his momentary decision. The agreement signature will ensure him not only a certain reward but also the extension of his personal capital. However, it is probable that he will not be able to be fully engaged in his specialization and it will disvalue his personal capital to a certain extent. We come to a conclusion that a specific present behaviour can increase a future scope of personal capital or, on the contrary, decrease a future scope of his personal capital. It should be generally valid to equalize the overall scope of his personal capital in the following period with a scope of personal capital that has been newly created in the given period. A disvalued portion from the same period will be deducted from that newly created capital (Becker, 1996, p.74). Formally, this change can be formulated as follows:

$$HCP_{t+1} = x_t + (1 - d_p)HCP_t \quad (3)$$

where d_p is a constant measure of personal capital disvaluation and x_t denotes costs, i.e. an amount invested into this capital within the period. It is very probable withal that our potential person /prospect/ concerned in the professional service in the army will include a future benefit and plausible costs for a repeated input into the civilian sphere (X) to his expectations. If this part of costs is taken into consideration, then it can be written that:

$$HCP^*_{t+1} = x_t + (1 - d_p) HCP_t + X \quad (4)$$

There is a problem that consists in the way of expressing a scope of personal capital and its changes. This obstacle can be surmounted by measuring consumption that becomes an investment into the human as well as personal capital. These investments into personal capital will certainly differ and their amount will be different e.g. with a person concerned having basic, secondary or university education. With regard to the above-mentioned conclusions the expected benefit function reads as follows:

$$U = f(X_t, Y_t, Z_t, HCP^*_{t+1}, HCS_t) \quad (5)$$

provided constant quality X_t , Y_t , Z_t and unchanged size of social capital provision are valid. Following the conclusion that social capital *influences social environment effects on the individual's decision-making about consumption*, then the pre-requisite of its constant nature is nothing but a theoretical abstraction. It is sufficient enough to remember how much the conscripts' decisions concerning military service were influenced by opinions dominating in society in the past years.

The formalized expression of the expected benefit function contains basic determinants. They influence the amount of supply price for the human capital lease that a person concerned in the military service expects. He has the right to require this price as his carrier, owner and investor in one person. Nevertheless, this "recruitment price" does not constitute overall costs that the army must spend in the process of his recruitment. Let us suppose the price will be reimbursed in the form of a single payment. Then it is necessary to increase overall costs of this first period by expenditure for recruitment centres, select establishments, promotion and publicity activities etc.

3.4. ECONOMIC CONTEXTS OF GENERAL AND SPECIFIC TRAINING

No one doubts the fact that new members of the army will have to undergo a training after signing an obligation to serve in the

professional army. Further, they are expected to improve their acquired knowledge and skills systematically. For the sake of simplification, we are going to keep to the following prerequisites. (Kameníček, 2003, p. 25-35):

- the term *training* should be understood as activities aimed at quality improvement of personal human capital that a professional soldier has to participate in at the beginning of his contractual obligation;
- in consequence of the training improvements in quality of human capital and enhancement of efficiency are accomplished;
- improvements in quality of human capital and enhancement of efficiency can be attained by sustaining certain expenses only (otherwise the demand for training would have to be perpetual);
- in consequence of changes in efficiency the personal component of human capital becomes an impetus for rise in salaries of HCP investors and the quality of national security as a public property improves.

Conclusions of economic theory enunciates that a firm maximizing its profit reaches the balance if terminal labour assets equal to terminal expenditure for labour. It is expressed by the formalized entry:

$$MPP = w \quad (6)$$

where **MPP** equals a value of terminal product of labour and income, **w** salaries and expenses. In case a training were not held, workers would receive appropriate rewards in each single period. These rewards would represent a maximum return at the given market salary rate. Neither rewards nor terminal products would be dependent on the preceding / previous / behaviour of the firm during the next periods. The conditions of balance could be expressed by:

$$MPP_t = w_t \quad (7)$$

where **t** index denotes a sequence of the appropriate period.

The balance in each single period would depend only on flows in this period. If we include training into our considerations, the situation will change. The training may decrease momentary income and increase

momentary costs. It means that the training will be profitable for the firm only provided either its future returns increase or if its future costs decrease in a sufficient way. These considerations help us reformulate market balance conditions into the following equation:

$$\sum_{t=0}^{n-1} \frac{R_t}{(1-i)^{t+1}} = \sum_{t=0}^{n-1} \frac{E_t}{(1+i)^{t+1}} \quad (8)$$

where **n** denotes the number of particular periods, **R_t** and **E_t** denote overall income and expenses in the period **t** and variable **i** denotes the market interest rate. Considering that the training will be provided only in the course of the first (inaugural) period, the costs of this period will equal the total of wage costs and expenses reimbursement for the training. The costs of other periods would equal only wage costs and income for all the periods would equal terminal products.

With regard to these conclusions the preceding equation reads as follows:

$$MP_0 + \sum_{t=0}^{n-1} \frac{MP_t}{(1-i)^{t+1}} = W_0 + k + \sum_{t=0}^{n-1} \frac{W_t}{(1+i)^{t+1}} \quad (9)$$

where **k** denotes a training expenses.

These conclusions demonstrate not only the convenience of agreement prolongation between the army and its members, but also, simultaneously, they suggest a practicable direction of considerations leading to a cost and asset quantification of military training.

The public sector issue, particularly that of the army, consists in the fact that its output seems difficult to measure, to compare and to quantify. It does not acquire its market price, therefore, it is impossible to measure returns from changes in the quality of public property of national security nor to quantify income on the army's side. There is no criterion e.g. in the form of profit, which could make cost evaluation possible. Thus, a linkage between returns (income) and expenses (costs) does not exist. The solution of this issue could be a detailed identification and concretion of activities which a requested input consists of and an introduction of material, financial and efficiency standards.

The topic of military training costs distinguishes these types of training:

- **general**, in the course of general training its participants acquire general knowledge and skills. It is a method that brings benefit to all subjects excluding those who provide it. For instance, a driver of a steam navy can employ his experience acquired through the military training in many firms of the civilian sphere;
- **specific**, a type of training where its participants acquire special knowledge and skills. "Specific" means the training enhancing "...productivity in firms that provide it more than in other ones...*Complete specific training* can be defined as the training that does not influence the productivity of its participants in case they start work in other firms" (Kameníček, 2003, p. 33).

Basically, there is a rule that general training costs should be covered by the employee while those of specific training by the employer.

Each army, without regarding ways of its complement, provides the training comprising a wide range of knowledge and skills for its new members. Many of them are employable even in the civilian sector. The training takes place immediately at the beginning of the first service period. Its results are employed in the remaining part of this period and they are expected to be employed even in the other periods of army service based on the agreement prolongation. However, the reality is different. As some experience of the U.S.Army shows, the service agreement prolongation is not proportional to the volume of skills provided by the army beneficial in the civilian sector. The persons trained in these skills usually leave the army soon, for they find conditions for a more advantageous evaluation of their personal human capital.

As a rule, returns from the invested personal capital in the course of the first period are higher than in the following periods in comparison with the civilian sector. It is taken for granted that training costs are reimbursed by the army. Then, it should not be surprising that the recruitment for positions requiring special skills is much easier in the first period than the recruitment of persons already trained.

The army is an example of an organization that reimburses training costs. It does not provide any market returns to the specially trained personnel for its personal human capital invested. This can lead to a relative interest growth in a military, mainly special, training and to quite considerable drops in the its graduates number if we take into consideration that the army provides and offers some forms of training that are extraordinarily useful for the civilian sector (such as pilot and aircraft staff trainings, excavator operators and the like). What is the solution? How to prevent labour turn-over in this well-trained army personnel ?

There two ways of solution. The first one is an agreement obligation between the army and the employee that will guarantee cost reimbursement for the specific training. The second solution deals with the issue how to decrease the probability of withdrawals of specific training graduates. It consists in offering them the same or better options for the evaluation of investments into their human capital. The second way appears to be more advantageous and even more economical for the army in the context with the analysis of training costs in the first period.

In the preceding text we have mentioned the necessity of creating conditions for advantageous evaluations of the human capital by its investors and have emphasized the basic competitive advantage of the army on the labour and human capital markets. It is good to be well informed about value ladder of the contemporary generation and their attitudes to employment relations.

With the younger generation, i.e. people born in 1980 and later, there are four significant trends in the attitudes. The employers are forced to verify traditional approaches to human resources or human capital (Green, 2000, p. 435-444).

The generation of today is characterized by the tendency to substitute a traditional twenty-year period of creating professional careers with a twenty-month process of qualification acquisition.

This phenomenon is closely related to the fact that young people consider a change a routine part of their lives. Their attitude is the

same as far as the employment exchange is concerned. Moreover, they try to valorize their own human capital as much as possible and, therefore, they change jobs together with various types of short-term contracts as well as branches of specializations without any difficulties.

The second tendency features a completely new perception of contemporary information and communication technologies. Young well-educated workers are not only capable of using these technologies in a creative way, but they expect them to form a **required working environment**.

The endeavour to invest one's own human capital effectively and the view of a career as a short cycle of qualification acquisition fully harmonizes with the demand for options of personal development. When deciding about their careers these people usually ask questions: "What will I learn in this job? What enables me to reach my future goals?" Education is of great value for this generation, they realize its importance and, therefore they require opportunities for life-long education from their employers.

In comparison with their forerunners the generation of today puts a considerable emphasis on the work/life balance. They expect their work to be reasonable and useful, but also entertaining. They intend to conceive such work schedules so that their jobs can be in concordance with their life styles. Interests of the army organization must harmonize with zeal, motivation and competencies of employees. These principles should be respected even in the army to the extent the specific character of career soldier's profession allows.

4. CONCLUSION

The professional army is a new structural element of the society's public sector and it has become an object for research activities of a number of scientific branches. The military economic research carried out from the position of the state defence economy occupies a significant place.

Based on the implementation of some new, nontraditional approaches to the theory of the human capital, to its personal and social forms we have identified new economic issues related to the professional army activities. We have supported the point of view that it is feasible, effectual and, particularly, necessary to investigate the army as an economic subject and to apply rules of economic firm management on its activities.

The paper submitted is focused on raising a broader interest of a professional public in the research of the professional army behaviour as an economic and labour market subjects and the exploration of potential ways of increasing efficiency in resources exploitation that are designated for the economic support of national security.

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