**Abstract**

**RS-94**

Title: **«**Thedevelopment of human capital in the Russian Federation»

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**Object of the research:** human capital in Russia.

**Goal of the research:** To analyze achievements and problems in human capital development during the last 15-20 years, to identify key challenges and barriers for its future evolution and develop proposals for the improvement of certain social policy spheres aimed on development, preservation and more efficient use of human capital in Russia; to design proposals for stimulating creative industry promotion in Russia on the base of studying Russian and foreign experience.

To achieve the goal following **methods** were used (a) Russian and foreign literature review; (b) legislation analysis; (c) analysis of micro-data of population surveys and focus group transcripts; (d) estimation and analysis of the Russian Federation’s budgetary system budgets expenditures; (e) modelling.

**Empirical base of the research** coversdifferent sources of information including academic and expert literature of the themes discussed above; federal and regional legal acts of Russia and its constituent entities; statistical and forecast data by the Federal State Statistics Service (Rosstat), OECD, World Bank, UN, Eurostat, etc.; budgetary statistics published by the Ministry of Finance of Russian Federation and the Federal Treasury websites; population micro-census dataset (2015) and representative population surveys such as the Russian Longitudinal Monitoring Survey (RLMS-HSE), Comprehensive monitoring of living conditions of the population (2014), Selective supervision of quality and availability of services in education, health care and social services, assistance of employment of the population (2013 and 2015), Statistical survey of income and participation in social programs (2014), Household Budget Survey (2012), «The standards of living and social well-being of the population» (Institute for Social Policy survey, 2016), «The population perception of socio-economic changes in modern Russia» (Institute for Social Policy survey, 2017), «Readiness for change» (2016), «Opportunities and problems for socio-cultural integration of "second generation" migrants. Children of migrants in Russian schools and universities» (2017), etc.

**Results of the research**:

1. The review of academic and expert literature on human capital issues shows that the traditional interpretation of this concept as a combination of knowledge and skills does not correspond to the current economic situation. This interpretation may be extremely harmful to society in the case of its adoption as a government policy basis for formation and growth of human capital. At the analytical level, it is better to implement the approach of human potential. The empirical analysis reveals that human capital quality of most Russian managers is uneven, but generally very low. Professionals have even more heterogeneous human capital quality. In comparison with the previous group, they have on average human capital of better quality, but under the conditions of traditionally higher requirements to the professionals, it is still quite low and most of them cannot be assumed as genuine professionals. Deprofessionalization among specialists has also become catastrophic. The project helped to identify main challenges in the area of professionals’ and managers’ human capital and suggest measures to overcome existing disproportions and prevent worsening of existing trends. Developing of competitive basis in Russian economy is one of the most important conditions for implementing the policy and increase the interest of employees in employers to the qualitative human capital.
2. The research allows identifying socio-demographic characteristics of creative and innovative potential prevalence in Russian society. We find out positive nonlinear correlation between human capital and this potential in all groups of Russian society. Developed human capital which includes education and qualification investments and effective time management, is limited in Russia. This may be a marker for educated part of the country like managers and specialists with higher education. Thus, creative class is a subset of the middle class, its most creative core. Although, it is a mistake to identify people with creative and innovative potential as the middle class. For evolution of creative and open-minded people, real sector enterprises should increase salaries for high-skilled workers.
3. The analysis of revenues and expenditures dynamics, based on the official statistics and population surveys, reveals feasible negative changes in the income’s structure and consumption behavior of Russian households under the influence of the crisis. Social expenditures has richen maximal value in the structure of revenues. Inequality level formed in 1990s remains very high. The absolute poverty level decreased in 2000s, has been growing again since 2014. The growth of poor population has mostly happened in families with children. Almost half of family’s expenditures satisfy basic needs. There is sustainable increase in the expenditures on food at home since 2014 and its share in 2016 is higher than in 2009. Beginning with 2015, the share of expenditures on food products exceeds the share of expenditures on non-food items.
4. Russians describe poverty as usually associated with poor living conditions; malnutrition, poor quality of clothes and shoes; lack of confidence in future; inability to meet basic needs without debts; lack of access to qualified health care; limited access to good jobs and good education; negative attitude of society and inability of children from poor families have the same opportunities as others have. We find out that society gradually formulates a monetary line of wealth, which is close to 100 thousand rubles per capita per month. But the idea of who is rich in modern society remains somewhat more blurred. The image of the rich is connected with better-located and equipped housing, another way of spending their holiday, confidence in future, higher opportunities for the children, access to good jobs and education of better quality for them and their children. Along with higher consumption level, they have more opportunities for the investments in human capital. Societal attitudes towards the poor are still sympathetic, but gradually become neutral or even convictive. Attitude toward the rich is less homogeneous. Most Russians do not feel either positive or negative emotions, while the rest of population is divided in two parts. First group is addicted to their life style and feel sympathy and respect. Second group tends to suspect the rich and does not trust them. Russians perceive existing inequalities as illegitimate and superfluous. Evaluating their place in the social structure, people often identify themselves in the middle positions, while the whole model is skewed down with respect to the medium values. In spite of being optimistic with respect to the future dynamics of living standards, three quarters of Russians suggest not to achieve the position in society they want to.
5. In the framework of the project, we conduct new estimates of the Active Aging Index for Russia. The Index hasn’t changed its values from 2010-2012 till 2014-2016 and is equal to 31,8%. The first three domains, including employment, participating in society, independent, healthy and secure life, demonstrate negative dynamic, while capacity and enabling environment for active aging has grown. It is important to pay attention on the decline of elderly’s employment rates during the last 2-3 years. Russia has the most significant gap in the value of independent, healthy and secure life domain in comparison with the average European level. There are serious problems with access to medical and dental care, physical activity and life-long learning. Different population surveys also support the thesis about the elderly’s denial from medical consultations and saving on expensive remedies and treatment. They also feel more deprived in medical state services in the area of living. Comparing separate indicators values for Russia and European countries, Russia exceeds other countries just by achieved education level whereas other features of human capital have much lower values than the EU average.
6. The export potential of Russian creative industry is insignificant in comparison with other countries. The largest part of Russian creative products exports consists of publishing and printed media, as well as design. Advertising, marketing research, architectural, engineering and other technical services are the most competitive among Russian creative services on the world market. On the export value, they take the second place after China. After the expert interviews research, we formulate the following list of possible problems and barriers for successful development of art business: (a) creative industry support is not the priority of state policy and it does not attract public investors; (b) lack of funding sources; (c) there is no commercial ambitious and long-term company growth understanding, weak entrepreneurial culture, lack of knowledge for great ideas transformation into prosperous business plans; (d) insufficient infrastructure development such as shortage of places for exhibitions, stage platforms, etc.; (e) deficiency of interaction within the industry (except several clusters), as well as external links with world creative industries enterprises; (f) scarceness of communications between government and creative industry representatives; (g) weak payable demand on creative products as consumers prefer more standard and cheap production. We suggest mechanisms for overcoming designated barriers taking into account successful world experience.
7. In addition to the results listed above, we developed proposals and recommendations for improving family and migration policy, policy aimed at using cultural heritage as a factor of socio-economic development of Russian regions, as well as proposals on a possible change in the expenditure obligations implementation model of the constituent entities of the Russian Federation and the structure of financing expenditure obligations in the social sphere aimed at further avoiding underfunded mandates.

**Degree of research results implementation.** The study was carried out in the interests of the Center for Strategic Research. 27 analytical notes were prepared during this project. The materials of the research were also used in the preparation for participation in meetings at the Center for Strategic Research, the Ministry of Labour and Social Protection of the Russian Federation, the Ministry of Economic Development of the Russian Federation and at the meetings of the Council Under the Government of the Russian Federation on Guardianship in the Social Sphere.

**Level of implementation.** Results and recommendations, formulated on the base of the conducted research, can be usedto advise public authorities and improving existing or developing legislation in the field of social and economic policy measures aimed at human capital development in the Russian Federation in order to increase their effectiveness.