The Influence of the Political Elite on the Formation of Human Capital in Russia

Vladimir V. MOISEEV¹,*, Zhanna N. AVILOVA¹, Tatyana V. TSELYUTINA² and Tamara A. PASTUKH³
¹Belgorod State Technological University Named After V.G. Shukhov, Belgorod, ul. Kostyukova 46, 308012, Russia
²Belgorod State University, Belgorod, Pobedu str, 85, 308015, Russia
³RANEPA, Tula Branch, Tula, Lenin Avenue, 28, 300041, Russia
*Corresponding author

Keywords: Human Capital, the Elite, Public Administration, Efficiency, Socio-Economic Development.

Abstract. Strategic objectives, prospects and realities of development in modern Russia, outlined in the may Decree of the President of the Russian Federation (2018), determine the special role of human capital as a factor of economic growth and a huge resource of socio-economic development of the country as a whole. The state policy in the sphere of human capital, as an important part of the economic strategy and social policy, should be formed taking into account new challenges and contribute to the achievement of national goals and implementation of strategic objectives of the Russian Federation.

Human capital is currently shaping the economies of developed countries to the greatest extent. This is demonstrated by such States as Germany, Japan, South Korea, Singapore, etc. in the structure of national economies, the share of human capital reaches 80%. The formation history of the strongest economies in the world shows a direct dependence on the quality of human capital and the activities of the political elite, the leadership ambitions of political leaders, from intelligence, education, motivation, political will which is crucial to socio-economic development and prosperity of many developed countries. In turn, the Russian elite itself demonstrates the special characteristics of its own human capital as the main productive and social factor in the development of the modern economy, society and statehood. In this article, the authors consider the role of the political elite in the formation of human capital in the context of social policy in modern Russia.

1. Introduction

The political elite is defined as the privileged part of the ruling class, directly making decisions related to the use of power.

The elite stands at the top of the state pyramid, controlling the strategic resources of all branches of government. Compliance or non-compliance of abilities and opportunities, professionalism and moral qualities of elite to challenges of time define not only an assessment power from ordinary citizens, but also the competitiveness of the entire political system, its stability and the possibility of its modernization.

One of the most important theoretical and no less important from a practical point of view, concerning the elite, is the question of the channels and mechanisms of its recruitment. This issue is important primarily from the point of view of legitimization of the elite. If in the Soviet period the nomenclature system of elite formation was clear and understandable to everyone, in the post-Soviet period the mechanism of elite selection was radically changed. The lack of clear and adequate rules and
requirements in the elite selection system leads to distrust on the part of the population, on the one hand, and to a shortage of professional managerial personnel, on the other.

Currently, the ruling political class forms the elite and at the same time is a source of its replenishment. Therefore, along with the analysis of the objective characteristics of the political elite it is impossible not to wonder about who takes the major management decisions concerning the lives of millions of Russians, from whom depends the vector and the result of socio-economic development of the vast country?

According to the UN methodology, the human capital index can be used to measure the quality of the political elite, which is a practical tool, since the main attention is paid to the knowledge, talents and professional competencies of the politician, his creative approach in making and implementing management decisions, and not his declarative statements.

According to the International Institute for management development (IMD), which compiles the annual competitiveness rankings, Russia is now in 46th place out of 63 countries in the world [1]. And in the world ranking on the human capital Index, the Russian Federation currently occupies only the 16th position in the world, behind a number of developed countries. This suggests that the human capital of the political elite needs serious development.

2. Problem Statement

A large number of works by foreign and domestic researchers are devoted to various aspects of the formation and development of human capital in particular historical conditions. The formation of the modern theory of human capital and its allocation as an independent direction of world economic thought took place in the late 1950s-early 1960s. For the first time the term human capital was used by American economist Jacob Mincer in 1958, then by Theodore Schultz in 1961.

The role of human capital in the formation of long-term sustainable economic growth is shown in the works of Nobel laureates R. E. Lucas, K. Pissarides, R. Solow and other authoritative researchers [2]. Thus, Nobel laureate K. Pissarides, emphasizing the importance of education in human development, pointed out that the role and activity of public policy should increase when it comes to investment in education. It is this area of investment efforts that gives a long-term positive effect of sustainable economic growth.

The influence of human capital on innovation processes has been studied by notable economists, among whom we can note the following J.Schumpeter, La Piere, P. Whitfield, P. Drucker, K. Knight, Brian Twiss and others [3]. They have an important conclusion that human capital is becoming a determining factor in the development of the country. E. Helpman's theory of aggregate factor productivity suggests that intangible resources, including human capital, have a significant impact on the development of economic entities.

A significant contribution to the research of innovative economy and the role of human capital in it was made by domestic scientists-economists N. D. Kondratyev, S. Yu. Glazyev, G. G. Malinetsky, D. S. Lvov, V. E. Dementyev, B. N. Kuzyk, V. I. Mayevsky, G. I. Mikerin, R. M. Nizhegorodtsev O.V. Kryshtanovskaya, Andrenenko I. A. etc.[4].

In the introduction to the monograph "Anatomy of the Russian elite" O. Kryshtanovskaya writes that this book is "about the changes that have occurred with Russian society over the past 20 years, about the elite that made these changes and that has changed itself." This monograph is about the elite formed by V. Putin, about its period when his ruling team was in General formed, including from former military and intelligence officers, and changes in the style of management [5]. According to I.A. Andrenenko “only professionally trained political elite can become a source of creation and dynamic development of domestic public administration” [6].

Based on the works of classics and Nobel laureates, the work of Russian authors in recent years, we can conclude that in the socio-economic development of the country plays a major role human capital of the
ruling elite. The term "political elite" means belonging to the highest privileged stratum, which performs the functions of governance and influences the life of society. For example, thanks to China's political elite, which exemplified the high quality of human capital on the political Olympus, the country made an economic breakthrough in four decades. The characteristic features of China's political leadership were purposefulness, consistency, service to the people, the desire to make them richer and the country more powerful. Today, China is a leading economic power, its gross domestic product (GDP) has increased from $255.7 billion in 1979 to $13.2 trillion in 2018, that is more than 50 times. China's contribution to the world economy rose from 1.8% to 18.2% [7].

In the history of the development of countries and entire civilizations, the personality of a political leader is important. We know many examples of the exclusively personal influence of political leaders on the destinies of entire continents. They testify to the leader's role in the formation of the ruling elites, determining the direction of country development for many decades.

Such examples of the role of personality in history can be found in many countries: Napoleon (France), Hitler (Germany), W. Churchill (Great Britain), Mao Zedong (China), etc. Thus, the choice of the country's development path (raw material or innovative), and the level and quality of life of citizens ultimately depends on the qualities of human capital of the political elite.

3. Purpose and Questions of Research

The purpose of this study is to analyze the human capital of the ruling elite of Russia and its impact on the effectiveness of public administration of socio-economic development in the country. Based on this analysis, the authors tried to find answers to the following key questions.

1. To establish whether the political consciousness of the elite, its thinking corresponds to the large-scale tasks and challenges facing the country?
2. To identify how the human capital of the elite as a whole and its components allow the elite to fulfill its leadership mission? What components of human capital need to be adjusted if they do not meet the requirements of the time?
3. Identify the factors that most affect the basic components of the human capital of the elite.

After the collapse of the Soviet Union in 1991, Boris Yeltsin was elected the first President of Russia. His leadership of the country was not of high quality. During the years of Boris Yeltsin's rule (1991-1999), the Russian economy lost 55% of its economic potential. Russian enterprises under Yeltsin produced less than half of what they produced before the collapse of the USSR.

In our opinion, the main reason for the ineffective state management of Boris Yeltsin's team is that the leader of the country did not have the necessary knowledge and competencies sufficient for the successful leadership of a huge country. Contemporaries noted such negative qualities of Boris Yeltsin's personality as alcohol dependence, craving for personal enrichment, inconsistency and incompetence in many issues related to the economy and social sphere. Often the words of the leader of the country were at odds with his deeds. These negative qualities of the country's leader were clearly manifested during the so-called "shock therapy", the transition from socialism to capitalism, privatization and transfer of power. By verbally proclaiming constant concern for Russians, loyalty to democratic ideals, Yeltsin actually led the country to ruin and default, and the people to impoverishment.

After becoming a legally elected President, Putin began a reform of public administration, which resulted in the creation of a new vertical of power based on the enormous powers of the head of state. At the same time, he initiated the process of forming a political elite from the persons with whom he served in the state security Committee (KGB), worked in the mayor's office of St. Petersburg under the leadership of A. Sobchak. Contemporaries noted that the main principle of personnel selection was not so much professionalism as personal devotion to Putin. It is for this reason that a very big mistake was made in the development of the state's economic strategy: instead of developing an economy based on
knowledge, innovations, and IT technologies, President Vladimir Putin focused on the production and export of oil, gas, and other raw materials abroad. Instead of developing the manufacturing industry, producing modern aircraft, cars, building ships, developing innovative production based on modern high technologies and rational use of human capital available at that time in Russia, new export pipelines were built to Europe, and then to China. It should be noted that the favorable price environment for hydrocarbon raw materials had a negative impact on the work of the political and economic elite surrounding President Vladimir Putin: the country received hundreds of billions of petrodollars. For this money, industrial goods and technologies, food, shoes and clothing for the population were purchased abroad. At the same time, the domestic manufacturing industry and its leading industries: aircraft, shipbuilding, machine tools and others have not developed and almost degraded.

In modern capitalist Russia, a class of super-rich (oligarchs) has formed, which together own 90% of all property, bringing great income to their owners. Thus, the personal fortune of oil magnate Vagit Alekperov by the beginning of 2020 is estimated at $22.3 billion, and the fortune of Vladimir Lisin, the owner of the Novolipetsk metallurgical plant, according to the famous Forbes magazine reaches $21.3 billion [8].

It should be noted that the state of Russian billionaires is increasing year on year against the background of declining GDP growth, anti-Russian sanctions, the continuing fall in real incomes (the sixth year in a row). The reason for this economic paradox is that under the oligarchic capitalism created in Russia, the main benefit from all changes in the country's economy is received by big business, corrupt with the state, the political elite. The state, according to the majority of Russians, does not cope with its distributive function, is not engaged in a fair division of oil revenues, as it is established, for example, in Norway, where contributions to the national pension Fund already exceed a trillion dollars.

V. Putin's capitalism is characterized by the low level and quality of life of the vast majority of the country's population, the degradation of education and health care, a decrease in public spending on social policy, increased tax pressure on small and medium-sized businesses and ordinary citizens. Social tensions created by a sense of injustice are exacerbated by the natural fatigue of the population as a result of three decades of permanent reforms. The most painful and acutely perceived by society is the extremely unfair distribution of income from the export of oil, gas, metal, diamonds, weapons and other raw materials and goods. The state, according to the majority of Russians, does not cope with its most important function, deepening the already huge gap between rich and poor in Russia. Suffice it to say that in Russia, which occupies a leading position in the world in the production and export of oil and gas and other natural resources, numbering more than 100 dollar billionaires, more than 20 million people, according to official data, live below the poverty line [9]. However, the facts show that the leadership of the Russian Federation, the political and economic elite are not very concerned about the state of human capital in the country. This is evidenced by many arguments and facts, including such an important economic indicator as the share of human capital in production. If in developed countries (Germany, Japan, South Korea, Singapore, etc.) this indicator reaches 80%, in Russia it is less than 15% [10].

A strong blow to labor veterans (and not only) was the increase in the retirement period by 5 years. By signing the relevant law in November 2018, Vladimir Putin, in fact, robbed labor veterans of an average of one million rubles. Mostly those of them could receive both a pension and a salary at the same time. The calculations are simple: with an average pension of 15-20 thousand rubles per month, a citizen would receive a year from 180 to 240 thousand rubles, and for 5 years-from 900 thousand to 1.2 million rubles (about $20,000). For distressed Russians, this is a very large sum, which they lost at the will of the President. The situation of working Russians is no better. Even according to official data, several million workers receive salaries that do not exceed the subsistence minimum-11.2 thousand rubles. The main share of the poor in Russia is working people with children, whose salary does not exceed 2 subsistence minimums if there are two children, and 1.5 subsistence minimums if there is one child, says Lilia
Ovcharova, Director of the HSE Institute of social policy. About 60% of all the poor are people of working age, 90% of them work [11]. Moreover, our state and with this meager amount withholds income tax at the rate of 13%, continuing the blatant robbery of the poor. For comparison, in China, the tax-free minimum income in terms of rubles is 45.5 thousand, in Austria—65, and in France and the UK 84 and 86 thousand rubles [12].

Collecting income tax from the subsistence minimum, the Russian elite explains this acute need to protect against external enemies and the implementation of numerous national projects that require money. Unfortunately, for Russians, in the government of Dmitry Medvedev, formed from the elite of society and professionals, in our opinion, there are no competent specialists, including Ministers, who are able to increase state budget revenues not at the expense of ordinary Russians, increasing taxes, fees and excise taxes permanently, but at the expense of economic growth.

As a result of the erroneous policy of the Russian elite in relation to wages and the imposition of new taxes population is forced to take loans from banks for urgent needs (purchase of clothes, shoes, to collect the child to school, etc.). By the beginning of 2020, the total amount of loans to Russians exceeded the astronomical amount—more than 15.5 trillion rubles. Moreover, according to the Ministry of economic development, in 2019, half of Russian borrowers directed more than 50% of their monthly income to payments on loans. 16% of these loans or 10.2 trillion rubles are problematic. They are either already restructured or serviced with a delay exceeding 90 days [13].

The state, headed by the President, saves on the salaries of state employees (teachers, doctors, kindergarten teachers, professors, etc.) and in the future may face a serious scarcity of personnel. And such a dangerous trend has already emerged. According to the Deputy Prime Minister of the Russian government Olga Golodets, more than one and a half million well-educated and competitive Russians, highly qualified specialists went abroad in search of a better life [14].

It cannot be said that the political elite led by President Putin does not deal with the problems of the country's human capital, does not seek to stop its export abroad. The actions of mass media, including electronic media, are aimed at this (about 200 billion rubles are allocated for their financing from the Federal budget for 2020). The President himself does not stop promising and voicing plans about how well people will live in Russia in 2020, 2030 and other years. For example, in the Concept of long-term socio-economic development of the Russian Federation until 2020, better known as "Strategy 2020", V. Putin promised that in 2020 the average salary will be 2700 dollars (about 170 thousand rubles), pensioners will receive as much as three subsistence minimum—an average of 24 thousand rubles, for a family of three people will be 100 square meters of housing [15]. This is what the popularly elected President promised in writing for 12 years. Instead of fulfilling these promises to the Russian people and previously adopted strategic plans and decisions, the head of state in May issues a decree on national goals and strategic objectives, which now need to be achieved by 2024 [16].

Experts are also concerned about the attitude of the political elite to representatives of small and medium-sized businesses. In words promising them full support and assistance, the leaders of the country, through the power structures and dependent courts are clearly the opposite line. According to our calculations, in just nine years, from 2010 to 2018, more than 2 million businessmen were jailed in Russia. Moreover, according to the statistics, the tendency to initiate criminal proceedings against entrepreneurs not only does not stop, but on the contrary, it is increasing, which contradicts the government’s declared policy of supporting small and medium businesses as one of the factors for the development of society and economy of the country.

This attitude towards Russian businessmen is well known to President Vladimir Putin. In addition, he knows the true reason for the detention of businessmen. In his address to the Federal Assembly on December 3, 2015, the head of state noted that the main reason for the arrests of businessmen was raiding by law enforcement agencies. According to him, in 2014 alone, the investigative authorities initiated
almost 200 thousand criminal cases against entrepreneurs. At the same time, "83% of entrepreneurs who were prosecuted, completely or partially lost their business"[17]. However, even after this public speech of the President, the situation with mass arrests of businessmen has not changed, moreover, the number of entrepreneurs who came under the pressure of law enforcement agencies in subsequent years has even increased (table 1).

Table 1. The Number of Arrested Businessmen in Russia in 2014-2018.

<table>
<thead>
<tr>
<th>Years</th>
<th>Number of businessmen arrested</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>212 300</td>
</tr>
<tr>
<td>2015</td>
<td>255 250</td>
</tr>
<tr>
<td>2016</td>
<td>240 000</td>
</tr>
<tr>
<td>2017</td>
<td>241 397</td>
</tr>
<tr>
<td>2018</td>
<td>239 425</td>
</tr>
<tr>
<td>Total:</td>
<td>2 170 072</td>
</tr>
</tbody>
</table>

This fact shows that President Vladimir Putin does not control the implementation of his instructions and orders properly. Russian entrepreneurs have learned the hard way that the affairs of the head of state are at odds with his words and instructions. Having realized that in Russia there are no guarantees to protect their profitable enterprises, businessmen increasingly cease to believe the President and the political elite, Federal and regional authorities. It is not possible to return this huge money—almost 750 billion US dollars—to our country: businessmen prefer to keep their savings in Western banks. As a result of these and other reasons, the rate of economic growth is falling, the standard and quality of life of Russians is deteriorating. According to the authors, over the past 5 years (2014-2018) in Russia, the growth rate was zero. It turns out that all these years the country was stagnant and did not develop. Over the same period, India's economy added 36.6%.

Is it any wonder that India, Brazil and even a small territory and population of South Korea, ahead of Russia in nominal GDP? (table 2).

Table 2. The Place in the World by Nominal GDP in 2018.

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP in billion $</th>
<th>Place in the world</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>20513.32</td>
<td>1</td>
</tr>
<tr>
<td>China</td>
<td>13457.26</td>
<td>2</td>
</tr>
<tr>
<td>Japan</td>
<td>5070.62</td>
<td>3</td>
</tr>
<tr>
<td>Germany</td>
<td>4029.14</td>
<td>4</td>
</tr>
<tr>
<td>U. Kingdom</td>
<td>2808.89</td>
<td>5</td>
</tr>
<tr>
<td>South Korea</td>
<td>1655.32</td>
<td>11</td>
</tr>
<tr>
<td>Russia</td>
<td>1576.55</td>
<td>12</td>
</tr>
</tbody>
</table>

From the table it follows that modern Russia is significantly behind in the development of the economy from the leaders. The US economy in terms of nominal GDP surpassed Russia in 2018 by 13 times!

Eleven decrees signed by Vladimir Putin on May 7, 2012, the day he took office as President of the Russian Federation and containing 218 instructions to the government headed by ex-President Dmitry Medvedev (May decrees) were aimed at reducing the gap between Russia and the United States, China, the European Union, Japan, South Korea and other developed countries of the world. These policy documents of the head of state provided for the solution of the most important social and economic problems within 6 years (2012-2018) [18].
On November 17, 2014, at the "action Forum" of the United people's front, it was stated that the President's instructions are fulfilled only by 23%, and President Vladimir Putin has repeatedly publicly warned members of the government and Ministers that "public political personal responsibility" threatens for failure to comply with these requirements. However, this reasonable initiative remained at the level of words. Five years later, on May 4, 2017, at a joint meeting of the state Council and the Presidential Commission for monitoring the achievement of targets for socio-economic development of the country, the conversation turned to the implementation of the May decrees. Speaking at the event, Vladimir Putin stated the following fact: the government is not coping with its work on the implementation of presidential decrees, so "there are more unresolved issues than the instructions have been fulfilled" [19]. The government of Dmitry Medvedev has not fulfilled the May instructions in the field of remuneration of doctors in most regions of Russia (50 out of 85), noted in the report of the Accounts Chamber of June 3, 2019 [20].

Statistics published in 2019 also showed the failure of the policy on import substitution in Russia. Russia's dependence on imports has not decreased, as demanded by the head of state, but on the contrary, has increased significantly.

Thus, the share of imports in heavy machinery is 60-80%, in light industry is 70-90%, in radio-electronic industry is 80-90%, in pharmaceuticals and medical industry is 70-80% [21, c. 7-8].

With the adoption of a large-scale creative program in May 2012, Vladimir Putin and his elite had a real chance to accelerate the economic and social development of the country. The implementation of this program could be successfully completed under one very important condition: to form a government of competent, highly educated people, professionals in their field. Unfortunately, this did not happen. The so-called "universal managers" who do not have basic education and experience in the industry that needed to be managed were appointed to Ministerial positions by the decree of the President. As a result, the real implementation of the eight-year program of socio-economic development of the country did not work and time was lost.

Speaking about the quality of human capital in the Russian political elite, it is impossible not to note the high corruption that has affected all levels of government, both in the Federal center and in the regions.

Using their official position for personal enrichment, members of the government, Ministers, governors, employees of the presidential administration, deputies of the state Duma through corruption schemes are engaged in large-scale embezzlement from the state budget and other financial sources. Thus, among the qualities of the human capital of the Russian elite can be noted non-binding in the implementation of their promises, which were publicly and even in writing stated earlier.

4. Research Methods

The following methods are used in this study.

1. The comparative method which allows comparing the government of Russia, its level and quality with the developed European and Asian countries.

2. The systemic and structural-functional approaches allow us forming a holistic view of the state management, led by President Vladimir Putin, to show achievements and shortcomings, mistakes and miscalculations made in 2000–2019.

3. The institutional approach allows analyzing the influence of various state institutions on the formation of economic and social policy in Russia and determining the effectiveness of state institutions in our country.
5. Conclusion

Thus, the carried-out research allows the author making the following conclusions.

1. The formation and modernization of the political system in Russia largely depends on the quality of human capital of political elites. One of the main problems of the Russian political elite is the lack of development of strategic thinking, which gives rise to situational political behavior, suggesting a lack of forecasting and political foresight, a sense of responsibility and statehood.

2. The value structure of our elite is clearly inclined to the values of the materialistic type. The desire for wealth, the preservation of power and greed prevails over other values. The characteristic properties of its human capital have become greed, the desire to get rich at any cost, despite the existing laws and moral and ethical principles. Corruption has penetrated today into all bodies of state power, state and municipal administration.

3. The political role played by the representative of the elite seriously affects the type of recruitment and the type of leadership, which requires a certain set of basic characteristics from the politician. The specifics of the formation of higher authorities in Russia are due to the rotation of personnel by moving politicians from one position to another, and not due to the replenishment of the elite with fresh personnel. At the same time, new forms and mechanisms of selection to the elite, different from the Soviet ones, allow us to count on the emergence of new, more modern types of politicians who can form the human capital of modern Russia.

Acknowledgement

The article was prepared with the financial support of the RFBR as part of a research project No. 19-29-07024

References


