

**Yury ALEXEEV, Vice-President of «Sail of Hope»,  
candidate of psychological sciences, professor, correspon-  
ding member of the Russian Academy of Natural Sciences**

**The report of the Side Event of 52nd Session of the Commis-  
sion of Social Development**

# RUSSIA. HUMAN CAPITAL AND DECENT WORK FOR ALL



In 1776, 238 years ago Adam Smith formulated the principles that laid the foundation for understanding of the economic laws of society development for future generations. In his work "The Wealth of Nations" he describes a model of industrial economy where capital accumulation is formed due to the smooth growth of labor productivity, streamlining market and reinvestment production as the main or working capital. However, being revolutionary for its time, Today this theory is no longer fully reflects a new state of the global economy development and does not give ideas about how to meet the challenges we face today.

In the modern world it is not only necessary to consider success and sustainability of a territory based on its GDP but also on the level of market capitalization. Most significant becomes a factor of assessing the non-material assets of a national business, namely, the level of the human potential capitalization.

Human capital becomes the main active of a territory, inexhaustible financial resource for its development and competitiveness on the arena of prominent nations and their successful global companies.

New conditions of information society are characterized by multifold increased pace of life and drastic decrease of economic lifespan of goods. For instance, in comparison with the industrial era of the 70s of last century, the economic lifespan of a model of a passenger car contracted from 20 years to 2 years. For electronic devices, phones, the economic lifespan is even shorter – months. As a consequence, the demands for professional training of individuals have increased, and the necessity for across-the-board, non-stop professional education took shape.

**The world crisis is a crisis of unequal conditions for accessing resources for territories.**

This gap is widening at even faster pace: the rich get richer and the poor get poorer. The main industries on the global markets are divided and capitalized by the companies of the leading nations. For new corners of the third world countries only secondary and tertiary positions are accessible. Market capitalization success, in general, is a task within the powers of mostly state companies mainly dealing with natural resources exploration, extraction and selling.

It is necessary to recognize that representatives of national businesses of the third world countries including BRIC countries have to deal with giants, which already have experience and opportunities in application of new financial instruments and have long been leading tough competition wars among themselves. Illusions can not take place. For business of the most third world countries the chances to enter this market are minimal. Entering stock markets requires meeting strict demands not only for profitability and business transparency, but mainly for the size of a business. Moreover, very often for a business it is not enough to stay within the national borders. This didn't take place during Adam Smith's times.

As a consequence, under these conditions national companies-taxpayers will be losing competition, leaving profitable markets, downsizing and decreasing tax payments necessary for human capital reproduction on their territories. The situation of the social sphere will be turning difficult. And by the way, the consumer demand on these territories so needed for global players, will not be growing.

Such state of affairs does not meet demands of all territories, does not bring positive perspectives for the aligning of the development levels and does not provide for global stability. The situation is a growing crisis. A perspective of market contraction brings gains to no one.

**The main goal is to retain talent in a territory.**

Inequality in economic conditions leads to an "intellectual erosion" of territories – talents are "washed out" from places of their birth. A territory loses its most prepared representatives, who leave for greener pastures, for successful countries and, more precisely, for companies. It is possible to say that it is not a territory, a community that has become homeland but a position in a company. While foreign talents are attracted, the native ones are neglected. This is a very important issue. With this approach, talent resources will run out quickly. This is a barbaric talent consumption equal to extraction of non-renewable resources, when there is only "burnt land" left after extraction. It is necessary to create conditions for talent reproduction.

It turns out that it is more profitable to create temporary but more attractive financial conditions for advanced and already established specialists from other countries. Clearly, one has to admit that for leading countries it is either not profitable or challenging to provide a systematic reproduction and development of their own human capital in their territories in the fast-changing information society.

Therefore, with the fast-growing demand for talent, as practice shows, neither government programs nor segmental initiatives of socially responsible business are strategically capable.

I am convinced that to respond to this crisis situation we must create a new social institute responsible for development and preservation of the national human capital. We need an entity in charge of management of human capital development and its capitalization, in other words, a specialized operating unit for versatile supply of trained human re-

sources on conditions of "here and now". Moreover, in order to preserve their talent, territories need to become the points of attractiveness and growth for human capital. Comprehensive solution of this goal does not only concern a national or local-territorial level; it is also a matter of preservation of statehood and civilization in general.

**From controversies to social partnership:  
Commercial gain  
and community benefit**

A comprehensive approach to a complex problem of effective territorial reproduction of human resources, first of all, requires identification of the sources and methods of financing of the emerging territorial infrastructure.

It is necessary to take into consideration primary differences between investing into social sphere and investing into material sphere. Some think that there exist major difficulties in measuring effectiveness of capital investments and providing timelines on their return. Of course, the mere time to prepare a specialist is about 7 years. In addition, the main factor is a matter of keeping returns from invested capital in favor of territories and municipal communities in our case.

Based on the foregoing, we can qualitatively determine the necessary and sufficient conditions for specialization of the operating unit of human potential development:

- the ability to successfully implement human potential development in order to achieve the main goal – to provide public benefit above and beyond priorities of gaining profits.
- the ability to be a fully-fledged business entity using conventional methods for measuring capital growth through open participation in the stock valuation.

This type of dual specialization is dictated by the necessity, first of all, to develop social sphere and second, to achieve high tangible results. To implement this task effectively a partnership tandem is put to work:

1. A specialized territory non-commercial entity – to manage personnel and social program for human potential development execution in the legal form of a non-profit organization.

2. Public-private, commercial, municipal, personnel and logistics company in the legal form of the joint stock company (JSC).

A non-profit organization recruits and prepares continuous (for the most part) labor contracts, primarily with non-strate-



gic personnel, as well as "talent" as holders of individual human capital; implements territorial social programs of human potential development in partnership with existing social institutions, and provides staffing services to commercial public company JSC as a single public logistics center on site.

JSC carries out selection and personnel supply to customers, management of intellectual property, forecast of demand for personnel training; ensures personnel participation in individual development programs, openness of activities and measurement of effectiveness (stock index value); attracts resources (through a wide range of available financial instruments on the global markets) for investments in territorial programs of human capital primarily to retain talent by increasing infrastructure attractiveness, improving ecology and enhancing of other social factors.

As a result, an innovative public-municipal partnership is formed, which allows for strengths of a territory to be involved in a creative process and for consolidating of business, government and society into a flexible territorial partnership system of self-coordination and self-financing. The result is the growth and development of human capital and creation of conditions for raising and retaining talents.

Overall, this is a new paradigm of development of territories, states, and civilizations based on a balanced system of co-development of material and social spheres. Single anti-crisis solution allows to transfer the social sphere from liability into assets. Non-strategic employees, who account to over half of all workers

on the planet according to experts, are able to form a new scale effective demand.

**Civilization call for modernization**

In order to compete successfully on the financial stock markets a modern business entity has to produce new additional financial "goods": successfully carry out monetization, capitalization and multiplication of its business. Therefore, to ensure competitiveness aside from the main production of goods and services it is necessary to strive for solutions of the following goals:

1. Through monetization – use cheaper, non-collateral investment resources; issue promissory notes, debt securities, and other securities.
2. Through market capitalization – attract cheaper and strategic long-term resources.
3. Through multiplication – use the widest range of financial instruments to structurally attract resources, fortify resilience in competition and achieve long-term strategic advantage.

Responsibility of territories – to systematically create conditions for support of national business competitiveness, build social sphere for attractive daily living of citizens, and do not only provide a systematic reproduction of human capital but also increase human capital quality.

Responsibility of the state – to create start-up conditions for accelerated capitalization of territory assets. It is necessary to reduce the tax burden directly imposed on commercial enterprises and transfer tax on earnings from capitalization transactions as a

mutual success of government and national business on the global stock markets.

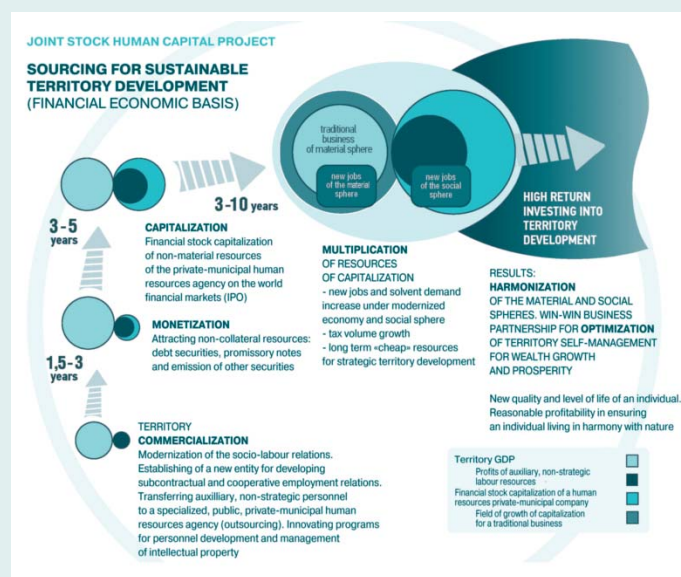
**Successful example of territorial self-governance in the world**

As an example we can recall one of the less studied world examples that lead to a brilliant result – economy of a small European state, Republic of San Marino. This Republic follows the policies including economic policies that are strictly focused on human potential development while taking into consideration all the regional peculiarities and geopolitical environment. Today we witness: the Republic has not only proved its independence and sustainability over the last 1700 years but has been practically spared from the European economic crisis. The standard of living remains one of the highest in Europe, and there are prospects for development that appear and get implemented year after year.

Let us look at the special aspects of life in San Marino and try to determine the key factors which make its economy so stable and, to specifically pinpoint, attractive for living and investments.

**Humanistic economy of true people democracy and freedom**

Democracy in San Marino is implemented primarily through the real widely spread participation of citizens in the government. Short term stay in power of the two heads of state, two Captains Regent, makes practically almost every family be involved in government. The Captains Regent are simultaneously elected from



two leading parties for a term of six months. Success in management can be seen from socio-economic indicators, which in turn are checked using the population standard of living, which has a minimum gap between the rich and the poor, maximum life expectancy, and overall, a high level of happiness.

The index of human potential development of the Republic as reported by...OOH? is far ahead of the same indicator of the leading countries. For example in 1997 the index was 0.944, which advanced the Republic to the second place in the world.

We can rightfully say that the economy in San Marino is not a stand-alone discipline, directed only towards the increase of the monetary volume, but that it is inseparably tied to its primary goal – raising the standard of well-being of people.

At the same time the interests of all population - children, youth, hired workers, entrepreneurs, disabled people, and retirees - are taken into consideration. The state guarantees, first of all, preservation of dignity for everyone – with the decent prospects, decent labor, decent life in old age years. All other things depend on personal abilities and plans of an individual, yet the state sets out to help in realization of these abilities and plans.

#### Priority of the Republic of Freedom – Human Capital

Developing cooperation between the administration and civil society has long historic roots in San Marino. As a result of this cooperation the Republic in reality leans on and develops human potential of its people. Engaging of all known modern instruments to serve territory development including stock market capabilities for capitalization of non-material sphere is the next step on the agenda. An important foundation is a set, globally recognized, educational system and a solid system for social safety net.

#### Global cooperation for innovations

A quick procurement of resources in a given time is an important management goal for any territory.

The search for financial resources is implemented in San Marino, as well - the Republic is open to international cooperation and offers a number of transparent preferences for entrepreneurs in those fields that it deems most significant. Such projects include establishing an IT-park, developing of small aircrafts, environmentally safe construction and energy, as well as many others.

#### RUSSIAN INITIATIVE Development priority – Human Capital

Today Russia owns two most effective and valuable resources supporting the economy – natural resources and human capital. And, as in previous years, while natural resources are used to the highest extent, human capital, unfortunately, has seriously weakened in the last 20 years. Therefore, in the present stage of modern scientific and technical development as well as social-economic development of the country in addition to establishing of a stable security system, it is necessary to rethink the role and place of human capital in the innovation-driven growth.

The processes of reproduction of human capital will be crucial for the Russian economy and national security in the coming decade. In this regard it is needed to launch human capital accumulation and realization programs, mechanisms and instruments in Russia, which need to be supported by the state on the national and international arenas.

Up till now, in human capital research and development an individual has been considered simply as a social being whose capital is valued in terms of human being quality as a worker. This point of view is found in human capital theories written by many economists including the Nobel laureates Gary Becker and Theodore Schultz.

From our point of view a systematic theory of human capital must study a human being as a union of biological, social and spiritual beginnings. Only such understanding will allow to ensure human capital development and

step-by-step growth. Therefore, a humanistic component has to be reflected in the development programs of territories.

#### Practical experience

A group of companies "OPTIMA PROJECT" and its partners have developed and implemented an innovative Project "Human Capital: Management of Labor Resources Development and Capitalization of Human Potential of Municipal Entities"

It is important that the Project expands opportunities for accessing the world stock market resources not only for large businesses but for medium-size and small enterprises, as well. An opportunity to solve a goal to increase GDP to 1/5 of the world level within a decade (this is what Japan achieved, for example, when capitalizing intellectual property in the material sphere of production) opens up.

Russia can show a way of anti-crisis development and become a world leader in management of new capital of non-material sphere and is able to capitalize national business of the country starting at 2 trillion dollars within 5 to 15 years. With the new resources under self-governance and initiatives the incoming tax

money and earnings will increase, and the population paying capacity will rise to over 50% in the regions.

According to the assessment of the specialists of the leading Russian scientific institutions implementing of the Project will serve as a powerful factor of economic development of the regions; will promote cohesiveness of the nation and more effective cooperation between employees, employers and state; fortify social unity; provide favorable institutional infrastructure, development of the modern socio-labor relations, and creation of the new working and management elite.

It is necessary to use the Project as an opportunity to place monetary emission (dollar) to serve constructive goals.

The influence of workers of non-strategic professions (nowadays those are mostly low paid workers) on consumer demand is weak.

As a result of a human resources company capitalization and multiple investment programs on a territory consumer purchasing power will rise.

This will require monetary emission increase, for example, a dollar emission, or a new alternative currency for providing circulation of stock exchange transactions of the new industry of economy and modernized social sphere. It is necessary to use the established financial instruments but with more public transparency and control.

New economy will allow to transition from the raw resources model to the economy of knowledge.

An opportunity to bring to the world markets up to 25% of the non-voting stock will allow to create a national socio-responsible enterprise for human capital growth management, provide strong federation state, and lay claim to the world leadership in the humanistic sphere and economics.

Non-profit venture "OPTIMA PROJECT", as a representative of the civil society of Russia on all arenas including the United Nations, promotes the project for creating of specialized public private-municipal companies for management of human resources and setting such human capital

#### Joint Stock Human Capital

Joint-Stock Human Capital (JSHC) is one of the fundamental categories of the socially-balanced economy. A special form of public collective ownership in labor outcomes is established by means of modernization of socio-labor relations.

The goals of management for transferring of non-strategic personnel of territories are identified and passed on for solutions to a new entity of entrepreneurship – a specialized private-municipal company that provides various outsourcing services for collaboration with noncommercial social centers of territories.

Public ownership of a joint stock human capital company obtained through consolidation of collective labor (intellectual and industrial) allows to obtain a market assessment of capitalization of non-material assets in the process of personnel management as well as intellectual property management. Such a proactive and independent assessment will identify the results of efforts for development and growth of human capital of territories clearly and precisely.

A joint stock human capital company has the following distinctive features:

1. Main business activities – offering services in providing personnel to business clients on conditions of outsourcing and management of the objects of intellectual property (registration, valuation, monetization, capitalization, and multiplication of assets) as well as objects of social infrastructure of territories.
2. Participation in equity capital of a joint stock human capital company of state and municipal enterprises (not less than 10% and not more than 25%).
3. Participation of workers in joint stock human capital company activities is carried out by using predominantly various forms of free, non-permanent labor (for example, on conditions of an agent agreement, consumer cooperation, etc.) and/or by bringing subcontracting, specialized, territory non-commercial organizations in order to provide personnel services, in which workers are hired workers.
4. The presence of shares on the stock market allows to receive the most objective company valuation as well as an indicator of territory well-being growth.
5. Distribution of earnings from capitalization growth is carried out between:
  - a) client companies requesting human resources;
  - b) workers, authors and intellectual rights holders;
  - c) venture and direct investors;
  - d) territories.
6. Providing workers of a public joint stock human capital with a comprehensive social services: educational, legal, medical insurance, etc, as well as services for personal career management under continuous personal development program conditions (by means of investing in human capital including voluntary agency fees paid by workers).

companies to go public (IPO); offers a winning chance not only in Russia but mainly in the world, as well, while opening new investment possibilities of territory development and creating equal opportunities for territories as a new way of civilized development of the nations.

Joint Stock Human Capital project.

2. Reduction of human resources management expenses.
3. Focusing on the strategic goals of the company development and increase in competitiveness.

#### Practical activities:

1. Agreement for the employer that stipulates workers ownership of intellectual property with irrevocable use rights and first purchasing rights;

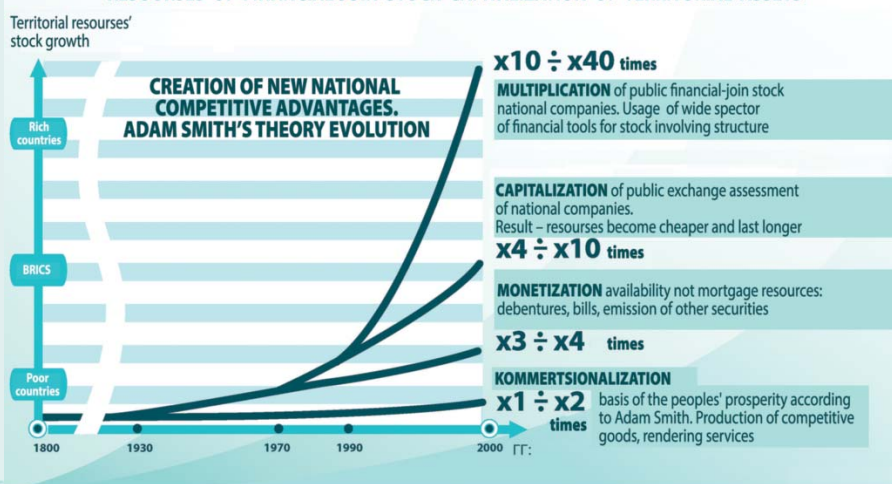
#### We offer

#### Revenue growth for socially responsible business:

1. Earnings from capitalization of non-material assets in the

#### MODERN PEOPLES' PROSPERITY

#### RESOURCES OF FINANCIAL-JOINT STOCK CAPITALIZATION OF TERRITORIAL ASSETS





## THE BALANCED COMPETITIVE SPACE OF ACCRUING NATIONAL SOCIAL AND ECONOMIC DEVELOPMENT

AS THE ANSWER TO THE CRISIS OF TERRITORIES COMPETITIVENESS: THE GROWING DISTANCE BETWEEN SOCIAL AND ECONOMIC SITUATION IN DEVELOPED AND DEVELOPING COUNTRIES



2. Transferring of intellectual property rights for management by the specialized public private-municipal company in exchange for receiving income from the company capitalization growth;

3. Transferring of the non-strategic personnel to a specialized private-municipal company and/or specialized non-profit organization (outstaffing) in exchange for the rights of receiving income from capitalization growth proportionally to the number of offered jobs for the outsourced personnel;

4. Assistance in creating of the consumer cooperation spaces by predominantly workers of non-strategic professions and transitioning from the labor of hired workers to the free labor of shareholders.

Highest possible transparency, the atmosphere of fair competition between territories, true democratic freedoms for effective self-management, modernization of the socio-labor relations, will and wisdom of people to launch real partnerships between government, business and society (non-profit organization) – we can see the results every second – an indicator of capitalization growth of territories, adjusted every second by an army of brokers around the world and built on the growth of the overall compensation of workers engaged in the Project, valuation of intellectual property, decrease in corruption, well-being of the social sphere, etc., reflects trust in effective growth management of the main factor – human capital.

In addition, this will lead to the growth stimulation of the socially-oriented enterprises in such spheres as education, medicine, services and so on, which, in its turn, will bring about an additional demand for human capital, increase consumer value of a territory and consumer demand of residents, and consequently, will create additional conditions for attracting new investments for territory development.

Such territory engagement in reality creates:

- social uplift;
- accessible work for the youth;
- employment opportunities for invalids and temporarily disabled;
- new weight and significance for effective trade-unions;
- new prospects and partnership relations for staffing agencies;
- expansion of the professional market and forming of the long-term subcontract relations;
- administrators' interest in de-

velopment of human capital on their territory through participation in scientific work to adapt the project to a specific territory; option plan for administrators with a possibility of receiving of loans for residential and other personal goals on the option valuation basis, which will eliminate corruption temptation.

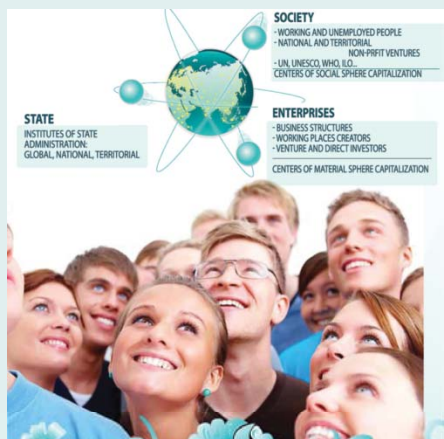
- launch of a number of programs for boosting employment along with providing citizens with a new level and quality of work spaces and strengthening of a creative, intellectual component.

### The times call for action!

Our duty is a new civilization organization where Business, Human Beings and Nature are in harmony.

The following is ahead: proceed through an important evolutionary period and change habitual attitude towards labor, creativity and personal freedom; - give credit to an important role of socially responsible business; - understand significance of a new role and entrepreneurial proactivity of non-profit organizations; - expand true democratic freedom for communal municipalities to self-coordinate and self-govern in socio-economic activities; - establish new priorities in tax policies for states; - establish new standards for public gain from entrepreneurial activity and ensure open monitoring on the global scale; - for developing of territories strive collaboratively for equal opportunities for territories in financial market resources accessibility.

*I speak to the young - if not us, than who will!*



### Tools are known

## НАКОНЕЦ-ТО — СИСТЕМА ОЦЕНКИ КАЧЕСТВ ДЛЯ РАБОТЫ С КАДРАМИ



Учет и управление кадровой работой — этим вопросом занимались и занимаются многие. Однако, фактически на сегодня результат такой деятельности по-прежнему ограничивается переводом на электронный носитель тех данных, которые ранее заполняли папки отдела кадров. Что и говорить, в условиях больших предприятий и целых отраслей такая работа не просто нужна — необходима. Однако, настало время и для следующего шага: появления системы оценки кадров на базе их мониторинга в реальном времени.

«Твоя биография — твой капитал» — таково название нового проекта, реализуемого в настоящий момент по двум основным направлениям: в области повышения мотивации и качества образования, а также в области создания системы «умного управления кадрами» для различных отраслей и ведомств.

В основе идеи лежит простая мысль о том, что различные виды деятельности требуют от человека различных приоритетов в саморазвитии. Так, для спортсмена критичен уровень физической подготовки, а, скажем, для ученого — способность к анализу и усвоению новой информации. Уже на раннем этапе развития можно определить задатки человека, толкнуть его на мысль о необходимости уделять больше внимания конкретным областям знаний и развитию определенных навыков, а при поступлении на работу — мотивировать к повышению квалификации и созданию предпосылок для карьерного роста.

В современном прагматичном мире серьезным фундаментом для таких мотиваций является способ оценки знаний и навыков, исходя из приоритетов конкретной деятельности, профессии. При этом система дает пользователю — соискателю и работодателю — представление не только об узко специализированных навыках, но и о комплексном развитии личности, включая те ее качества, которые обуславливают и работу в коллективе, и креативность, и здоровье, и уровень общего образования, и способность к общественным нагрузкам. Иначе говоря, кадровик, использующий эту систему, принимает соискателя



## AT LAST — THE SYSTEM FOR STAFF QUALITIES ASSESSMENT



The management of personnel work — this problem has been studied by many and has a lot of solutions. However, for today the result of such activity is still limited as transfer to an electronic medium of those data, that earlier filled with paper the folders in staff departments. Of course, in large enterprises and industrial branches such work is more than important. But we think, that it is high time for the next step: today business and society need the system, that will allow them understand the value of their personnel in whole and of each employee separately — on the basis of real time monitoring process.

«Your biography is your property» — this is the name of new project, that is being realized now in two directions: as motivation and growth of quality of education as well as the system for «smart staff management» for different types of companies and organizations.

In the basis of idea there is a simple fact: different kinds of activities need different priorities for human education and development. For example, a sportsman has to pay more attention to his physical conditions, and the scientist should develop his ability to the analysis and assimilation of new information. Even at the early stage it is possible to define inclinations of the person, direct a man to pay more attention to concrete fields of knowledge and

development of certain skills, and when entering for work — to motivate to professional development and creation of prerequisites for career growth.

In modern pragmatic world the serious basis for such motivations becomes the method of assessment of knowledge and skills according to definite activities or profession. The system gives to the user — the competitor and the employer — idea not only of tightly specialized skills, but also about the complex development of the person, including the qualities, that are connected to team work, creativity, health, level of the general education and ability to social activities. In other words, the staff-specialist using this system has a possibility for «open eyes

на работу с «открытыми глазами», опираясь не только на данные трудовой книжки или дежурные характеристики, но и на данные постоянного мониторинга. Это позволяет уже на первом этапе избежать «уровниловки», снижающей мотивацию у лучших работников, взвешенно принять решение об уровне оплаты труда будущего работника, помочь ему выстроить собственную «карьерную лестницу».

Немаловажна (а порой и необходима) система в работе российской образовательной вертикали. Раннее выявление склонностей и способностей у школьников позволяет им уже с ранних лет обучения уделять больше внимания профильным для их будущего предметам, развиваться гармонично, а процесс подготовки к поступлению в ВУЗы осуществлять не «вслепую», но обдуманно — сверяя собственные достижения с требованиями учебных заведений. Программа «Твоя биография — твой капитал», обретая партнеров среди лучших ВУЗов и успешных компаний страны, становится новым инструментом, использование которого ведет к прогрессу и серьезным улучшениям кадровой работы практически во всех областях деятельности.

decision», that is based not only on standard recommendations, but on the online personal monitoring data. This gives a chance to avoid motivation depression for the best candidates, suggest the optimal salary and help a perspective person to build his own career stairs.

The system is important (we hope it will become really necessary) for Russian educational vertical. Early detection of predilections and abilities at school students allows them since early years of training to pay more attention to profile subjects for their future, to develop harmoniously. The entering of high schools or Universities for them become not «blindfold» process, but a result of careful consideration — verifying own achievements with demands of educational institutions.

Program «Your biography is your property» gets now the partnership with the best educational institutions of Russian Federation as well as with the most successful companies. It becomes their modern tool for work with their personnel, leads to the great progress with staff motivation and quality of education — nearly for every kind of human activities.