

# ECONOMICS

IZVESTIYATSKhA, special issue, 2012

## HUMAN CAPITAL - THE BASIS OF LONG-TERM SOCIAL-ECONOMIC DEVELOPMENT IN AGRICULTURAL SECTOR

**Bautin Vladimir Moiseevich** - Doctor of Economics, Professor,  
Corresponding Member of Russian Academy of Agricultural Sciences,  
Rector of Russian Timiryazev State Agricultural University  
(Timiryazevskaya street, 49; e-mail: rector@timacad.ru)

*Abstract: both rational use of existing and formation of corresponding to up-to-date requirements human capital is a pressing task of the country; forming innovative economy, since they cannot exist separately Countries and societies either cutting down or excluding investments into human capital, in so short a time become backward, losing their economic, or even political independence. Theory of human capital has been formulated by papers of both domestic and foreign scientists-economists, which is considered to be the sum of health, inborn abilities, general and social education, desire for constant learning, culture, gained professional experience, motivational factor. This list of constituents of human capital is incomplete. With regard to agricultural sector of the country, ability to adapt to living conditions, labour, creative activity in the country, specific entrepreneurial skills, abilities and desire for sharing knowledge, skills and habits and some others should be included in the list, mentioned above.*

*Keywords: theory of human capital, innovative economy, agricultural sector.*

Post-industrial economy of modern society is characterized by a large-scale realization, in commodity production, of headwork results. Formed on the base of innovations, as an end result of scientific and technical creativity in innovative activity, as a realization process of the results, in question, in commodity production, national, innovative economy should be both competitive and socially oriented, ensure both national safety and food security, guarantee personal safety and high living standards to all citizens.

Demand for innovative society historically emerged as a generalization of both experience and economies development tendencies in highly developed countries of the world (usually 6-8 countries are mentioned, without Russia), rather than world economy, on the whole. Theoretical generalizations and practical experience of these countries are studied a lot and are superimposed on basic values of many countries, which not always yields forecast and wanted results. In Russian Federation postulates, tested by world experience, are cited concerning up-to-date condition of personnel, material- technical and other supply of agricultural sector economy, but more often without necessary linkages or adjustments.

The experience of developed countries plays definitely a positive role in advancing economy development of some branch, rather than in agricultural economy, having definite, branch-wise peculiarity. Classics of agro-economic science of the golden decade in Petrovka - Timiryazevka (1920 - 1930): A.V. Chayanov, N.D. Kondratiev, N.P. Makarov, A.P. Chelintsev, L.N. Yurovski, L.N. Litoshenko and others paid attention to that repeatedly. Here production is dispersed both in space and time, employees work "autonomously",

people and machinery deal with wildlife and living organisms, producing a range of goods, whose quality and quantity determine independence of the country, health of the nation, prosperity of both living and future generations. Theoretically grounded and tested in practice positive role of competition in commodity production, concerning rural commodity producer, does not work, since there is an "effective" chain of resellers, purchasers, subpurchasers, disponents (including state employees), registrars, inspectors, implementators and many other legal persons and natural persons. Everybody (or most every) is interested in village's tomorrow only theoretically, and it is they who limit, or even eliminate real competition, sources of market relations and freedom of creative work, destroy any motivation to real, productive labour.

According to the Strategy of national safety of Russian Federation to 2020, ratified by the President of the Russian Federation on the twelfth of May in 2009, life quality increase of citizens through both guaranteeing private security and high living standards is acknowledged to be a main sustainable development priority.

To ensure national safety in the Strategy it is considered necessary, among other priorities, to concentrate force and resources on economic growth, that can be achieved, first of all, by means of both national innovative system development and investing in human capital, on science progress, technologies, education, public health and culture, on stimulating and supporting innovations market development, science intensive production and production having high surplus value.

Human capital has priority significance for innovative economy formation, so long as they cannot exist separately, and human capital is gaining a determinative, forming and a leading hand.

The theory of human capital itself came into existence not in a day. Historically, one can come across the background of this very theory in papers of Adam Smith and Charles Marx, though this theory got a new impulse in 50s - 60s of the previous century in papers of such Nobel Prize laureates as T.U.Shulz and G.S.Bekker. Due to papers of both foreign and domestic scientists-economists, investing in man is considered as economic growth source, which is not less important than investing in both resource base development and production technologies improvement.

Group of scientists from Economics Institute of Russian Academy of Sciences, under the direction of L.I. Abalkin (2004), having done research into the problem of strategic development of Russia in a new century, considers human capital as the sum of inborn abilities, secondary and special education, gained professional experience, creative potential, moral-psychological health, activity motivation, allowing to return interest.

Scientists from Russian Economics Academy named after G.V. Plekhanov characterize human capital as the whole range of inborn abilities, health, knowledge and professional experience, motivation to labour and constant learning, employees' culture, who constantly develop due to both government and private investments in concordance with up-to-date production requirements, based on knowledge.

In other investigations human capital is defined as an economic category comprising the whole set of inborn qualities, formed due to both investments and stored reserves of moral - psychological and physical health, abilities, knowledge, skills, motivation to labour and lifelong development, general culture.

In non-fiction the term "human capital" is regarded in an established sense. It is considered to be human for the reason that it becomes a part of a person, and capital - owing to its turning into a source of satisfaction of people's needs in social relations.

It should be noted that practically all definitions of the term "human capitaF' end in words "insures possibility to return interest", "influences income rise of a person", "in

order to collect revenue in the future" and analogous per se. These goals of forming human capital are important, but their directivity is determined by the basis of known economies - revenue and profit, by all means. However, income level is not always a leading motive of person's behaviour. As a result of a certain upbringing, cultivating ethical standards in a person, labour and life under given social-economic conditions, other factors of behaviour motives, his making decisions, pursuit arises to meet demands of a society, sometimes to the detriment of his own income (earnings) and therefore recognition of his significance in social structure of a society.

As applied to human capital of a specialist working in agriculture, to his goal of "income rise (earnings)", necessity of comfort conditions ensuring, labour and creative activity, availability of full-fledged medical-prophylactic system, possibility for children to be educated at home, physical development, cultural background should be added.

The general conclusion drawn for most domestic and foreign investigations is that human capital is:

- . formed on the basis of inborn abilities of a person;
- . progressing on the basis of investments (private, personal, social, government);
- . used mainly in this very society and in its interests;
- . improving in accordance with modern society's requirements;
- . being used during certain period of time in national economy and, therefore, is to develop at a rapid priority rate.

Figure 1 shows main constituents of human capital.

Human capital constituents shown can be, conditionally, divided into several groups:

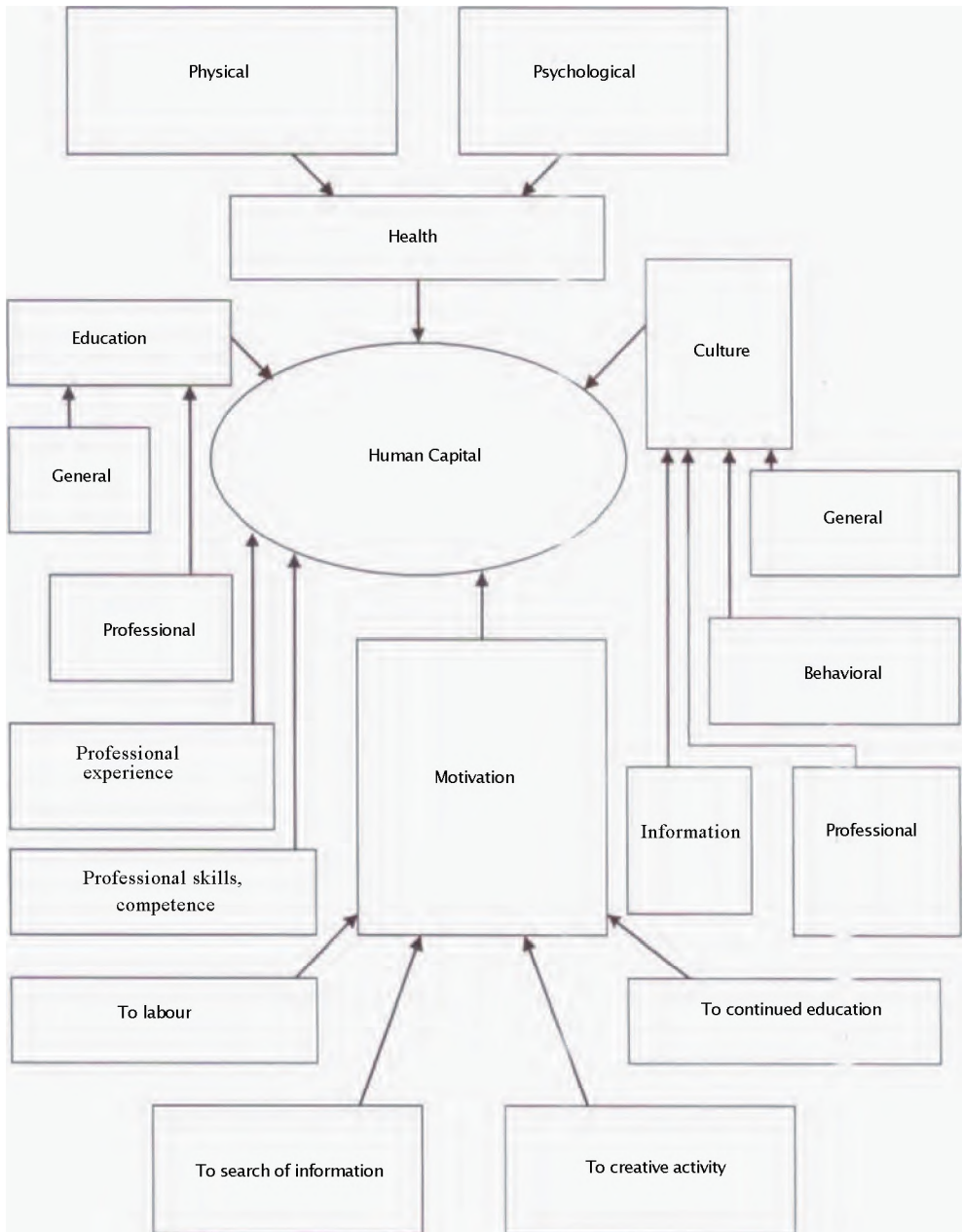
- natural (inborn) abilities of a person, his health, capacity for work, creative inclinations;
- preserved, trained, built up health, inborn and developed moral-psychological health;
- Professional experience and professional knowledge, ability to apply them for solving of urgent and perspective tasks;
- Motivation to labour, creative activity, search of information and continuing education.

The above mentioned groups of the human capital components are not final. In the certain social and economic conditions and even in the specific conditions of the concrete professional activities some of them may be changed, corrected and added.

Even the general analysis of the human capital components allows to think about their connected content. So the professional experience and professional knowledge go with the categories of education in the definite limits. The natural ability to work and health may be ruined and lost without taking measures to save and strengthen them. All types of motivation have sinusoidal character - under the influence of external and internal factors they can achieve maximum or be characterized by the apathy of an individual. At the same time some human capital components with various degree of filling can be found in all sectoral and social spheres of human activities.

We think that with regard to the Russian agro industrial complex the following items should be included in the above mentioned groups:

- Ability to adapt to the living conditions, conditions of labour and creative activity in the rural area in the situation of actual autonomy of producer activities;
- Acquired and constantly enriched entrepreneurial abilities aimed at solving of socially important problems and tasks;



**Fig. 1.** Main components of human capital

- Abilities to transfer knowledge, skills and competence, ability to speak expressively to audience, ability to listen attentively to a subordinate official, colleague and opponent;
- Tendency to leadership in the group (or groups) of like-minded persons, administrative abilities.

The additional components of human capital of an agriculturist are presented at picture 2.

The common feature of the profession of an agriculturist is the natural, exclusive circle of social groups and the behavior of an individual in a group; people not only work

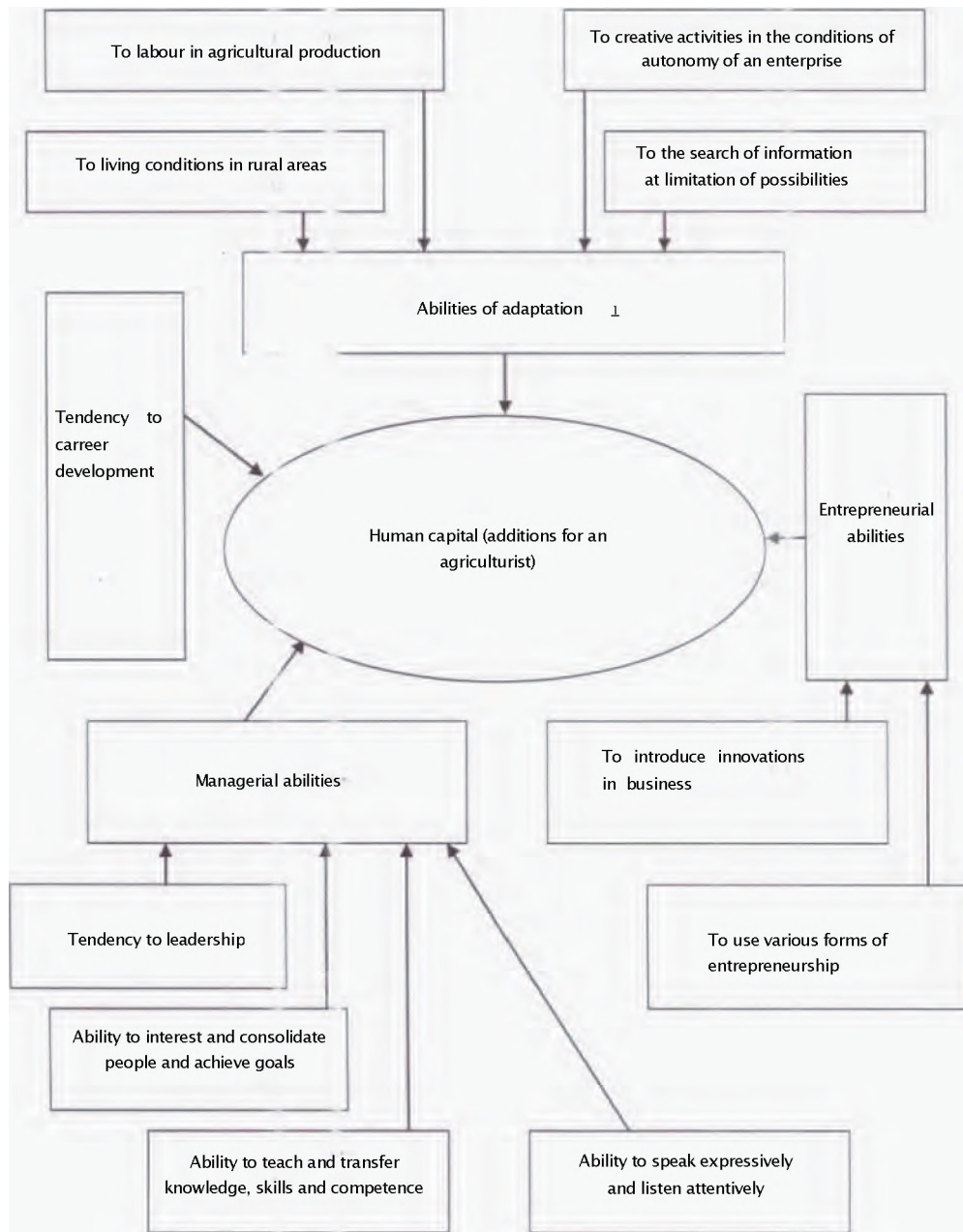


Fig. 2. Additional components of human capital with regard to an agriculturist

here but also live, form family relations, bring up and teach children. Here we can see the specific conditions of motivation of an individual not only to labour but also to creative activities as a diverse and fascinating process.

Let us return to the Strategy of National Security of the Russian Federation for the period up to 2020 approved in 2009. The increase of living standards of citizens by means of the guaranteed personal security as well as the high standards of life support are defined as the priority of sustained development of the country. To achieve these goals it is supposed to concentrate efforts and resources on a number of priorities, among which the most important is the development of the national investment system and investment in human capital.

The same priorities form the base of the Conception of the long-term social and economic development of the Russian Federation for the period up to 2020, the Doctrine of the food security of the Russian Federation, the Conception of sustained development of rural areas of the Russian Federation for the period up to 2020.

(Article № 2, the Constitution of the Russian Federation). The human factor foregrounds in innovative economy with such a policy. The policy itself acquires a striking social and humanity emphases.

It is indisputable that human capital is a motive power of the modern economy. However, its presence is an obligatory condition, but it is not enough for modernization. For the human capital to play the role of organizational and production forces making due conditions: state and public support, clearly determined aims, tasks, prospects the systems of control, report, and responsibility is required.

Human capital formation needs comparatively high expenses of the family, society and the state during all human life, moreover, it is inseparable from its bearer. Methods of human capital formation evaluation planned expenses, offered nowadays can be of theoretical, but of little practical value. The efficiency of human capital realization can be evaluated with the same validity degree. Let's note that human potential is able to produce cost, however, it is very difficult to evaluate the potential itself and its usage efficiency in terms of money and other means of expression.

Human capital constituents cannot be evaluated in a valid way, because each of them separately and in complex interrelations, is of probable character. However, one constituents increase practically never results in human capital growth. At the same time investment decrease into any of human capital constituent causes general efficiency reduction, but full refusal of human capital investment is a direct way to state economy stagnation.

According to specialists' evaluations, the event of recent decades have resulted in decreasing general intellectual level of Russian population, sharp reduction in life quality in the country, degradation of many human capital constituents, but have not destroyed it completely. That's why rational usage of the available capital meeting modern human capital requirements is an urgent task of the country economy modernization. The state innovative policy, followed outside the context of the human capital development, does not have chances to succeed.

Human capital value can grow and it grows under increasing volume of knowledge accumulated and its usage level, namely the one for solving practical problems and tasks. However it is only the potential society, welfare in the former, and the real actual one forming progressive development of society economy in the latter.

It should be noted in this respect that a term "human potential" characterizing a number of human potential abilities unrealized is used, to some certain extent, in scientific literature on economics. The presence of human potential as well as knowledge, experi-

ence and skills, without effective motivating actions, doesn't determine practical value and direct influence on innovative society development.

A degree of using capital return on individual man's interests, level of his upbringing, a number of society and state influences. Moreover, a system of relations between all participants of the investment into the human capital, based on the principle of balancing tasks, aims and interests is objectively forming. Legal and economic persons must know and be ready for the fact that their expenses on human capital constituents will grow with innovative economy formation. The point is that the lower are these expenses, the higher is the possibility to build up a dependent economy with plenty of unfortunate results for its creators instead of an innovative one doesn't need any evidence.

As appears from the above mentioned, the human capital has acquired importance of the new epoch motive power in recent decades, but it can't realize itself to the necessary and sufficient degree without any state and public support. This all-round support of human capital formation and development is particularly important for farm production specialists in any periods, but its importance increases in the process of transition to innovative management methods.

### References

1. *Belvaeva S. S.* Role of human capital in business development//Creative economics, 2008. № 10. P. 120-127.
2. *Budzinskaya O.V.* Human capital - investments or wastes? // Russian enterprise. 2010. Issue 2. № 10. P. 59-62.
3. *Chernykh S.A.* Human capital:present realities and future development necessity // Creative economics, 2008. № 5. P. 74-77.
4. *Dobrynin A.I., Dyatlov S. I., Tsvrenova I.D.* Human capital in transitional economics: formation, evaluation usage efficiency. St. Petersburg: Science, 1999. P. 309.
5. *Feldshtein D.I.* Man in moderm world: trends and potential development possibilities // Education and society, 2008. № 3(50). P. 58-62.
6. *Guskova N, Krakovskaya I.* System of managing university human resources: up-to-date tasks and improvement directions // Personnel manager. Personnel management, 2010. № 6. P. 27-33.
7. *Hodilin A.S.* Business abilities as form of human capital, realization // News of Irkutsk State Academy of Economics (Izvestiya of ISEA), 2007. № 6(56). P. 9-11.
8. *Islamutdinov V.F., Shangaraev P.S.* On the issue of innovative person concept // Questions of innovative economics, 2011. № 4(4). P. 3-12.
9. *Kazarvan M.* Conceptual approaches to competitive human capital formation // Man and labour, 2008. № 10. P. 30-34.
10. *Koritski A. V.* Sources and fundamentals of koran capital theory statement // Creative economics, 2007. № 5. P. 3-10.
11. *Mvasoedova T. G.* Human capital and enterprise competitiveness // Management in Russia and abroad, 2005. № 3. P. 29-37.
12. *Smirnov V.I., Barsukov G.V, Rodionova E.AI.* Russia's development innovative way as personal capital market institutional infrastructure formation // Education and society, 2008. № 1(42). P. 87-92.
13. *Trubina I. O., Artyushina E.AI.* Human capital development as a principal factor of business competitiveness growth in moderm economy // Education and society, 2007. № 1(42). P. 80-84.
14. *Tsvrenova E.D., Saktoev V.E., Bazhenova I 'S.* Formation and dynamics of human capital in transitional economics: monograph. Ulan-Ude: East Siberian State Technical University Publishing House, 1999. P. 204.
15. *Tuguskina G.I.* Development of personal capital qualitative evaluation methods // Creative economics, 2009. № 1. P. 82-87.

16. *Vedin N. V., Proskurina T.M.* Human capital development innovative vector // Problems of modern economics, 2010. № 2(34). P. 62-66.

17. *Voronin B.A.* Rural population right to worthy living conditions - rural population constitutional right // Agrarian and land law, 2011. № 2(74). P. 77-84.

*Translation into English - Aleksandrov A.V., Avdeeva I.V., Ulanova O.V.*

## ЧЕЛОВЕЧЕСКИЙ КАПИТАЛ - ОСНОВА ДОЛГОСРОЧНОГО СОЦИАЛЬНО-ЭКОНОМИЧЕСКОГО РАЗВИТИЯ АПК

*Аннотация: рациональное использование имеющегося и создание соответствующего современным требованиям человеческого капитала является насущной задачей страны, формирующей инновационную экономику; поскольку раздельно существовать они не смогут. Государство и общество, сокращающие или исключаяющие инвестиции в человеческий капитал, в ограниченные сроки оказываются в числе отстающих в развитии, теряют свою экономическую и даже политическую самостоятельность. Трудом отечественных и зарубежных учёных-экономистов создана теория экономического капитала, который рассматривается как сумма здоровья, врождённых способностей, общего и социального образования, стремлений к непрерывному обучению, культуры, приобретённого профессионального опыта, мотивов деятельности. Этот список составляющих человеческого капитала не является закрытым. Применительно к агропромышленному комплексу страны в приведённый список следует включить способность адаптироваться к условиям жизни, труда и творческой деятельности на сельской территории, специфические предпринимательские способности, способности и стремление к передаче знаний, умений и навыков, а также некоторые другие.*

*Ключевые слова: теория человеческого капитала, инновационная экономика, агропромышленный комплекс.*

*Автор для корреспонденции: Баутин Владимир Моисеевич - д. э. н., проф., акад. РАСХН, ректор РГАУ-МСХА имени К. А. Тимирязева; e-mail: rector@timacad.ru*