

Human Potential and Competitiveness of Russia in the Context of the BRICS Association

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Abstract—The objective is to analyze modern indicators of the development of human potential of the Russian Federation in comparison with other BRICS countries and assess the impact of human development on the competitiveness of Russia, which determines the relevance of the chosen topic. The data of all-Russian and international statistics show that the Russian Federation, yielding to other BRICS countries (except for the Republic of South Africa) in quantitative indicators of human potential, has high quality characteristics of the level of human development. A detailed analysis of the current situation in Russia reveals a number of problems associated with the demographic situation, population migration, and others that do not allow Russia to achieve sustainable economic growth rates of the gross domestic product. In this connection, the most important areas of the realization of human potential and the areas of its development are highlighted in cooperation with the strategic partners of Russia to unite BRICS, which, in turn, contribute to strengthening the country’s economic power.

Keywords—human potential, BRICS, economic growth, gross domestic product, competitiveness.

I. INTRODUCTION

Being in difficult economic conditions under the pressure of a number of sanctions from the Western countries, the Russian Federation joins forces for joint progressive development with the BRICS partner countries.

A decisive role in the development of the national economy of Russia along with the development of science, technology, achievements of scientific and technological progress is played by human potential – its quantitative and qualitative characteristics.

The total population of the BRICS countries as of the beginning of 2019 was more than 40% of the global population. This indicates a significant amount of human potential of this association.

In this work, under the term “human potential” we will mean the totality of the capabilities of individuals, society, and the state in the field of the use of human resources that can be put into action and used to solve specific problems and achieve goals [1].

This work is devoted to the study of the human potential of Russia as a factor in increasing its competitiveness in the global economy. It is assumed that the Russian Federation, despite a number of existing demographic, migration, and other socio-

economic issues, has retained a sufficient amount of human potential in order to “deploy” the national economy towards constant sustainable development and growth of gross domestic product based on latest environmentally friendly technologies.

II. METHODS

Based on official statistics, the indicators of the human development index, gross domestic product growth, unemployment rate and the number of economically active population of the BRICS countries and a number of other indicators using the methods of factor analysis, statistical research as part of an integrated systematic approach are analyzed.

III. RESULTS

The most common quality indicator for assessing human potential is the Human Development Index (HDI) – an integrated indicator calculated annually by the United Nations based on an assessment of 3 indices: life expectancy, education level, and standard of living, estimated through gross national income per capita purchasing power parity in US dollars. Table I presents values of the human development index of the BRICS countries in 2018.

TABLE I. HUMAN DEVELOPMENT INDEX OF BRICS COUNTRIES, 2018 [2]

No	Country	Rank in HDI	2018 HDI
1.	Russia	49	0.816, very high
2.	Brazil	79	0.759, high
3.	China	86	0.752, high
4.	RSA	113	0.699, midlevel
5.	India	130	0.640, midlevel

A comparative analysis of the human development index showed that Russia was ahead of other BRICS countries in terms of the human development index and is included in the group of countries with a very high level of this indicator.

The concept of “economically active population” plays an important role in a comprehensive analysis of the human potential and economic development of the country. The proportion of the economically active population depends on the proportion of the working-age population in the entire population, as well as on the degree of employment of certain age groups.

Table II presents data on the absolute number of economically active population and its share of the total population of the analyzed countries.

TABLE II. ECONOMICALLY ACTIVE POPULATION OF BRICS COUNTRIES IN 2017

No	Country	Population, millions [3]	Economically active population, millions [4-5]	Share of economically active population, %	Unemployment rate, %
1.	China	1388.232	786.738	56.67	4.7
2.	India	1342.512	520.194	38.74	3.5
3.	Brazil	211.243	104.278	49.36	12.9
4.	Russia	143.375	76.108	53.08	5.2
5.	RSA	55.436	22.041	39.75	27.7

According to the data presented in table II, it can be seen that the share of economically active population in China and Russia is more than 50%. However, China's economically active population is more than 10 times bigger than that of Russia! Russia is in the penultimate place in this indicator after the Republic of South Africa.

One of the characteristic features of the Russian Federation in the context of socio-economic instability is the reduction in the number of able-bodied and economically active people due to natural population decline (low birth rates) and a fairly high mortality rate, and, consequently, natural aging of the population.

According to the latest data from the Federal State Statistics Service of Russia for the period from April 2018 to April 2019, the number of labor force at working age (15 years and older) decreased by 1 million 49 thousand people and amounted to 74 million 9 thousand [6]. Due to the natural population decline in recent months, the Russian economy is losing monthly on average 80-90 thousand people.

The size of the economically active population affects many characteristics of the development of the state, but especially the value of the gross domestic product and, accordingly, economic growth. The excess of unemployment over its natural level of 5-7%, leads to a reduction in gross domestic product, according to the Okun's law. This situation is typical for Brazil and especially for the Republic of South Africa with high unemployment rate. In Russia, the unemployment rate remains small compared with other countries of the world – which is 4.7% according to data from April 2019 [6]. However, the low official unemployment rate (4.7%) is mainly explained by the reduction of the labor force, which is under pressure from the rapid aging of the population.

Moreover, the unemployment rate owes its low bar to a huge number of underemployment jobs, which means lower wages. Such jobs are formed in low-profitable or unprofitable industries and in city-forming enterprises, where the level of employment is artificially maintained to maintain jobs with even a low level of wages. Such an approach contradicts the principles of market efficiency and cannot lead to a significant increase in national production and an increase in the quality of products and services that fill the gross domestic product.

It is also alarming that although Russia's labor resources are declining, the need for enterprises for new employees is practically not growing. This, in particular, is explained by

the use at enterprises of morally and physically obsolete equipment, which does not allow increasing turnover.

A serious damage to the quantitative and qualitative growth of the Russian gross domestic product over the past few years has been caused by a huge inflow of illegal migrants and migrants illegally employed in the Russian economy. According to the border service of the Federal Security Service of the Russian Federation for the first half of 2019, the vast majority of foreign citizens who came to work in Russia come from the countries of the Commonwealth of Independent States. The leader is Uzbekistan, from which 918 thousand people have arrived and are currently in Russia for work purposes. This is followed by Tajikistan – 523.9 thousand, Kyrgyzstan – 265 thousand, Ukraine – 105.3 thousand [7]. As a rule, this is a low-skilled labor force, which is occupied by low-paid labor. According to various estimates, the total loss of gross domestic product from the illegal labor of these migrants is up to 4.48%.

Due to the immigrants' inflow from the CIS countries, the statistics of demographic indicators of the Russian Federation are significantly improved. For example, in the Final Report on the Migration Situation, Results and Main Areas of Activities of the Federal Migration Service of Russia for 2015 [8], it was noted that in 2015 migration growth amounted to 90% of the total population growth of the Russian Federation. At the same time, 2/3 of children in migrant families become citizens of the Russian Federation by birth right.

Against this background, citizens of the BRICS partner countries immigrating to Russia occupy a more modest share, not counting immigrants from China. So, for the first half of 2019, 155.4 thousand people arrived from China for the purpose of work, slightly more than 8 thousand people from India, 361 people from Brazil, and 361 people from the Republic of South Africa [9]. The low share of the BRICS countries in the volume of joint intercountry labor migration reveals the existence of significant potential in building up cooperation between countries in this area.

On the other hand, at present, Russian citizens continue to leave their homeland, leaving for permanent residence abroad. This causes huge losses of the gross domestic product and reduces the competitive advantages of the country, since mainly people of working age, highly educated, active and talented, with significant intellectual capital leave [10]. According to the calculations of scientists of the Russian Federation, as a result of emigration only to developed countries in the period from 2000 to 2017 our country lost 27.035 trillion rubles of gross domestic product [11]. According to official data from the Federal Migration Service, from 2000 to 2017, the number of citizens who left Russia for non-CIS countries amounted to 889 thousand people. Of these, 421.3 thousand people moved to developed countries. However, due to the divergence of cross-country statistics in the host countries and Russia [11], there is every reason to believe that the number of Russians who have gone abroad is significantly higher than the declared figures.

The reduction in living standards observed recently in the Russian economy due to the fall in real incomes of the population does not contribute to the qualitative reproduction of human potential, the development of its intellectual capital. According to the Federal State Statistics Service, the incomes of Russians are declining for the fifth year in a row, and the indicator of differentiation of incomes of the population

continues to be quite high. The 2018 Gini coefficient is 0.411. The abovementioned also explains the emigration of Russian citizens.

Therefore, the decline in the economically active population causes two fundamental economic issues for Russia:

- problem of discrepancy of labor supply to demand;
- problem of impossibility of a substantial increase in gross domestic product and increasing the competitiveness of Russia.

Table III presents the ranked series in terms of the volume of gross domestic product produced by the BRICS countries for the period 2016-2018.

TABLE III. GROSS DOMESTIC PRODUCT OF BRICS COUNTRIES AT CURRENT PRICES, BILLION USD [4]

№	Country	2016	2017	2018	Change, %	
					From 2017 to 2016	From 2018 to 2017
1.	China	11221.84	12014.61	13457.27	+7.06	+12.00
2.	India	2273.56	2602.31	2689.99	+14.46	+3.36
3.	Brazil	1793.31	2055.14	1909.39	+14.60	-7.09
4.	Russia	1284.73	1577.53	1576.49	+22.79	-0.06
5.	RSA	295.68	349.30	376.68	+18.13	+7.83

The presented data indicate that China is developing, which has been evolving the national economy over recent years through the competent use of human potential. In the phase of recovery (expansion) with positive growth dynamics of gross domestic product from 5% to 7% are the following countries: South Africa and India. Negative dynamics in the last period is observed in Russia and Brazil. And this means that the human potential of these countries is being “washed out” and not used properly to increase the volume and competitiveness of national production.

IV. DISCUSSIONS

In the current situation, Russia faces the challenge dictated by time, which consists in the need to build up high-quality human potential, first of all, to form with its help an innovative type of economic development, to improve the quality and competitiveness of Russian products, which must be produced domestically with a high share of added value.

According to the Global Competitiveness Index, developed by the World Economic Forum, Russia ranks 43rd place out of 140 countries in 2018. Of the other BRICS countries in this indicator, only China is ahead – ranking 28th place [12].

Modern Russia is in a dual situation. On the one hand, yielding in terms of the economically active population, Russia ranks first among other BRICS countries in terms of human development and the number of people with higher education in the country (30.2% of the population aged 24 to 65) [13], which corresponds to the level of developed economies.

On the other hand, the labor productivity of Russian workers on average remains low, and the goods produced by the labor of Russian workers are not very competitive in the world market. The labor productivity indicator, reflecting the volume of gross domestic product produced by each worker

in Russia for one hour of work at current prices at purchasing power parity, for 2018 amounted to \$ 28.3 per hour. In terms of labor productivity, the Russian Federation is inferior to all developed countries of the Organization for Economic Cooperation and Development (OECD) [14].

The following situation arises. Unlike developed and a number of developing countries, Russia not only lacks large world-class companies with highly efficient labor, but also suffers from the lack of growing, promising companies in new high-tech industries. In this regard, we note that there are quite large prospects for the exchange of experience and the development of Russian companies based on the existing human potential of Russia in the framework of the BRICS association.

Promising directions for deepening and expanding cooperation between Russia and the BRICS countries are the following:

- trade and economic, for a wide range of consumer goods;
- energy, in which Russia should act as a major supplier of resources that have undergone processing in Russia;
- agro-industrial, due to the huge size of arable land, fertile soil and a variety of climatic conditions;
- scientific, technical and innovative direction, with an emphasis on non-waste environmentally friendly technologies [15], for example, the development of navigation systems, military aircraft, space exploration, etc.;
- scientific and educational direction, in which Russia should play the role of a major center of attraction for students from friendly countries;
- healthcare and medicine (new medical technologies, production of medications, biologically active food additives, etc.);
- information and communication, within the framework of information and communication technologies;
- investment and financial direction that allows Russia to attract investment in growing domestic markets and strategically important infrastructure projects without violating the national security interests of the state, on the one hand, and to invest in BRICS countries for profit, on the other hand;
- development of cross-country tourism.

We also note that population of the BRICS countries is significantly different in its socio-economic characteristics. For example, India and the Republic of South Africa are countries with a relatively young population and high birth rates. Russia and China face the problem of an aging population. In this regard, Russia should pay more attention to raising fertility and developing opportunities for young people.

V. CONCLUSION

In general, we note that the Russian economy is forced to develop under the influence of sanctions from developed countries and the instability of global markets. The positive

aspects of the current stage include, first of all, macroeconomic stability, the presence of a large mass of highly educated population of the country, labor market flexibility, the growth potential of Russian markets, rich natural resources, as well as some indicators characterizing innovative potential [16].

In these conditions, the main task of the Government of Russia is the search for reserves to stabilize the key socio-economic parameters of the country and increase the rate of economic growth.

To this end, this paper analyzed indicators of the level of human development, economically active population, unemployment, migration, and several others.

It was revealed that there is a rapid decline in human potential in Russia, which negatively affects the dynamics of the gross domestic product and the global competitiveness indicators of modern Russia.

In the light of the current economic existence of Russia under conditions of Western sanctions and market instability, in order for human resources to develop country's national economy, promising areas for developing cooperation with friendly partner countries for the unification of BRICS are identified.

The current macroeconomic situation and the state of human potential in Russia form the necessary conditions for building up the country's economic power, increasing its competitiveness and the possibility of creating products that are competitive in quality and prices on the world market.

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