

About Problems and Trends of Labor and Capital Convergence

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Abstract—The first part of the article reflects such acute issues as equitable distribution of entrepreneurial income on the basis of social partnership which mainly has a formal nature in Russia, unsettled topical issues of remuneration of labor and determination of a minimum wage which could act as an effective work incentive. The article states that there are no social guarantees for workers, and mechanisms of social partnership and determination of an equitable price of labor were not created. An attempt was made to explain the issue of reconsideration of Chapter 4 of the Civil Code of the Russian Federation concerning a legal entity in order to regard it as a social unit which promotes formation of a system of social partnership, and the corresponding provision of Article 7 of the Constitution of the Russian Federation concerning a social state. The second part of the article mentions the main reasons of loss of labor motivation in modern Russia and the considerable gap of the income level between different worker groups; the issue of reconsideration of the existing labor incentive system and equitable remuneration of labor is raised, the conclusions of the necessity of the government support of agriculture in the Far North and replacement of the determined regional coefficient for the people who work under the conditions of the Far North with the fixed climatic subsidy for extremality are explained. The world practice has proved that resolving this issue would promote the employee retention in the North and reduce the shortage of the highly-qualified personnel.

Keywords— *Far North, Labor, Capital, Private business, Agricultural production*

I. REGARDING THE ISSUES OF INCOME DISTRIBUTION ON THE BASIS OF SOCIAL PARTNERSHIP

During the second half of the 1980s, Russia faced great changes in all areas of social life and, in particular, in economy and agriculture where recognition of the equality of all forms of ownership and promotion of an economic initiative were the basis for formation of market economy. A mixed economy was created, and a brand new combination of labor relations, the centrepiece of which were the economic interests closely related to the right of ownership of production means, began to form.

In the area of development of entrepreneurship and market economy, Russia ranks as number 120 in terms of doing

business, but it should be in the top ten, and later — in the top five. It is a very challenging task.

Another issue is that such factor as distribution of entrepreneurial income, i.e. profit on the basis of social partnership, has not been solved in our country. This issue is addressed in more detail in the works of N.N. Gritsenko, N.A. Volgin, Y.N. Popov, etc. [1; 2; 3]. At the same time, the modern social management should be supported by a dialogue of equal social partners (employers and workers). It is known that all our labor incentive system is based on the dependence of wage on profit and labor efficiency. Market economy also failed to solve this contradiction between the government, the enterprise and the worker. Labor organizations, the status of which is regulated, in particular, by collective agreements, are responsible for improving relations between the employer and the worker. The problem is that the system of social partnership in Russia mainly has a formal nature, although the issues of labor conditions, duration of the working day, and wages are discussed by them. However, the problem lies elsewhere. In fact, it is a case of profit-sharing. Labor organizations demand a raise in wages. At what expense can an owner of production do it? Only at the expense of reduction of their own profit rate. In this sense, interests of business and labor become incompatible.

This is a crucially important issue since remuneration of labor is a social and economic category. It is also due to a unique significance and a fundamental mission of remuneration of labor for a person, the organization they work for and the country they live in [4]. Nowadays, the issues of remuneration of labor and determination of a minimum wage are the most relevant; moreover, wage has always acted as an effective work incentive.

Karl Marx paid a lot of attention to the important issue of separation of labor from capital, i.e. separation of the worker from the enterprise they work for. Labor organizations which repeatedly attempted to distribute shares among workers and introduce their representatives to the company's governing bodies also try to resolve this issue, but, unfortunately, all these attempts failed to produce the desired results. Whereby, the government did not take any adequate measures to provide every worker with social guarantees regardless their current position, and mechanisms of social partnership were not

created. Meanwhile, labor is an object of social protection in law-governed states [5]. In fact, in Russia labor remains underestimated, the existing acute issues are concealed by the Government and an equitable price of labor has not been determined so far. As the result, the contradiction between the government, the enterprise and the worker has not been resolved.

The same serious shortcomings existed in the Soviet economy. It is known that in the 1960s the USSR experienced the "Kosygin reforms" but they did not lead to resolving this issue, in other words, the contradiction between the government, the enterprise and the worker was not overcome.

What is the contradiction under the current conditions of market economy? The fact is, in Chapter 4 of the Civil Code of the Russian Federation a "legal entity" is practically identified only with private business and its interests. This code also ignores that an enterprise is primarily a social community [6] in which different entities should be united by a common project focused on the achievement of a common purpose. But in fact, the underlying purpose of a "legal entity" and the mechanism of its achievement remains the same, i.e. traditional fetishization of profit as the main purpose of a business activity of any enterprise [7]:

1) a general shareholders meeting selects the Management and gives it the unambiguous directions — to maximize dividends by all possible means;

2) the Management selects a president from its environment and gives them the same instructions;

3) a managerial body is formed at multiple levels but with the same criterion of estimation of their activity, i.e. an amount of profit.

Moreover, unfortunately, the Civil Code of the Russian Federation does not state that the purpose of entrepreneurship is the production of the desired quality of goods, and the purpose of sale of goods, along with gaining of profit, is put first. In contemporary society, gaining of profit should not become a goal in itself for civilized entrepreneurship [8].

As the result, we see that the worker is actually excluded from the management system and assigned to the role of a disciplined executor; the majority of information formed under the top-down principle is ignored, perhaps, except for reprimands, notices or new higher performance rates.

The legal basis of an enterprise as a "legal entity" recognizes the rights of the worker for the part of the income which they receive according to the labor contract in the form of wage but the income itself remains, based on the logic of law, an exclusive and undisputed property of the owner of production means, i.e. the entrepreneur. This situation cannot be considered as fair because it is undeniable that the worker as a partner takes part in the process of business activity in the capacity of a co-producer. Here it would be appropriate to cite the statements of Marxism that only labor of workers creates a surplus product, and we see in this the fundamental meaning of equality of the worker as a partner since they are directly involved in creating an added value which eventually forms

the basis of an enterprise's income. This social injustice is also one of the reasons of the separation of the worker from the enterprise.

II. REGARDING LABOR MOTIVATION IN AGRICULTURAL PRODUCTION

If we transfer everything that was said above to agriculture, we will be convinced that many laws of market economy, including the basic provisions of the classical economics that the entrepreneur always strives to maximize their profit for the agricultural sector, are not applicable on their own. This is because the main purpose of farm business is the welfare of a family which is not limited to the income from agriculture production; it is a way of life [9].

It is known that loss of labor motivation in modern Russia was caused by the following three reasons: inadequate, beggarly remuneration of labor, shutdown of city-forming enterprises and downsizing of life support systems in rural regions. For example, in the Republic of Sakha (Yakutia), labor motivation in agricultural production has remained low for a long time [10]; the average monthly wage per worker is only RUB 13,502 which is 3.5 times less than a similar rate in other branches of the republic's economy [11]. Meanwhile, RUB 120,249 per month is required for normal functioning of an agricultural worker and members of their family consisting of 5 persons, i.e. RUB 24,050 per person on average [12].

A significant gap between the income levels of senior executive officers and ordinary workers plays a negative role in the separation issue. Whereby, this issue is getting more urgent. For example, wages of chief executives of major companies are 300 times higher than wages of average workers, and this gap is only getting bigger every year.

Today's reality imperatively imposes reconsideration of the existing system of labor motivation in order to provide workers with the right for equitable remuneration which can ensure a decent life for them and their family.

When it comes to a property, it can be observed that the number of individual property enterprises is increasing every year. Besides, today, more than ever in advanced countries, small and medium businesses based on the stimulating role of a private property have been further strengthened. This situation is also supported by Marxist theory which considers a property as a specific social relationship between people and social classes that is developed according to changes in social and economic conditions of life of the society. A property characterizes a position of specific social groups in production and relationships between them.

It should be borne in mind that under the conditions of increasing competition, highly-qualified human capital assets become the most important competitive strengths instead of land, capital and natural resources. That is why regulation of labor should be carried out with the help of social partnership and provided with equitable social guarantees. However, it should also be noted that the ability to work cannot be separated from the person, and, as the International Labor Organization (ILO) stated in the Declaration of Philadelphia, labor cannot be an object of purchase and sale [13; 14].

In general, the issues dealt with in the article can be argued about endlessly, although the issue of wage and, moreover, equitable division of the new value created by workers seems to be simple and understandable. We do not set an objective to make businessmen pay for the new added value created by workers. The point is, workers as participants in creating the new value should have significant material incentives. These issues are well-reflected in the book of E.F. Borisov "Economy: a textbook and a tutorial" [15].

This is all very important to people who work under the conditions of the Far North where, as practice shows, the dependence of production of local agricultural goods on the natural climatic conditions is very high. Therefore, the government support of agriculture in these regions should be at a higher level in comparison with other regions of the country. But then again it refers, for example, to a low wage. One of the reasons, according to O.N. Epifanova, President of the Expert board for legislative support for the development of the Far North, equivalent localities, regions of the Far East and the territories of the Arctic zone of the Russian Federation and Deputy Speaker of the State Duma, approximately 50,000 people leave the northern territories of Russia every year, and the remaining population is rapidly ageing [16]. And that is the truth. She also cites Canada's experience where the government provides the people living in similar areas with fixed compensation amounts for living under extreme conditions.

In conclusion, we would like to draw your attention to the fact that the people who live in the Far North, for example, in the Republic of Sakha (Yakutia), under very extreme and severe natural climatic conditions, are involved in cattle breeding, horse breeding, reindeer breeding, hunting and fishing. The northern people battle to survive for nine months of harsh winter. And considering the fact that Russia is the richest country in the world and has 40% of all the natural resources of the planet, despite the existing difficulties, such as sanctions, crises, geopolitical conflicts, etc., there is every reason to submit proposals for annulment of the regional coefficient determined by the laws and regulations for the Northern territories by replacing it with the fixed climatic subsidy for extremality of RUB 50,000 per month for each person, regardless their wage, who work under the conditions of the Far North, including pensioners. The world practice proved that resolving of this issue would promote the employee retention in the North, stop the out-migration from the Northern territories and activate the settlement of people in new areas which could reduce the shortage of the highly-qualified personnel. And, as A.N. Bolnitskaya, Leading Research Scientist of the Centre of Social Problems of Labor of the Academy of Sciences of the Republic of Sakha (Yakutia), rightly pointed out, the basis of the society's

life, particularly, in the Far North, is life support of people, i.e. satisfaction of their needs in food, clothes and services [5].

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