

# Human Capital and the Sphere of Values in the Conditions of Innovative Economy

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**Abstract** — The authors argue that the concept of "human capital" is associated not so much with the socio-economic sphere of society, but with a new special sphere of human life - the sphere of values. In the countries with the most dynamically developing economy, the value of human abilities, knowledge, ethical norms that bring profitability to economic entities is coming to the fore. The main role in the development of human capital is played by spiritual and moral values, the formation of which is carried out through a system of accessible and full-fledged humanitarian education. It is concluded that for rational motivation and adequate realization of human capital in Russia it is necessary to accelerate the formation of appropriate institutional conditions.

**Keywords** – human capital, innovative economy, sphere of values, spirituality, morality, education, educational society

## I. INTRODUCTION

The theory of human capital, being an economic subject and the object of empirical analysis, in reality covers the entire stratified social complex. Since, as E. Schultz first used the term (1961), and Nobel laureate (1992) G. Becker formulated the economic approach to human behavior and justify the effectiveness of investments in human capital, the concept of human capital has increased significantly. If initially it was understood as a set of investments in a person, which increases his ability to work (education and professional skills), then over time this concept has been enriched with new content. We consider human capital as a new effective resource of imperative nature, which is important for the social and economic development of Russian society and the state. Such capital includes three components: *biophysical* capital, which characterizes the physical and psychological health of a person; *social* (spiritual) capital, which characterizes a person as a carrier of culture and morality, as well as the level of his education and the potential of his social interaction; *intellectual* capital, which characterizes the knowledge, information and creative potential of a person.

Today, human capital in a broad sense is a multifunctional factor of economic development, development of society and the family, embracing not only the set of knowledge, skills used to meet the diverse needs of man and society as a whole, but also the art of management, environment, working environment, etc.

Therefore, the study of the possibilities of realization of human potential involves the deepening of knowledge not only about its functions, but also the mechanisms of organization and self-organization (self-regulation) of business structures, the creation of institutional conditions in the country, the dynamics of consumer spending (family costs for food, clothing, housing, education, health, culture, as well as government spending on these purposes), etc.

The problem of human capital development is becoming extremely important for today's Russia, which is still poorly used not only physical but also human capital. The permanent volatility of the young market, economic "zigzags" from growth to recession (as a consequence of economic and financial crises), necessitate the search for an optimal combination of the principles of regulation and self-regulation in the development of human capital, the elimination of existing institutional barriers to its qualitative growth, the choice of an effective mechanism of its financing and criteria for assessing the effectiveness of investments in human capital in conditions of uncertainty and risks inherent in the Russian economy.

## II. STATEMENT OF PROBLEM

It is generally recognized that Russia's transition from a Directive to a market economy "at the expense of the person" was not very productive. The social activity of people has decreased, the basic values of society, moral norms have changed not for the better, the scale of corruption, the shadow economy, crime has increased. These changes were reflected in the demographic crisis, deformation of education and

health, and most importantly, there was a "devaluation" of human capital. It is clear that the political figures and the management elite did not find ways to form the feedbacks of man, society and the state, which eventually led to the social split of the Russian society. On the one hand, the state today actively supports the idea that support for the formation and development of human capital should become priorities and criteria for the effective management of the state and its regions. On the other hand, there is almost no generally accepted strategy of human capital formation in the country that announced the construction of an innovative economy

The fundamental transformations of the Russian economic system that took place at the turn of the centuries (changes in the functions of the state, the growth of the "shadow" economy, the violation of the fundamental relationships between investments in certain sectors of the economy, the instability of the consumer sentiment index, etc.) are characterized by one common feature - the inadequacy of the implementation of human capital in the context of institutional reforms. And while there is no reason to argue that the new economic system has formed a new type of employee - an intellectual (innovative person), whose professional activity is marked by creativity.

Traditionally, such a strategy is considered in the context of social policy. Naturally, in the conditions of the economic turmoil and recession that have befallen the country, it is not accepted to adopt such documents at the state level. At the same time the achieved level of well-being of citizens, the development of the social sphere creates real opportunities to move to a new social policy, which, based on the quality of human potential, could become a driver of socio-economic development. So, in 2015 Russia has maintained its leadership in average wages (converted at purchasing power parity in US dollars) among the CIS countries and the BRICS. Public expenditure on health in real terms increased by 74% in 2005-2015 [1]. There was a significant reduction in inequality in the territorial accessibility of education, the amount of budget funding for culture has increased, etc.

However, there are still many unresolved social problems and new challenges from human capital. Among the problems - insufficient funding of science and education from the state, the degradation of fundamental Sciences, the outflow of highly qualified specialists abroad, poor quality of work, etc. The main challenges are formed in the field of demography - the country is approaching the period of long natural decline of the indigenous population. The most acute problem, which is imperative, is investment in human capital, which does not give a quick return.

The authors criticize the position of those, who believe that the content of human capital is currently determined mainly by the socio-economic conditions in which the society is located. Indeed, in industrial and post-industrial countries they will be different than in agricultural and peripheral States. However, to reduce this issue only to material understanding means to consider a person as a passive object of external causes. It is necessary to move to the understanding of objective reality as

a value category, denoting the direction of strategic interests inherent in any society.

### III. RESULTS

#### A. *Theoretical contribution*

The authors of the doctrine of cognitive wealth argue that the increase in the IQ of the nation by one point increases the average per capita GDP by 229 dollars, and 5% of the smartest part of the intellectual elite of the nation - 468 dollars. Therefore, the need for a large-scale qualitative transformation of human capital as a strategic resource for innovative development of Russia is quite obvious [2]. However, here there is a "delicate" question about the correlation of spiritual and material principles. In reality, the "substance of man is "existence" and the question about a man is his bodily, mentally and spiritual unity - wrote the German philosopher M. Heidegger [3], and Russian philosopher A. Losev noted, that this entity expresses something without which it cannot take place in the life stream and meet the expectations [4].

Any distinctiveness of man is emphasized by his individual nature. Being a part of society, collective or group, a person remains an individual with self-consciousness, abilities and own "I", having freedom of choice. At the same time, the ways of combining external and internal aspects in human life are always historically specific. Usually in periods of stable state of society, when there are only gradual and subtle changes, the system of social relations and manifestations of human capital remains stable. In times of rapid changes, it breaks down and people again face the problem of determining their social identity. At such times, in the mind and behavior of a person there is a state of tension and search. People are becoming more interested in moral problems, life values, meaning and purpose of life.

Such a tense and "searching" state of consciousness and behavior of people is one of the remarkable features of our time. The reason here lies in the sharp changes in living conditions and changes in the person. Revolutionary upheavals and profound social transformations, as well as the whole situation of increased dynamism in Russia at the turn of the century, have a profound impact on the internal world of citizens and the value characteristics of human capital. On the one hand, there are changes in the system of human needs - not only material, but also social, related to the availability of information, opportunities for communication, expression, creativity and other humanitarian norms. On the other hand, the role of spiritual needs of a person in the conditions of contradictory processes in cultural life is actualized. Meanwhile, the calculation of indices of both human development and human capital (human potential) indicators of the sphere of culture are absent at all.

But it is spirituality as a concept that reflects the fullness of life and the unique experience of human inner experiences. Spirituality is "inorganic nature" of the individual [5]. According to the dominant scientific position, the spirit that gives everything an assessment should be at the head of the person, guiding his mind, soul and body. More precisely, the mind and the soul are assistants of the spirit, and the body -

the object they are educating. This means that only strong in spirit and pure in heart people are able to cope with the most difficult problems facing the modern world [6, 7, 8].

In his famous work "Phenomenology of spirit" Hegel argued, the core of human spirituality is morality - "the Kingdom of education", which allows people to go beyond their inner ideas and actively assert spiritual values. Therefore, the need for moral understanding of the world is urgent and unquestionable [9]. Moral norms, unlike legal ones, are sanctioned not by the rule of law, but by human consciousness, the power of traditions and public opinion. Thus morality determines the highest qualities of a person, his citizenship, patriotism, faith and will. A highly moral person remains so in extreme conditions, even in times of great social upheaval. On the contrary, freeing oneself from spiritual and moral absolutes and categorical imperatives, one easily becomes a victim of open physical violence and deception. In this case, the personality is reduced to the level of the electron-proton complex and the reflex mechanism, losing dignity, sanctity and inviolability. People deprived of spiritual and moral attributes as suicides begin to destroy each other [10].

### *B. Practical part*

The gradual depreciation of the spiritual meaning of life is a common "diagnosis" of modern civilization. Indeed, in most cases, the spiritual and moral attitude to the events is peripheral in comparison with other circumstances - political, economic, technological, informational and other. This leads to the fact that in the world continues to dominate the material force that affects the souls and destinies of people as a "weapon of mass destruction" [11].

Evidence of spiritual and moral degradation of modern civilization is obvious. They were anticipated in the twentieth century by the outstanding Russian-American sociologist P. Sorokin (1889-1968). Here are just a few examples of his amazing insight, a deep understanding of the role of human spiritual values, as well as the great anxiety with which he linked the possible attributes of our time.

He noted that "the boundary between truth and falsehood, just and unjust will begin to fade steadily" until the Kingdom of mental, moral and social anarchy comes. "Brute force and cynical deception" will be, in his opinion, the only attributes of all interpersonal and inter-group relations, and force will be the right. And fixing the reality of the beginning of this century, he argued that freedom for most people "will become a myth", and the dominant minority will use it with "unbridled debauchery" And further: international treaties and agreements will lose the remnants of their power. Built over the previous centuries, the "majestic contractual sociocultural House will collapse". His fall will sweep away the contractual society of free people and break out of war, revolutions, rebellions, etc [12].

It would seem that such arguments are indirectly related with the role of human capital and the sphere of values in the formation of an innovative economy. But this opinion is deeply mistaken. It is very difficult, if not impossible, to build such economy in an increasingly morally and socially

degraded world. By the way, in the countries with the most dynamically developing economy there is an exit to the foreground of the value of human abilities, knowledge, ethical norms that bring profitability to economic entities.

Unfortunately, in modern Russia, signs of spiritual and moral anarchy are manifested from time to time, which were anticipated by the aforementioned Russian-American sociologist. People are increasingly concerned about the humiliation of the greatest values of the past and the replacement of traditional culture with pseudo-culture. Gradually disappear loud names in classical music, painting, philosophy, literature, but there are mediocre pseudo-thinkers, artisans from science and art, show makers and all sorts of "stars". Sorokin considered the transformation of thinking into a "search for information" to be especially dangerous.

Meanwhile, the sphere of science, culture, along with education and health care form the basis for the development of human capital in the modern world and, in particular, in Russia. While the first stage of the social policy of the new Russia (1990-2000) was a time of contradictory formation of new economic and political institutions with limited resource capabilities, the second stage (the beginning of the new century) was marked by the strengthening of social institutions and increasing the resource base of social policy. There is a real opportunity not only to rely on the comparative advantage of the national economy - human capital, but also to strengthen the measures of the state for the development of science, culture, education and, of course, health.

Alas, the systemic changes that started at the beginning of the zero years in the domestic education have brought little positive results in the accumulation of human capital, since they mainly aimed at the transition to new economic mechanisms of functioning, budgeting, and to change the configuration of the network of educational organizations. The problem of private business investment in human capital is being solved too slowly because of the continuing contradictions between the state bureaucracy and self-organized corporatism, which more effectively uses the features of a free market economy.

"Narrow" place of many Russian researches is the point of view, according to which, cultural values, embodied in the minds of people, as culture itself is already human capital. But they represent only a potential form of its manifestation, and their transformation into capital depends on the conditions guaranteed by the state, when a person occupies a worthy professional niche and fully realizes his abilities, gaining access to additional income.

In this regard, for modern Russia has to solve several problems. Important of them:

- determine how much of the investment to invest in human capital (especially one that does not give a quick return);
- develop a common ideology of the state (with an emphasis on a systematic approach to solving the problem of human capital development);
- to solve the problem of providing benefits to legal entities and individuals investing in human capital, etc.

#### IV. CONCLUSION

Of course, the problems of forming an innovative economy in modern Russia are not limited to the state of human capital and the sphere of values. We should not forget about the long-term stagnation of production with high added value - general engineering, radio-electronic complex, information sector, etc. The observed revival of these industries today is not yet able to radically change the situation and, most importantly, the country has not yet created a reliable mechanism of state management of innovation. There are many reasons that hinder the effective development of the country in the scientific, technical and innovative spheres of activity (they go beyond our study). We will specify only those that are, in our opinion, the main:

- formation of mainly non-profit relationships between organizations at all stages;
- limited concentration of scientific, technical and investment activities on developments related to the defense complex;
  - weak support for small innovative enterprises;
  - emigration of valuable scientific personnel due to changes in the value system of society;
  - division of science into fundamental, branch, university and factory, etc.

An unbiased analysis of the claimed problem reveals several "delicate" moments. First of all, we are talking about the fact that human capital invested in the Soviet era at the beginning of this century has significantly depreciated. With great respect for the veterans who built the socialist economy, their experience is not always in demand today. This conclusion is clear even at the domestic level - the greater the load of "Soviet" education, experience, mentality, values and habits brings with them a person-age in life, the harder it is to find a high-paying job in the labor market).

Of course, to say that the accumulation of human capital actually began "from scratch" is deeply mistaken. Preserved cohort of highly skilled professionals in science, military, art, etc. However, today the market makes new demands to the quality of the labor force and technical workers, managers, etc. (Not coincidentally, the market in developed countries the

most "capitalized" in the labor market are the older generation, while in Russia face 30-40 years).

Among the negative aspects that significantly reduce the potential of human capital in Russia are those qualities, knowledge and skills that do not provide useful benefits, but on the contrary, lead to the degradation of individuals and society as a whole. We are talking about such widespread bad habits among the population as alcoholism, drug addiction, Smoking, gambling. His "contribution" in a negative human capital contribute a low level of education majority of the young people, the passivity behavior, various diseases, social and technological ignorance, etc.

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