

**ST. PETERSBURG INTERNATIONAL ECONOMIC FORUM
JUNE 20–22, 2013**

**New Catalysts for Change
THE JOBS AGENDA: NEW APPROACHES FOR BUILDING THE SKILLS BASE
FOR FUTURE EMPLOYMENT
Panel**

**JUNE 20, 2013
18:00–19:15, Pavilion 5, Conference Hall 5.2**

**St. Petersburg, Russia
2013**

Moderator:

Ruben Vardanian, Co-Head, Sberbank CIB

Panellists:

Bo Inge Andersson, President, Chief Executive Officer, GAZ Group

Olga Golodets, Deputy Prime Minister of the Russian Federation

Vitaly Klintsov, Managing partner, McKinsey & Company, Russia

Tuğrul Kudatgobilik, President, Turkish Confederation of Employer Associations

Maxim Topilin, Minister of Labour and Social Security of the Russian Federation

Brent Wilton, Secretary General, International Organization of Employers

Front row participant:

Ekaterina Egorova, First Deputy Head, Federal Migration Service

R. Vardanian:

I would like to introduce our participants who have gathered here for our discussion. Bo Inge Andersson, President and CEO of GAZ Group, is one of the veterans working at GAZ Group, he has already been in Russia for four years. I am very interested to hear his view on the labour market in Russia compared to the markets in those countries where he has worked.

I am very pleased to see Maxim Topilin here, the Minister of Labour and Social Security of the Russian Federation. I think our discussion will be useful for Mr. Topilin.

I am equally pleased to see my good friend Vitaly Klintsov, Managing Partner of the Moscow Office at McKinsey & Company – a company which has had a presence in Russia for almost 20 years now and will soon be celebrating its anniversary. McKinsey conducts research on a lot of topics related to our discussion, including productivity of labour and staffing problems.

It is my pleasure to introduce to you Ekaterina Egorova, who is here with us, the First Deputy Head of the Federal Migration Service. Ms. Egorova will have the opportunity to take up and discuss some of the topics of this session.

I understand that our topic always attracts a lot of press interest and a great deal of public attention. In society, heated debates are going on regarding migration, the qualifications of personnel, attracting the best candidates, and systems of education.

In the employment field we are seeing the following: on one hand we have a relatively high concealed unemployment rate, a large number of people are not working very effectively and do relatively simple jobs for not very much money. On the other hand, we have a constant deficit of personnel, especially qualified personnel, not only at the top levels, but also at the levels of vocational schools and technical specialists. Visitors are coming here from abroad, which is provoking both negative and positive reactions. Foreign visitors are arriving both legally and illegally and they are either qualified or not at all qualified as employment candidates.

Dramatic changes are taking place in the employment structure and personnel structure in Russia.

I think that there are many critical topics and many very important topics. I would like to begin our discussion with a question for the Minister of Labour. What do you think are the key priorities and areas that are needed in order to solve those tasks faced by the government in relation to stimulating our economic growth? We understand that without qualified personnel, without a proper migration policy, without employment, it will be very difficult to ensure economic growth. What do you consider to be most important in this situation?

M. Topilin:

Thank you.

It is true that the labour market in Russia is phenomenal; it is a feature particular to Russia. We have, on more than one occasion, discussed why we have a low registered rate of unemployment and relatively low unemployment according to the methodology of the World Trade Organization, but the gap between these two indicators is reasonably large. We would like to somehow bring these figures closer together. What follows on from this?

We believe that major problems are caused on the labour market by the fact that, according to my calculations, around 15%, or perhaps 20% of citizens are basically working illegally, outside of formal labour relations. This is creating major deformities on the labour market: when choosing a profession, people receive distorted stimuli and signals. The way I see it, this is in many ways connected with a lack of long-term planning, including when choosing a pension strategy. People understand that their pension depends only slightly on how long they have been working legally, what kind of wages they earn, and so on.

The next aspect which we can discuss with the experts participating in today's panel is: how can we restructure, reformulate the system of mutual relations between the labour market and the education sector? What comes first, what second, and how

should educational establishments react to demands from the labour market? How quickly is this happening and in what way can it be regulated or not regulated?

We are constantly searching for answers to these questions, but it seems to me they are not always the best answers. We are trying to solve this problem through governmental means, taking various control measurements, coordinating the ideas of the Ministry of Education and the Ministry of Labour with regard to what will happen in 15 years: which professions should be dismissed, and which should not. I think that we are giving false expectations by saying that we can do this. Educational establishments must react to this process themselves; they must demonstrate far more independence. How does it work in industry? A company releases a certain product, analysing the market for both the short and long term. I fear that we could have negative results if we change the intake figures through government intervention and do not allow educational establishments to solve this themselves, focusing on demand.

Another question, which is causing us great concern, is to what extent does labour legislation in connection with migration legislation encourage the development of the labour market in one direction or another? Why are illegal actions taking place on the market? To what extent has the Labour Code lost touch with the reality of what is happening on the market, to what extent is it still oriented towards Soviet traditions, how strict are its standards, and how applicable are they to small businesses?

We are constantly trying to make amendments to labour legislation in order to lower the definite burden on small businesses so that people are able and willing to form formal employment relations. It is very important to organize a dialogue with partners, with professional unions which insist on the equal protection of rights for all employees. To what extent is this right? The labour market has changed and it cannot be assumed that work for individuals will be regulated by the same norms of labour legislation that regulate the labour activity of an employer with a reasonably large number of positions, with a stable production programme. To what extent will guarantees for the registration of a leave of absence or the registration of medical

certificates work? There are also many questions in this area which we will have to address in the short term.

We, of course, want the labour market to be as legal as possible, as transparent and formalized as possible. I would not say that using the word 'formalized' is incorrect. I believe that the labour market functions far more effectively, that both employees and employers are far more effectively protected, when labour relations have a formal side – if there is a labour contract, guarantees, and obligations which the two parties must observe. A cause of concern for us is the high level of illegal employment which will create major problems in the next 15 years. We now think that people who are working illegally are putting something aside, in their own way formulating their own pension rights, without participating in the communal savings system. They will probably turn to the government at a later date. It is wrong to believe that they, without participating in the system today, will not come tomorrow and say, "Where is my pension, at least a small one?" They will come and ask for it, they will demand it. We must be prepared for this; we must create a system of incentives. We will not be able to regulate this situation through policing or by means of surveillance. We have to think of instruments which will encourage people to legalize these relations, in their own interests.

We have many tasks ahead of us in the field of legal regulation, in the field of process prognostics, and in the field of collaboration between professional unions and employers.

Another matter which is causing us great concern and which requires definite solutions has to do with qualifications. We talk about qualifications, we talk about the requirements set by employers, we talk about the fact that the assessment of qualifications is not regulated correctly and is seriously lagging behind. We decided to try to create a system of new professional standards in order to outline new requirements for professions...

Should I stop?

R. Vardanian:

Not at all, carry on! This is a democratic Forum.

M. Topilin:

Mr. Vardanian said that we have democracy, so I will continue. Ms. Golodets, please excuse me.

When we began working on this, we immediately established what we understand the development of a system of professional standards to be, namely, what is of interest to the professional community and what the professional community can give us. We did not want to make professional standards a bureaucratic instrument. They should arise out of demands which are formulated by employers and professional communities themselves. But when we tried to get this information from the depths of the professional community, we found that the professional community was not at all prepared to formulate these requirements.

We must be very clear that if we are going to change the system for qualifications assessment, the system of requirements for qualifications, then the professional community in various sectors must make an effort and try to express their interests in a definite manner. Otherwise, this work will bear no results.

Thank you.

R. Vardanian:

Thank you.

I have just one question. Despite the fact that your direct superior is here, I would like to ask you this question. Could you name the three main issues that keep you awake at night? You gave us a huge list, we could discuss this for a very long time. Please name the three key problems, as a minister who has only recently begun work.

M. Topilin:

Without a doubt, it is those problems connected with informal and illegal employment. How can we solve this problem? Where is the limit of the efforts from

the perspective of regulatory bodies? Is there a place, if I may say, for a certain liberalization of labour legislation? I think that that is the most fundamental aspect. Regarding pension reform, we believe that in the context of pension strategy, the level of wages earned and the length of time worked, seniority, will be of far greater importance. I think that we must act very carefully, from various angles. Our task is to make the labour market more transparent, more legal. This will create great potential for pension provision and for improving qualifications. Our citizens must understand that their future pensions and medical insurance will greatly depend on participation in these systems and that in order to increase their level of pay, they will have to raise their qualifications and take retraining courses. This must become a system, but it cannot be done in a year or two. We must create the impulses and incentives. In this case, I hope that in the foreseeable future this system will begin to function a little differently.

R. Vardanian:

I see.

Then, if I may, I will address my question to Ekaterina Egorova. Illegal migration is one of the minister's biggest headaches. Although we know that around 20–30 million Mexicans work illegally in the United States, this is a conscious policy, because they are not paid any pension funds. There are other models which have their advantages and disadvantages. I am not a specialist in this field, but I ask you this question as someone who sees the picture very objectively. We are now coming up against global migration streams. Around 300 million young people are unemployed. In Spain, 50% of young people cannot find work. Russia was known for its migration policy. During the reigns of Peter the Great, Catherine the Great, even under Stalin, a large number of qualified specialists were actively brought in from abroad.

Currently the main influx comes from Central Asia. We have issues and problems with Chinese migration. We have questions about the lack of European migration flows, and whether or not we can organize these somehow.

In your view, where are the key problems? What can be done so that this problem, which is causing concern both for citizens and, of course, the ministry, is regulated somehow in a more structured way? I am not even talking about solving it: it is probably impossible to solve, but we must at least somehow begin moving in the right direction.

E. Egorova:

This problem is also worrying us of course. It has to do with what Mr. Topilin was talking about. 15–20% is employed in the informal sector – this figure indicates that there is something wrong with the economy. It is the informal sector where the main influx of migrants ends up. According to our data sources, there are around 3 million foreign citizens in Russia who are exceeding their rights to stay and, more often than not, work somewhere because they need to earn money. This has a negative influence on the labour market.

We find these volumes rather disturbing. The migration policy concept states that we need to change the quality of this influx. In our legislation there was for a long time no differentiation between the way in which a foreign citizen arrives and the way in which he or she finds employment. The person could be a brilliant scientist, or a caretaker with no intellectual knowledge or education, but the procedure would be the same. In 2010, a mechanism for attracting highly qualified specialists was introduced and today there are more than 32,000 such specialists in Russia. This is not enough to develop the economy. We need higher numbers.

Apart from cooperating with highly qualified specialists, we also need to develop mechanisms for foreign workers with other categories of qualifications. We are seeing a great deal of low-qualified migration. The current global trend is for countries to strive to close their borders to low-qualified workers. There is no use talking about completely closing our borders because the economy is, in fact, fuelled by this workforce. This problem is unlikely to be solved simply by introducing visa regulations for countries that are the sources of low-qualified migration. We must create mechanisms and special programmes for seasonal workers, for low-

qualified migrants, who would also find their clearly defined niches in our labour market.

For a long time we did not pay attention to the particular characteristics of educational migration to our country. Russia is one of a dozen or so countries where people go to study: our education is in demand. In this area there are also certain questions, which, if properly addressed, would allow us to raise the level of attractiveness of our education system. It is very important, first of all, to ensure that people come to study those subject areas that will subsequently be in demand on the labour market. Unfortunately, according to expert opinion, this is not currently the case.

Russian education is also in high demand because it is one of the simplest and surest ways of acquiring Russian citizenship. After graduating from a Russian higher education institution, students can go to the consulate and obtain citizenship in a relatively simple manner. The path for the integration of specialists already qualified in Russia, who do not need the nostrification of their diplomas and who speak Russian, is probably not entirely correct. At present they have to travel out of Russia and apply for citizenship at the consulate in their home country. We must work on allowing university graduates to obtain residence permits and integrate in the labour market, without leaving Russia, and we are currently preparing a proposal for this. A graduate with skills that are in demand will be able to acquire citizenship without leaving the country. This will allow us to solve the problem of supplying the labour market with the required specialists.

A very important point is giving students the opportunity to work. Students work now, but for a long time they were only employed at those higher education institutions where they were studying. Students with specialist skills of use to Russia must be given greater opportunities for employment during the time of their education.

R. Vardanian:

Thank you.

I have so far heard about illegal migration, non-systematic migration, by which I mean that there is no proper approach.

Vitaly Klintsov works in one of the most respected firms that receives a huge number of applications for employment. I know that one problem is selecting qualified candidates: this lack of candidates is a big challenge for Russia. At the same time there are also complications with job placements. How, in your view, can this problem be solved?

McKinsey has conducted a lot of research into our problem – the productivity of labour, which is much lower than in developed countries. It would be interesting to look at this.

Where are the key problems, in your opinion, as someone who has worked in this area for many years?

V. Klintsov:

Thank you.

Seeing as you brought up the example of McKinsey, I will say that we have two problems. The first problem: I know that many young people want to get a job at McKinsey, but this is rather difficult. We have a problem with looking for candidates, we cannot find enough specialists. This small problem for our firm reflects a global problem, a double crisis which exists today.

If we look at generation Y, at the population of young people in general, we can say that half of this population is employed. There are many examples for this. There is data on unemployment in Europe, but this situation exists not only in Europe. In such a successful country as Japan, for example, around 700,000 young people have not found jobs. They form a group called the Hikikomori and they do not even leave their homes very often. In America this problem is not widespread at the moment but, for example, they have the television programme *Underemployed*. On this programme they laugh all the time, but their laughter is through tears because many young people cannot find work in their field. If you look at the world as a whole, the chances of young people not finding work are now three times greater

than for their parents. Three times greater – this global statistic is the result of one of our research projects.

Let us look at the other problem. Can employers find the specialists they need? The answer is no, they cannot. In the research project we recently completed, 5.7% of employers said that they could not find an adequately qualified workforce. According to our calculations, by 2020 the average global deficit in the qualified workforce will be 85 million.

We see these two problems as problems that can be solved. Of course, we need to work out what the causes of these problems are. There are three participant groups: young people, universities and other educational establishments, and employers. The main cause lies in the fact that these three groups exist in parallel worlds. They very rarely collaborate with one another. They are making no attempt to unite in order to resolve this issue, which can only be resolved if the groups work together. They are often mistaken about each other. I can illustrate this with a few revealing figures from research studies. Less than 50% of employers and graduates believe that graduates are prepared for the world of work when they finish their education. However, more than 70% of educational establishments are convinced that they have prepared their graduates for the world of work. Universities are seriously mistaken about the success rate of their graduates in finding employment. When we interviewed universities, it turned out that the majority of them are certain that graduates find work within three months, but this is not the case.

At the moment when they choose their profession, students are practically in the dark. More than half of graduates said that if they were choosing a profession now, they would choose a different one. This demonstrates how complex the issue is.

What paths are there towards a solution? I would like to say that there are paths towards a solution: we need to combat this problem in three stages. To completely solve this problem in one go would be rather difficult.

The first step is at the point when a young person chooses their future profession. The second step is training for this profession, acquiring knowledge, and developing skills. Lastly, the third step is finding employment.

Allow me to run through a few approaches which, as the research we conducted attests, could be useful.

We discovered that there is a group of young people, of students, who end up being successful in any situation. They are those who actively manage the development of their knowledge and skills, the development of their careers, their choice of profession, and their choice of educational establishment where they can achieve this. They are people who say this kind of thing: “Now I want to obtain a basic education at a university in England, then I want to work a bit in a developing market, then I want to go to graduate school in the US” – and they know full well that they will achieve this. For example, in the past, when business analysts came to us at McKinsey, we used to send them to the best business schools – to Harvard, to Stanford – and they all went without thinking twice about it. Now we have come across a group of analysts who say “We do not want to go, we do not really understand why we need Harvard Business School. We want to work for a year here and then go back.” A few years ago, there were no questions of this kind. These young people are very active and they are the ones who will become the most successful.

What role should we play? We must popularize and promote the idea that the responsibility lies to a great extent with the students, with young people. They are responsible for their choice of profession, they decide where and how they study. It is their responsibility and they should not approach this as if they are dependants.

Information needs to be provided. The previous speakers mentioned the skills that will be in demand in the future. Did we attempt to see if we could find out which skills, which professions will be in demand? Unfortunately we did not. There is no reliable, complete data base capable of giving us an answer to this question. This is highly important information for students, but it cannot be found.

I would like to say a few more words about the role of universities. The main objective of universities, which they do not often take into account, is future employment.

R. Vardanian:

May I continue? I think that the topic of universities is very important and I would like to return to it. Let us for now discuss more general issues: migration, unsystematic migration, the deficit of qualified candidates, and unemployment. There are too many topics, and the audience, I think, is very tired, especially now that it is evening, after such a long day.

I would like to ask a question to Mr. Andersson who is President and CEO of GAZ Group. He has worked in many countries, not only in Russia. In Russia we love to self-flagellate, to sprinkle ashes on our heads, to talk about how everything is bad, how everything is terrible. That is what we do. And sometimes, on the contrary, we ignore the best global experience. We have two opposing attitudes at the same time.

We have with us here a large number of foreign citizens. I know that Oleg Deripaska was very active in introducing the system of careful production from Toyota. In general, GAZ Group is one of those companies that has raised the most important questions. The automobile industry as a whole is very complicated throughout the world. In that industry people are transformed, into qualified specialists. In your opinion, what challenges are there in Russia? What challenges are there concerning migrant and qualified candidates, and employment? I would be very interested in hearing your opinion, your experience, especially in comparison with other countries.

B. I. Andersson:

First, I am proud to be here to represent a company where most of you know our products. Some of you may not know that you know our products, but our GAZelle is well-known. We have 1.8 million on the Russian roads, along with our Sadko. On the bus side, it may be a little bit more difficult because Likino buses are produced by LiAZ; we produce GoIAZ in Golitsyno; we produce KAvZ buses in Kurgan; and we have PAZ buses in Pavlovo. We produce rail buses and, in summary, last year we produced around 5,000 light commercial vehicles and 14,000 buses, which

made us the fifth largest bus maker in the world, as well as roughly 10,000 rail trucks.

When I think about the subject, I look at three elements: first, people. If you are a leader, you must like people. A lot of leaders do not like people, so they are in the wrong jobs. If you do not like people, you need to do something else. I have worked in 10 countries. I see very skilled people in Russia, but I see that they are not utilized. When I look at people's behaviour, 55% of the people working for us are females, and they are easy to read; they are either happy in the morning and they greet me with a smile or they are angry. I like that. If they are happy, I do not need to do anything. If they are angry, I need to ask them what is wrong. For the males, it is a little bit more difficult. They see that I am a former officer, so they look at their shoes – not my shoes; they look at their shoes.

The second element is: what is the role of a leader? I do four things in my job: firstly, I give people hope and meaning; secondly, I give direction; thirdly, I allocate resources, people and money; and finally, I follow up. Thinking about this, most of you in the room are leaders. You must like people, and you must work at making people get more out of themselves and making them satisfied with what they do. Our Chair gave us an opportunity to pay bonuses, and 70% of the bonuses we pay are going to the workers. Last year we paid RUB 1.6 billion or USD 46 million to the workers, and we paid 30% to the management. More importantly, once a year, we ask our people their satisfaction level, and I am unsatisfied because 75% of our people are satisfied, but that means that 25% are unsatisfied. In short, I have better people than I have ever seen. Leaders are a different question.

Thirdly, what are we doing to prepare leaders and people for the future? I would say all of us are driven by three things. One is attitude; either you have it or you do not have it. If you do not have it, it is terrible. I would never hire people with bad attitude, never. Second is knowledge. You know a lot of things that you can repeat from books, but it does not really help you. Third is skills; you need to gain them every day. Last year, 22,000 of our people got knowledge and skills through our corporate university. Last year we invited 2,900 students from 10 universities to work at GAZ

and see if they liked it. Last year, we also worked with 100 professors who had students completing 90 papers, and this is our involvement in changing their mind about GAZ. When I took this job four and a half years ago, people said, “We feel sorry for you because you are going to the Soviet side of Russia. You should go Kaluga.” I said I disagreed. Today I am very happy that I am in Nizhny Novgorod because it is a great region with 800 years of history and great people.

In summary, I would say, with the people we have, I cannot complain. Leaders have a lot of work to do, and first they need to ask themselves, “Do I want to be a leader?” It is our job to prepare people for today and for tomorrow. Ask yourself: are you doing enough? You cannot expect to get better results if you do not prepare people for the future.

I see more opportunities and challenges ahead. Four years ago, our average pay was RUB 18,000. Today our average pay is RUB 28,000 per month. How is that possible? Because we doubled productivity. People do not like that I focus on productivity, but we must focus on productivity because otherwise we cannot pay people. Otherwise we are not competitive. Our best lines today create RUB 1 million in revenue per month; that is USD 30,000. Our average lines produce RUB 0.5 million in revenue per month. Every day the RUB 1 million plant is trying to be better, and every day the rest of them are chasing them. Thank you.

R. Vardanian:

Let us complete the circle of the key tasks faced by the government and business, tasks that have to do with migratory legislation. Then we will return to qualified candidates, we will have an important discussion on this topic separately.

Now we will look at several issues regarding regional migration, which Mr. Andersson touched upon briefly. Russia is a highly varied country, we have different regions. Obviously we have Moscow, a unique megalopolis, but we also have Kazan, Kaluga, we have Krasnodar Territory. Would you say that the absence of internal migration, the absence of equal social conditions and the absence of opportunities for acquiring qualified skills are the key problems for Russia? Perhaps

it is not the main problem? Please comment on the questions raised by our colleagues in relation to migration or other aspects. Please go ahead.

O. Golodets:

Thank you very much.

There are problems with regional migration and they are very clearly reflected on the map of Russia. The megalopolises are now, of course, points of attraction for highly qualified workers, mainly from the surrounding regions. When we travel around these regions, such as the Vladimir or Tula regions, we constantly hear that “All of our highly qualified doctors work in Moscow.” The situation is changing because facilities and new clinics are currently being built in the regions. New technologies are always centres of attraction for doctors. For someone who is trying to realize their potential, it is no longer necessary to go to Moscow in order to have a good career. As soon as such centres appear – regardless of whether they are medical or educational – they become points of attraction. Very often, when we approach such institutions, factories, and plants, we are told, “We got this specialist from Moscow, this specialist we got from St. Petersburg, these people we trained ourselves in our institute and we have also opened a new faculty because we need these specialists.” The dynamic of the last three or four years demonstrates a change in migration flows and demonstrates that definite centres of growth have begun to appear in various regions. That is what makes us happy.

Now for what does not make us happy. I think that Mr. Topilin dwelled on this topic. We have now come up against a unique problem, which we must overcome in the near future. In the employment office, where official vacancies are announced, we currently have 2 million unfilled vacancies. The number of vacancies is higher than the number of unemployed. These vacancies are absolutely real, if you go there tomorrow they will employ you. Employers are not shy anymore; they are shouting at the top of their voices about the deficit of candidates. The first problem I hear about in practically every region of Russia is the fact that our education system and

training system are not keeping up with the market and those market challenges which we are talking about.

The new government's first act was an amendment to the formation of professional standards in the Labour Code, which Mr. Topilin mentioned. We are setting a challenge for the whole system. In order to train professional candidates, we need to very clearly reconstruct the cooperation between business and professional education. We need to have a clear understanding of the current requirements for a certain profession, for a certain specialist field. We need to create a system that can be updated continually.

We believed that we would create the very first standard quickly, the standard for the teaching profession, however, it led to unbelievable debates. The project was 'put on hold', and the public debate regarding this standard is still going on. We received many responses to a document which we did not believe to be all that complicated. The first change made had to do with the usual impression of a teacher. Our teachers traditionally must know mathematics, and they must know their subject. In the standard, the first point is the ability to motivate pupils. Debates arise around what the task of a teacher really is, what a teacher should be doing, and what skills a teacher should have, what knowledge and what abilities. If motivating pupils becomes the most important thing, this means that the whole training system for today's teachers will change. It is a very important message because it immediately involves changes to the system of training for teachers; it would simply go into automatic mode. We have very little time for this. We are developing professional standards quickly; we set the time limit for development to two years. Within these two years, basic professional standards must be created in order to give impetus to the professional training system. I agree that at present there are huge discrepancies in the quality of labour resources, between the level of competencies required on the labour market and the level of competencies acquired by young people in educational institutes.

Employers are constantly saying that there are no specialists of one kind or another. Even amongst those fields where the market is over-satisfied. Accountancy, for

example, is one of the most common specialist fields in Russia, but senior accountants or real specialists, whom businesses want to employ, cannot be found. This is happening with practically all specialist fields.

Our task today is to completely change the requirements for the profession, so that employers understand what they are expecting from an accountant, so that the term 'accountant' is understood as – what he or she must know, what he or she must be capable of – and so that they can get from educational establishments precisely the accountants they need.

The second topic is the attitude towards work, the attitude towards careers which must be addressed. There is a certain amount of pressure from the media and from parents: a strict focus on receiving higher education at any cost. I will give an example. I recently had a very interesting discussion with a lovely young woman. She is studying at the Omsk Institute, specializing in foundry work. I said to her, "Is that really the profession you want?" I was interested because foundry work is very complex. She said, "No, it is just that there were funded study places. My parents say that I should get higher education." People do not think about the fact that they are spending four years of their lives on a subject that they do not like, that they do not want to work in and that will not give them a start in life. Higher education has not opened doors for these people, but killed professional growth at the most important age, in terms of professional formation. Today we have special development programmes. This girl, if I understand her story correctly, would be better off in medicine or teaching. She would be able to realize her potential. We can expand her opportunities and help every person to fulfil their potential and satisfy this market which is setting the bar so high with its demands.

That is all. I have probably gone over my time limit.

R. Vardanian:

We started our session early. It was moved to 18:30 so that we would have a bit more time for discussion. I think that we are fine to continue talking.

I would like to move on to the next topic before giving the audience the opportunity to ask questions after the next round. It is the issue of qualified candidates. Here there is also a great deal of challenges, including university education, which Vitaly Klintsov began to talk about. Let us be frank: there are 3–5% of people who change the world, who are the most important assets for any country. These people always have the opportunity to live and study in different places all over the world. Migration not only takes place into Russia, but out of the country too. Qualified, fully educated people are moving away. This is a problem.

There is the problem of choose the right specialist field, which Ms. Golodets was talking about. Only one out of ten students who graduate from teaching universities goes on to work in their specialist field. There is no respect for those professions which used to be considered very respectable: engineers, teachers, doctors. Finance specialists and lawyers are at the top of the list, everyone wants to be a finance specialist or a lawyer. Succession has been lost where before there were professional dynasties, for example, dynasties of steelworkers. People were respected because everybody knew that they possessed unique knowledge and society had a different attitude towards them.

We also have a demographic problem following on from the 1990s, a serious demographic collapse. We have a smaller number of upcoming candidates. I would like to discuss with all of the participants of our panel the challenges of preserving (I do not like the word 'elitism') this elite group of people who really make a difference. It is not imperative that they should have higher education, but they are the best masters of their trade, the best specialists, people who can make choices in their lives. The choice is becoming broader, based also on the current realities of migration opportunities.

What challenges do we see here, what do you think? How serious, or not, is this problem? Vitaly, we will start with you because you also see a great many migration flows in various directions. And perhaps you know what needs to be done about this problem, if it is indeed a problem.

V. Klintsov:

Yes, it is a serious challenge. I will return to our situation. We need to hire specialists who we refer to as 'associates'. These are senior consultants. We need to hire about ten of these a year. We are not able to do so. We are a company which is reasonably well known among graduates, we regularly process thousands and thousands of CVs. We have an effective, established hiring mechanism and we are not able to find these people. We are now faced with the problem that many people who could choose us, as Ruben Varnadian said, often choose other countries. This is the situation we are now in.

The best candidates can now choose where they receive their education. Information on where they can obtain the best skills is rather complicated and lacking in detail and it is difficult to get hold of. We interview students of various disciplines and ask them what is most valuable to them in education. Many say that it is the skills they obtain at work, in industry, not academic skills. For them, apprenticeships are important – they are what best prepare them for real work in the real world. It is only possible to achieve this through the interpenetration of the systems of education and employers. Best practice examples are as follows. Employers occupy active positions in their key universities, influencing educational courses and providing a basis for practical work experience. This system is not new: the basic departments of the Moscow Institute of Physics and Technology were, at one time, super inventions. Now this system is used more often, it is used actively in Germany, for example. We see this area, which would be very attractive to the best candidates, but it is not being utilized to its full potential. As a result, young people face a question: do I need this kind of education if it will not prepare me professionally, if it does not give me the chance to find a good job straight away?

R. Vardanian:

This is probably also a question for Ms. Egorova. How much of a problem do you believe migration out of Russia to be? Is it an imaginary problem, or does it really exist? You see the flows of people, including those who are leaving. Are these

people different in terms of quality? In fundamental and structural terms, how different is the group of highly qualified people?

E. Egorova:

It is a loss for statistics that we no longer have that system of taking account of those leaving to go abroad which we had in the Soviet Union, when people had to get an international passport and an exit visa, when it was clearly analysed why, where, and for how long they were going.

Statistical data shows that there are only a small number of people who are leaving and informing us that it is a departure to a permanent position living outside of Russia, breaking all ties with their home country. People strive to maintain links with the country; they are leaving for work, but they do not break off contact with Russia because they may return. In my opinion, it is more a question of choosing a way of life, a choice of lifestyle. Because with other equal conditions – wages, employment position, and so on – if someone chooses to work abroad, they are obviously choosing some other living conditions.

R. Vardanian:

Thank you.

Mr. Topilin, not long ago, the 'Hero of Labour' concept was brought back in Russia. We are trying once more to cultivate a respectful attitude towards labour in society. We need to change people's attitudes towards professions, to return respectability, to introduce the concept of respect for professions such as engineering. We talk a lot about education, but in this area there are deeper and more important questions: how can we change the structure of society so that an engineer, or someone who is good at bricklaying, can once again enjoy respect and earn good money. During imperial times, a teacher could afford to go abroad for six months, spend time there getting things in order and then come back. Unfortunately our teachers today definitely cannot afford to do this. What must be done, how can we change the situation, are there any ideas? Is it possible to have private-state partnership for

this, or must the state solve these problems on its own? How do you see this area of problems?

M. Topilin:

Yes, thank you.

Moral stimuli are, of course, very good and this kind of recognition from the state and the appreciation of the work of those people who have made some kind of unique contribution is a good thing. We suggested resolving this issue long ago. Everything that is connected to the name 'Hero of Labour', exclusively, will relate literally to the individual. We are constantly bringing up this topic for a wider circle of people and running various competitions. Through the Ministry of Labour, at the regional level there are a large number of competitions which award certain professionals, the best in their professions. They receive prizes, certain monetary incentives. This all exists. We run competitions not only for the best individuals in their respective professions. Together with employers and professional unions, as a three-sided commission, we already have a long-established tradition of running a competition for the 'Best Enterprise of High Social Efficiency', singling out those companies which offer and cultivate completely different social programmes: from support for working mothers to other things. All of this is already taking place.

We are talking about the fact that there is a certain discrepancy between the education market and the fact that candidates are coming to employers and not satisfying their requirements. It is not yet clear how we can overcome this discrepancy. The efficiency of labour in our country is extremely low. As I see it, wages do not yet correspond to the level we could potentially have in this country. We are comparing the efficiency of labour and wages here and in developed countries. We forget that in the 1990s, average wages fell, so we have not really reached the level which, as I see it, would correspond to such an efficiency of labour. Therefore, on one hand, graduates have heightened expectations, and we have heard about this topic as well: young people, believing that they have acquired

specialist knowledge, want to immediately receive high wages. This is also the case, but the market, to a certain extent, balances this situation.

Concerning wages and their undervaluation: the government has taken a decision regarding those categories which come within the scope of the budget: this includes doctors, lecturers at higher education establishments, paramedical personnel, and a series of other categories which are provided for in one of the presidential decrees. The government has drawn the conclusion itself that these categories of workers, workers in the scope of the budget, currently receive extremely low wages.

Sometimes it is said that we can, to a certain degree, give a false impetus to the economy, that if these professions receive more, there will be an adjustment in the wage market. Yes, of course that is the case. In all the countries we know, doctors and teachers receive much higher wages than the average wages in those economies. This encourages employers to somehow also reconsider their wage policies. Perhaps changes will occur. I would like to hope that changes in output will occur, raising the efficiency of labour. These are interdependent processes and they are positive. In this case we must offer additional retraining programmes, perhaps with the help of the government, perhaps on a parity basis. Employers, the government, and individuals themselves can invest in professional training. We are thinking about this. It is very important that people have the incentives and the internal motivation.

The government has spoken about means of raising wages for specific categories, but this means 6 million people. This is a huge figure, one tenth of the entire workforce. I believe that this will, to a certain extent, provide an incentive for other professions as well, and a change in the attitude towards wages. This will mean raising the expectations of the employer towards the employee, the need to raise qualifications and certifications, and to strive towards learning new knowledge. Perhaps in five or six years we will talk about how this situation has changed, that the quality of labour resources, the quality of a certain profession, and the training of certain students has improved. The level of wages is, in many ways, a key point. It

is very important to begin moving forward in a more systematic manner. I stress once more that it is about raising the requirements demanded of employees.

R. Vardanian:

Thank you.

Mr. Andersson, I would like to ask you two questions. The first question: I understand that you have shared with us your positive experiences of working in Russia, what you like and what works out well. These results and examples are indeed very positive. But how does Russia differ for the worse, what negative points do you see in relation to skills and abilities? We know what we do well. Are there any aspects where we do worse than other countries, or are there no such aspects and we generally do everything very well?

And the second question: why, in your opinion, has to this day not a single Russian top manager reached at least the level of member of the board in an international corporation? Why do we, possessing unique human capital which we are proud of and consider highly educated, not occupy priority positions in global corporations? I am not talking about heading Microsoft or Danone. What is the reason for the fact that Russians, possessing such unique knowledge and experience, nevertheless have not managed to achieve success in becoming even board members in the largest companies? Or has our time simply not yet come?

I would like to hear your answer to these two questions.

And then I will close this round with, perhaps, a more global question.

B. I. Andersson:

I am trying to be optimistic because it is so easy to be pessimistic, but to answer your question, first, I would like things to be clean because you see immediate results, and I think Russia is very dirty. If you go to GAZ today, we have the cleanest plants in Russia. I think it is very important because it gives people a good working environment. The first thing I did was to renovate all the toilets, all the showers, all the locker rooms, and all the diners. I am not trying to insult you, but I

think all of us like it to be neat and clean, and that is an observation from being Swedish and living in the US for 15 years. Having a clean work place is what people like, and you give people an opportunity to do their jobs.

The second thing I see is that a lot of people working with me do not believe in tomorrow. If I give them a salary raise, they spend the money today because they do not believe there is a tomorrow. I think it is important to have the perspective that today is today and tomorrow is an even better day.

Third, I am somewhat surprised by over-optimistic planning, and I say you do not need to do everything on the last day. It is perfectly fine to be early. Last week we worked on a big construction project and I was nervous, but they got everything done in the last hour: the tiles, the paint, the radiators, the toilets, etc. I was there at 06:00 and it was not done, but at 11:00, it was done. I asked how they could do that; you do not need to wait until the last minute.

These are three observations, not to insult you, but to look at opportunities. Before I go into the big question, I believe in assessment. You do not need to try now, but try this when you go home: if you can do a figure of eight with your foot and a figure of eight with your hand simultaneously, I can train you to fly a helicopter in five hours. Try when you get home. If you can do a figure of eight with your foot and a figure of eight with your hand simultaneously, you are a good candidate to pilot of a helicopter. Very few people can do it. I think you should train people in different skills, but first you need to assess them. Some people have a gift for something; some are totally wrong for that type of thing.

I also think there is good opportunity. We live longer and longer, and I do not know when I will stop work, but when I stop my work, I will be a middle school teacher, because that is when people can still be influenced. I do not want to be a university teacher, but I would like to be a middle school teacher. It may take me 10–15 years, but I would still like to do it.

Going back to the big question: why is the head of Microsoft not Russian? I think one thing is aspirations. Another is maybe language, although a lot of people in Russia speak very good English and German, etc. Third is most people that I meet

in Russia say, "Russia is good enough. I am perfectly happy where I am. It is good enough."

R. Vardanian:

Ms. Golodets, please forgive me, my question will be rather long, but I think it is important for our discussion today. We have touched upon a few themes: the theme of trust and of planning – people do not believe in tomorrow, in the future. It must be honestly stated, people here have, unfortunately, always been the cheapest assets, and we have disposed of them very easily. This is affirmed by the results of the Second World War, where the number of those who died is huge in comparison to other armies. People here are not valued; they are not our dearest, but our cheapest asset. From another perspective, we have an unbelievable employment structure. One million men aged between 18 and 50 are employed in the security sector and guard schools, which means that the police force is not fulfilling its obligations, and we are forced to hire people who do what the police should be doing. We have more government officials now than we had in the Soviet system, and we also have more soldiers than we did in the Soviet system. The number of non-productive professions is, surprisingly, much higher than even in the Soviet Union.

From a third perspective, people who understand their insecurity under these conditions are moving away, choosing a different lifestyle. All this combined creates a very serious challenge for us all. How can we act in order to change the employment structure, the attitude towards people, the attitude towards individuals as capital, belief in the future, long-term, and not just in the here and now? This is a fundamental change, but without it I think it will be impossible to solve these key problems we are facing. We cannot change the internal world of an individual, or their attitude towards what is happening around them.

What do you think, where should we begin? Where are the weak points which will allow us to break down this problem? Or are they so complicated that we simply have to accept and understand that we will continue living within this model, that

people are the cheapest kind of commodity, that they are doing unproductive work, that this is not so bad, and that the state will feed them? Feed them better or worse depending on the price of oil. Are we in this trap forever?

O. Golodets:

There is no single cure. Those steps which we have discussed today regarding professional standards, regarding approaches to migration flows, regarding approaches to changing professional education, regarding the attitude of the civil society itself and the media to the idea of labour, to respect for professions – these are all the most important points for those changes which must be made straight away. The situation will have negative consequences in the future if we do not do something now. The most important step we have taken is to create the Ministry of Labour. In our country there was no Ministry of Labour for a long period of time. Simple, clear approaches to the subject of labour have been lost. Today, finding people with the required qualifications who know their trade well is a big problem.

We are now rebuilding several industry norms, several industry approaches. Very often companies turn to us and say, “How can we, as a mechanical engineering company, take into account labour norms for a certain kind of operation? Do you have an institution, some kind of guidance manual, anything at all? Can you group us together?” There is currently no effective system. There are more unified forms of business, which, even without a governmental support system, have been able to solve their problems. This is more the exception to the rule than a regular occurrence. We need in all our capacities, including in our attitude towards the labour system, to transition to a new professional level. This is also work, work which is as important as the work of a doctor or a teacher. A labour specialist is also a very valuable profession. I believe that the creation of the Ministry of Labour itself is a serious breakthrough. Nothing can be done here by one person alone.

There is a whole system of measures set forth in our state programme, which we will accept as law. They really are relevant for all participants in this process, and for civil society most of all. We need to change the superficial attitude to the market, the

lack of responsibility for labour, and the lack of definition in ideas about where benefits come from. For our people, benefits are not associated with work, especially not with productive work. This is where the lack of respect for people in important professions comes from. It creates an impression, as I have shown, which is even provoked by parents, that it is better to work anywhere at all than in a factory or a plant, or as a teacher. And nowadays people are even saying as a doctor. Financial professionals are the highest paid specialists here today and this is a huge bias in the system. Finance is a service industry. Because of this, credit is inaccessible and the whole system is displaced. On the labour market in the United States, the highest paid specialists are doctors, not surgeons, as in our system, who provide treatment when everything has already gone wrong, but general practice doctors, who deal with preventive measures, avoidance, initial detection, and diagnoses. And if we want to achieve high professional results in every profession, then we must change the attitudes within the professional community itself. I hope that the steps which are currently being taken towards changing wage levels will encourage this.

I will close with a final thought which I would very much like to share with you. It is in regard to the professional community. Whichever industry we talk about today, there are strong professionals everywhere, who are capable of raising the issue of high qualifications, training, and professional standards and models for work at the highest level. I faced an almost social task connected with our musical education in Russia. We decided to create a choral society, which was suggested by Valery Gergiev. I listened to people from the regions who work in this profession; I saw how their eyes lit up. The society was created in May, and literally from the first moment to the present day, so much has been done that it is impossible to list it all. The report of its affairs is a whole volume. People light up, they bring to this their energy, they bring their professionalism. Yes, today this professionalism must be fully supported. We need a network of information to unite them and all of the best specialists should have access to this system. We have these locomotives and we must help them to realize their potential.

We have set ourselves this task, as a government. I have given a mandate to create a programme of social development up to 2050. We have many challenges connected to the demographic differences between generations and everything lies on this: the condition of social infrastructure, pension legislation, social legislation, and many other problems. We are living in a unique society: our generations differ greatly from one another. The generation of 1992 was 1,200,000 and the generation of last year was 1,849,000. Everything is tearing at the seams with such a difference between generations. Schools and kindergartens are either empty or too full. We have calculated pension reforms for 2050, looked at every generation, and worked out what the investment for every generation must be. We have looked at the numbers of pensioners of every age, and this gives an absolutely clear and competent understanding of all prospects. Exactly the same can be said for the labour market: for the training of individuals, for the conditions we will create for each individual, starting from the moment of birth until working age and then retirement. We must understand the whole picture. We must take into account these particular features of our demographic situation.

Thank you very much.

R. Vardanian:

Thank you very much.

I would like to give the audience the opportunity to ask questions. It was a little incorrect of me, as usually happens in democratic systems, to completely usurp the opportunities to ask questions.

Please introduce yourselves. I would like to say that we are asking for questions, and not presentations. Thank you very much.

G. Korshunov:

Good afternoon, my name is Georgy Korshunov. I represent the Regional University of Oil and Gas and the National Consortium for Universities and Companies in the Oil and Gas and Mineral Resources Sector.

I have two questions, very briefly. Dear colleagues, what do you think of the situation that many millions of people who are currently occupying positions in so-called labouring professions and specialist fields, currently have higher education? One could say that this was very good, if it was not for the unusually low faith of business in the level of education of working candidates in the country. At the same time, the prestige of labour professions is unusually low for the youth to go into it. That is the first question.

The second point: the Deputy Prime Minister Olga Golodets made a very important point about the motivation of young people, about their self-determination. What do you think about the idea that it is necessary from school age to hold career guidance sessions for young people so they may enter into professions that are currently of interest? A simple example: today a very modest percentage of graduates from our schools pass the uniform state examination in physics. This demonstrates that a very small percentage of young people have the initial motivation to go into the engineering profession. What do you think about it being necessary to work with young people from school age, in order to raise interest and motivation towards good quality education and gaining a profession?

Thank you.

R. Vardanian:

Was your question for Ms. Golodets? Yes, go ahead, perhaps briefly.

O. Golodets:

I agree with the idea that we need to motivate children, starting from the classroom. The question is not so much to do with motivation as it is with providing every child with the opportunities to try out more things, to find out what they are interested in, where their talents lie. Unfortunately, the tragedy for most children is that they never ever get the chance to do what they are most talented at. Some countries, for example Finland, are definite leaders in school education. When I was at a Finnish general education school, I was most impressed by the laboratories and the

workshops. Every child has the opportunity to work with their hands, to practise music; it is part of the general school curriculum. Opportunities to develop multifaceted skills and explore various forms of activities are very important for developing personal potential. We have set ourselves the task of broadening supplementary education, including at school level. I think that this will, to a certain extent, remove part of the problem.

Regarding the question about labour professions. There is a universal desire to achieve higher education. Today we have unique examples. I was in a college not long ago and asked where the pupils had come from because they did not seem to be of school age. We were told that they had graduated from university and were there to study a labour profession. It is such a shame that these young people have wasted their time. At the same time, the graduates say that after the education they have received, their level of social adaptation is much higher. There are certain forms of bachelor's degrees which are trying to combine these two examples: you can complete your education at a college and then you just need another year, or two years in some subjects, in order to graduate with a bachelor's degree and realize the dream, your own or your parents', of receiving higher education, which, clearly, for parents is a form of self-fulfilment in their children.

R. Vardanian:

One more question please.

I. Bukharov:

Thank you.

Igor Bukharov, Federation of Restaurateurs and Hoteliers.

Ms. Golodets, this is a question about professional standards. This has been discussed a lot, finally the government has taken a decision, and in a year 800 professional standards will need to be approved. We wrote ours long ago, we were the first. Nowadays we see the following: a section of the community cannot take these activities upon itself, they were hoping that they would be paid money for this.

The community has still not managed to gather together any resources in order to hire specialists. We know how much it costs and the sums are fairly high. It turns out that everything is put onto the universities, but the universities will write from their own side when they understand how they are able to teach. The situation could turn out just the same as before when we wanted it to turn out better.

O. Golodets:

Colleagues, let us avoid what usually ends up happening. It is, of course, a difficult task, but if the professional community needs money, there is money pledged on all professional standards. This money will indeed be distributed by the Ministry of Trade by means of a competition.

This will be extended to the budget sphere also.

There are now applications to develop standards. We will discuss each professional standard with the most serious professional community, whoever makes an application.

I gave the example of the standard for teaching. There was not a single person we recognize in this sphere, who works on the issue of professional education and teacher training, the hiring of teachers, who would not participate in this discussion. I hope that when we move to the discussion of practical standards, the professional community itself will join in, understanding how important it is for them. This will be a major hurdle.

M. Topilin:

I will add something, very briefly. Our colleague is probably referring to the fact that the series of competitions for developing professional standards has been won by universities. Of course, we would be grateful to the professional community if they were to develop professional standards. That would be much better, I spoke about this. We faced a similar situation when representatives of the professional community at the initial stage of this work said that they would not be able to participate. We were prepared to give money to these professional communities.

They said, “No, we are not prepared, we do not want to, even for money.” By my logic, it is in the direct interest of professional communities, and if they are ready, if they have matured, they must prepare their professional standards within their communities. I do not think that money should even be an issue. That is the first thing.

The second thing: Ms. Golodets talked about the fact that within the Ministry of Labour, expert commissions have been formed with the participation of various ministries, representatives of employers, and professional unions, which will examine professional standards. The results of this discussion will be published and posted on our website and we will accept comments, suggestions, and so on. Therefore, if you have something to say regarding these professional standards which are being prepared, we will be open to suggestions. I will repeat once again: I think that this must come from within the professional communities.

R. Vardanian:

Thank you very much.

I would like to thank first of all, of course, the participants in our panel discussion for coming here, and for finding time for this very important, serious discussion, in spite of their very busy schedules.

I hope that the audience now has a lot of food for thought about these problems that affect us all.

Thank you for surviving the day. I hope that we will have many more opportunities for dialogue.

Thank you.