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Institutional Barriers in the Regional System for Forming and Implementing Professional Competencies*

Abstract

The paper reveals the most important institutional barriers for entrepreneurs that impede the coherence between the systems of formation and use of labour resources' professional competencies. It presents entrepreneurs' assessment of management tools that will allow overcoming institutional barriers. The authors develop the theoretical and methodological foundations for competency-based management, such as the institutional theory, the concept of the firm's core competency and the approach by R. M. Nizhegorodtsev to managing the system for forming and implementing professional competencies as a single entity. The research method involves accumulation of data using the following methods: an analysis of scientific publications and holding semi-structured interviews with the members of the Sverdlovsk Regional Union of Industrialists and Entrepreneurs. The authors formulate recommendations on ensuring the correspondence between the tools for competency-based management at the level of federation subjects and the identified management factors. We also establish the role of the tools of the national system of professional qualifications, dual education and professional mobility in competencies implementation.

INTRODUCTION

The National Regional Investment Climate Ranking of the Russian Federation, among other things, assesses the availability of human resources with necessary qualifications. The results are obtained through the survey of legal entities and sole traders who recruited new employees within the past 12 months. The National Ranking analyses five spheres of economic activity: industry, agriculture, construction, transport and communications.

To assess their satisfaction, respondents used the following criteria:

- 1) availability of sufficient labour resources with necessary qualifications in the subject of the Russian Federation;
- 2) the amount of time spent on the search for labour resources with the necessary qualifications;
- 3) financial costs involved in the search for labour resources;
- 4) professionalism of the workforce.

Depending on the level of investors' satisfaction we adopt the following scale: 1 point – very low; 2 – low; 3 points – high; 4 points – very high; 5 points – excellent. The average values for five groups of regions (from A – regions with the best results

to E – regions with the worst results) range slightly from “medium” to “good”. In the country at large, the values indicating the level of investors' satisfaction with the availability of labour resources with required qualifications is lower than the indicators in other areas of assessment (Fig. 1)¹.

At the same time, “entrepreneurs' satisfaction with the availability of HR with required qualifications” made 3.1 points, which corresponded to group E “Regions with the lowest indicator values”. It is worth noting that the ranking position and the results dynamics are taken into account when evaluating the efficiency of executive authorities heads in the subjects of the Russian Federation, which makes the Ranking an effective mechanism for motivating executive authorities in the federal subjects. It stimulates them to achieve the objectives of the state policy in the sphere of human resources management at regional level. To increase investment attractiveness of the region, on December 30, 2014, the Prime Minister of Sverdlovsk oblast approved the Plan of Measures (Roadmap) for Improving the Position of Sverdlovsk oblast in the National Regional Investment Climate Ranking of the Russian Federation

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¹ The National Regional Investment Climate Ranking of the Russian Federation. Available at: <http://www.investinregions.ru/rating>.

Институциональные барьеры в региональной системе формирования и реализации профессиональных компетенций¹

Аннотация

В статье выявлены наиболее значимые с точки зрения предпринимателей институциональные барьеры, препятствующие достижению согласованности между системой формирования и системой использования профессиональных компетенций трудовых ресурсов. Представлена оценка предпринимательским сообществом инструментов управления, позволяющих преодолевать указанные институциональные барьеры. Авторами развиваются теоретико-методологические основы управления компетенциями – институциональная теория, концепция «ключевой компетентности фирмы» и подход Р.М. Нижегородцева к управлению системой формирования и реализации профессиональных компетенций как единым целым. Методика исследования включает аккумуляцию данных с использованием нескольких методов: анализа научных публикаций и проведения полуструктурированных интервью членов Свердловского областного союза промышленников и предпринимателей. Даны предложения по обеспечению соответствия инструментов управления компетенциями на уровне субъектов Федерации выявленным факторам. Определено место инструментов национальной системы профессиональных квалификаций, дуального образования и профессиональной мобильности в реализации компетенций.

in 2015–2017¹. The Roadmap established target indicators of “entrepreneurs’ satisfaction with the availability of HR with required qualifications” for 2015, 2016 and 2017 set at 3.2, 3.5 and 4.0 points respectively. The four-point indicator would allow Sverdlovsk oblast to enter the Top-5 regions with the greatest entrepreneurs’ satisfaction with the availability of HR with required qualifications. Unfortunately, this plan failed: the indicator in 2017 was 3.6 points and the region was in Group E.

Thus, formation of a management mechanism that can increase the availability of skilled human resources for entrepreneurs

¹ The Plan of Measures (Roadmap) for Improving the Position of Sverdlovsk oblast in the National Regional Investment Climate Ranking of the Russian Federation in 2015–2017. Available at: http://mir.midural.ru/sites/default/files/files/dorozhnaya_karta_-_utverzhdenie.pdf.

neers to hire is an important scientific and policy goal for regions of the Russian Federation.

THEORETICAL FOUNDATIONS AND EMPIRICAL FINDINGS

Russia’s labour market is characterized by the following main features. First, there is a negative trend towards a decrease in the number of economically active population (Fig. 2). On the one hand, this can be explained by falling birth rates due to the negative economic situation in the early nineties. Another reason for that is low life expectancy and high incidence of disease, also resulting from the negative effects of the transitional reforms.

Second, the Russian labour supply is characterized by a specific geographical distribution. Despite the fact that the vast

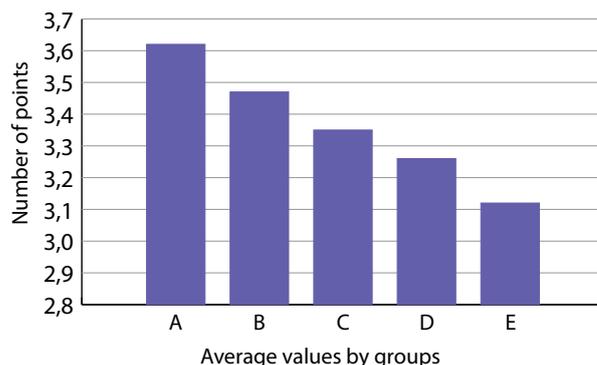


Fig. 1. The results of the National Regional Investment Climate Ranking by the indicator “Assessment of the availability of HR with required qualifications” in 2016

Source: Compiled based on the National Regional Investment Climate Ranking of the Russian Federation.

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Ключевые слова

УПРАВЛЕНИЕ ЧЕЛОВЕЧЕСКИМИ РЕСУРСАМИ
ИНСТРУМЕНТЫ УПРАВЛЕНИЯ
ИНСТИТУЦИОНАЛЬНЫЕ БАРЬЕРЫ
УПРАВЛЕНИЕ КОМПЕТЕНЦИЯМИ

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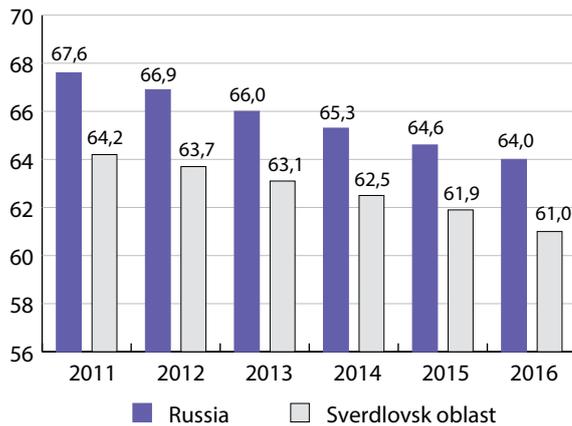


Fig. 2. Able-bodied population in Russia and Sverdlovsk oblast, %

Source: Sverdlovskstat. Available at: http://sverdl.gks.ru/wps/wcm/connect/rosstat_ts/sverdl/ru/statistics/sverdlStat/db/.

majority of the working-age population live in large cities, a large number of them are residents of economically unviable areas where there is no demand for labour or it is rather limited [8].

The final key feature of labour supply in Russia is the character of professional qualifications. Formally, the level of workers' qualifications in the country remains very high. Russia is one of the world leaders by the number of people with higher education. However, in reality, the situation is different: the level of employees' qualification is quite low. Apart from the quality of education, there is an issue of discrepancy between supply and demand in the labour market. All this indicates the inflexibility of the education system and its inability to respond to the changing needs in the labour market.

The demand for labour in the Russian labour market also has its specifics. In our view, the first and the main feature of the Russian labour market (and the Russian market in general) is its exceptionally high degree of monopolization. The state supervisory authorities actually limit their functions only to controlling market players whether they comply with labour legislation. It should be noted that this control often proves to be quite effective.

High degree of the labour market's monopolization is reflected in its second key feature – a low demand for skills. This peculiarity also stems from the situation typical of the early 1990s, when the human capital accumulated during the Soviet period was largely ignored. It resulted in the fact that employers showed little interest in applicants' qualifications and paid more attention to their personal qualities. With the transitional reforms, this trend became stable. Under these conditions, the employer

treats professional qualifications as an asset not needed for effective professional activity. It is only considered to be a signal of the applicant's higher level of abilities. Currently, this trend is decreasing mostly due to the policies implemented by foreign companies and the most successful Russian organizations. On the other hand, the possible growth of competition in the markets and a subsequent fall in business profits, on the contrary, can make employers exercise a more careful approach to staff selection [2].

The last peculiarity of the demand for workforce in Russia is a high degree of monopolization in the domestic labour market. Monopolization is characteristic of old industrial enterprises, the public sector and some other industries. Primarily, this is due to poor corporate culture or even its absence in Russian companies, as well as a high level of ownership concentration. All this leads to the situation where key vacancies are filled with internal staff members. It should be taken into account that very often the reason behind that is not the applicant's professionalism but their family or informal connections within the company. It is not uncommon that some businesses and industries have an unofficial order of succession, some kind of an "inheritance" order, for the next few years. It is obvious that under these conditions, the demand for highly qualified staff declared by the industries is a political sham – all that they can offer to external applicants is lower positions and no career prospects. In crisis, the staff policy of such companies is also far from being oriented to economic efficiency and social justice: it will aim to preserve and maximize the rents collected by the ruling elite at the enterprise.

In his work, Richard Daft defined a management mechanism as "a set of actions

and methods for influencing people's activities in order to encourage them to achieve organizational goals" [5]. The structure of the management mechanism includes management objectives; management factors – elements of the management object and their relationships which are subjected to impact in order to achieve the stated goals; methods (tools) for influencing these management factors, and management resources. In this paper, we examine management factors and management tools.

Based on the purpose and the subject of the research, the object of management is regional human resources. While investigating management factors, it is needed to identify the institutions of human resource competencies formation and human resource competencies implementation. Competency-based management includes an approach to description, evaluation and development of a person. Within the approach, a person's behaviour is considered to be the manifestation of his/her competencies [7]. In scientific literature, there are three major directions of the competence-based approach: American (behavioural), English (functional) and integrated (developed by France, Germany and Austria) [1]. The common features of these directions help to define "competencies" as behavioural characteristics which an individual should have or acquire to cope with their work effectively [4].

Fig. 3 presents the model of competencies formation and implementation, designed by prof. Robert Nizhegorodtsev [3]. According to his methodological approach, the management mechanism encompasses institutional barriers – the so-called management factors.

The institutional framework of a specific industry brings organizations advantages in their economic activities [6]. For example, some organizations demonstrate better performance if they enjoy institutional support [10]. In this regard, within the benchmarking approach, institutions are viewed as best institutional practices and as management tools of the HR management mechanism. The aim of the study is to analyse institutional barriers and to identify management tools of competency-based HR management applied in regional HR policy.

This theoretical approach considers the quality of resources and institutions as the basis for the investment climate and the object of management in public policy and brings together the researchers in the theory of entrepreneurship [4; 9; 11].

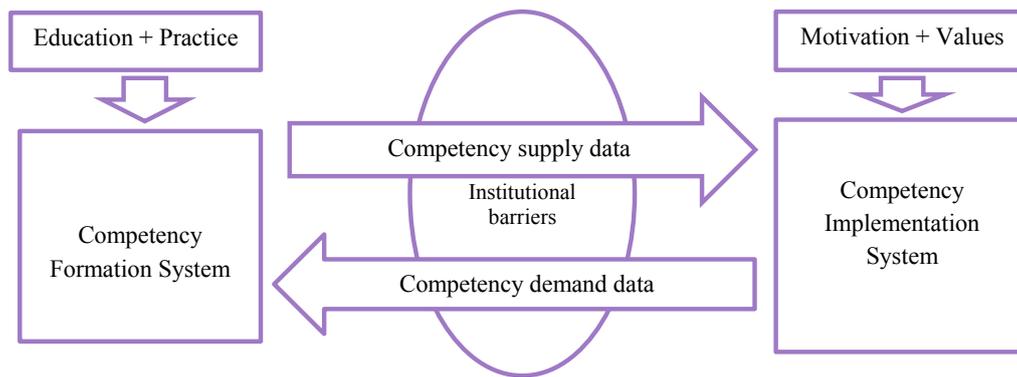


Fig. 3. A model of competencies formation and implementation system

Source: compiled on the basis of [3].

Identification of institutional barriers by employers – members of the Sverdlovsk Regional Union of Industrialists and Entrepreneurs

No.	Group of institutions	Institutional barriers	Share, %
1	Institutional barriers – the most significant distortions in competency demand data		
1.1	Institutions of Competency Implementation System	1. Strict internal planning (lack of long-term planning). 2. Disclosing information (confidential HR information). 3. Firm strategic behaviour (inflated HR requirements for better recruiting possibilities)	85 76 64
1.2	Institutions of Competency Formation System	1. Excessive preferences for the same professions (under popular culture pressure). 2. Student admission (maximizing student numbers without taking into account the interests of employers). 3. Development of educational programs (insufficient training time flexibility)	100 84 56
2	Institutional barriers – the most significant distortions in competency supply data		
2.1	Institutions of Competency Formation System	1. Skills certification by educational organizations (mistrust of employers). 2. Seniority (mistrust of employers)	90 64
2.2	Institutions of Competency Implementation System	1. Recruitment (problems with identification of competencies)	56

METHODS

The research methodology includes accumulation of data with the help of different methods, such as analysing scientific publications and conducting semi-structured interviews and econometric analysis. The data contained both historical and current information in the given social sphere. The reasons for using the specified methods are explained by studying the following social phenomena: national culture, values, behaviour and personnel management practices. Thus, collection, selection and analysis based on methods of interpretation (they reveal ideas (meanings) emerging in the process of human economic activities and show their scope) provide the foundation for achieving tangible results and developing recommendations.

The object of the research on management practices in Sverdlovsk oblast (2016–2017) covered 110 employers – the members of the Sverdlovsk Regional Union of Industrialists and Entrepreneurs. They were engaged in the three basic types of activity that employed more than 40% of human resources: manufacturing – 40 organiza-



Fig. 4. Tools of competency-based HR management applied within regional HR policy

tions (over 1000 employees); construction – 30 organizations (over 100 employees); wholesale and retail trade – 36 organizations (over 200 employees); other community, social and personal services – 4 organizations (over 200 employees).

Respondents were top-managers who filled in questionnaires or took part in semi-structured interviews. The questionnaire aimed to identify institutional barriers and competency-based HR management tools applied within the framework of regional HR policy that strictly conform to management factors.

RESULTS

The study revealed the institutional barriers that were the most significant distortions in competence demand data, such as: strict internal planning, disclosing information, firm strategic behaviour, excessive

preferences for the same professions, student admission and development of education programs (see Table).

Moreover, there are institutional barriers representing the most significant distortions in competence supply data: skills certification by educational organizations, seniority and recruitment (see Table).

Our study demonstrated the tools of competency-based HR management applied within regional HR policy. The tools are strictly conformed to management factors (Fig. 4).

Findings of the research prove that institutional barriers are the most significant distortions in competence demand and competence supply data. These institutional barriers are real management factors and there are specific management tools for dismissing such barriers.

CONCLUSION

The study of management practices in 110 organizations of Sverdlovsk oblast showed that managers utilized the tools of Dual Education Model, National Qualification Framework and employers' labour mobility programs in education and HR-practice. According to competency-based management concepts, the mechanisms of National Qualifications Frameworks: certification of professional qualifications and professional public expertise of educational programs need to be used in Regional Human Resource Policies for Industrial Growth. The avenues for further research encompass the mechanisms of competency-based management design and development of competency forecasting methods. ■

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