

Public Administration: Institutions, Resource Transfer, Jobs*



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Abstract

The study deals with institutional peculiarities of public administration and examines the way in which bureaucratic behaviour models influence the effectiveness of government decisions and the conduct of economic policy. The methodological basis of the study is bureaucratic theory and neo-institutional economic theory. The author proves that the ongoing institutional changes in the form of government decisions affect resource transfers between various types of economic activity, in particular, a transfer of labour and capital between economic sectors. Moreover, the ratio between risk and profitability of various types of activity, undergoing constant and dynamic changes due to these corrections, determines the dynamics of the resource and the entire economic system. However, apart from the ratio between risk and profitability, the level of manufacturability is also relevant. We present a model of determining gross value added by the specified parameters which determines the transfer of capital and labour. The model evaluates the changes in gross value added of the manufacturing sector in a situation where there are shifts in the risk of doing business within the sector. The change in the risk ratio towards its decrease in processing and increase in the transactional and raw materials sector results in a significant rise in value added in the processing sphere. The overall level of the initial manufacturability predetermines the possibility of creating jobs; therefore, the task of increasing the number of high-performance jobs is determined precisely by this state. The estimation of the number of jobs in accordance with the method proposed by the Federal State Statistics Service camouflages the scope and the essence of the problem. Instead of using salary or value added when comparing with average values, in order to evaluate high-performance jobs we suggest considering the overall manufacturability of the economic system and the number of automated workplaces that allow enhancing productivity through higher "production manufacturability".

INTRODUCTION

The design of various scenarios and models for the development of the Russian economy in the long term [1; 3; 10] sits within the systemic complexity of the tasks set for solving problems requiring new quality of institutions (institutional changes), structural shifts and an effective system of public administration. Various solutions and projects are prepared by not only analytical experts, but also government officials who pursue their own interests and have their own vision of the situation. This also explains the characteristic features of the perception of analytical information which is conveyed to the country's governance apparatus.

Thus, firstly, the current rules of decision-making, in addition to the content of the decisions themselves, influence the course of their implementation and effectiveness.

Secondly, the decisions about the management of resource transfer within the economy will determine the system's dynamics.

Thirdly, errors in measuring, coupled with incorrect formulation of the development tasks, are fraught with considerable negative consequences for the management of a large-scale economic system's development.

At the beginning of our research, we look at the peculiarities of the bureaucratic government decision-making and the organization of the management system. Then, we investigate the issue of managing resource transfers between economic sectors based on the necessary administration models. Finally, we discuss the evaluation and measurement trap that emerges when solving the problem of increasing the number of high-performance jobs within the economy.

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Keywords

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Аннотация

Исследуется вопрос институциональных особенностей государственного управления, влияние бюрократических моделей поведения на эффективность государственных решений и проведение экономической политики. Методологической базой исследования послужили теория бюрократии и неинституциональная экономическая теория. Обосновано, что осуществляемые институциональные коррекции, принимающие вид правительственных решений, влияют на перелив ресурсов между различными видами экономической деятельности, в частности труда и капитала между секторами. Соотношение рисков и доходности различных видов деятельности, постоянно динамически изменяемое в силу данных коррекций, определяет динамику ресурса и экономической системы в целом. Релевантным является не только соотношение рисков и доходности, но и уровень технологичности. Представлена модель определения валовой добавленной стоимости по указанным параметрам, определяющая перелив капитала и труда. Модель предполагает оценку изменения валовой добавленной стоимости обрабатывающего сектора в зависимости от риска ведения в нем хозяйственной деятельности. Изменение соотношения по риску в сторону его уменьшения в обработке и увеличения в транзакционно-сырьевом секторе приводит к заметному росту добавленной стоимости в обработке. Общий уровень исходной технологичности определяет возможность создания рабочих мест. В связи с этим задача увеличения числа высокопроизводительных рабочих мест детерминируется именно данным состоянием. Соответствующая методика Росстата камуфлирует измерение и суть проблемы. В нашем исследовании предлагается высокопроизводительное рабочее место оценивать не по показателю заработной платы или добавленной стоимости при сравнении со средними значениями, а с учетом общей технологичности экономической системы и числа созданных автоматизированных рабочих мест, позволяющих повышать производительность за счет более высокой «технологичности производства».

BUREAUCRATIC THEORY AND MODERN PUBLIC ADMINISTRATION

As known, bureaucratic theory addresses the influence of government officials' actions on the functioning of economy, as well as the issue of how the patterns of their interaction affect decision-making and institutional changes [12; 13; 15–18; 20]. The effectiveness of public administration largely depends on the justification of economic policy measures and the qualities of the administrative apparatus [1] which acknowledges the need for a scientific justification for a country's development strategy. The determinants of public administration effectiveness are the introduced rules of decision-making (institutions), the functioning of the bureaucracy itself, i.e. how it produces decisions, what are the motives behind these decisions and their utility for the economy at large. Normally, within the framework of the "pure economic theory" that considers the transfer mechanism of economic policy, the stylistics of decision-making and the problems of managing resource transfer in the economy are not discussed from the perspective of the effectiveness of the applied measures of government policy. This is the circumstance that limits the assessment of the effectiveness of the public administration system. At that, when the potential of reforms and further institutional changes is exhausted, managers are able to change the rules of decision-making and the administration system. At the same time, in reality, the state of the problem may have completely different roots and not require changes, especially cardinal ones, in the administration system. Therefore, implementation of such changes, on the contrary, can further unbalance the economic system by increasing the number and the scale of functional disorders.

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Ключевые слова

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БЮРОКРАТИЯ

ЭКОНОМИЧЕСКАЯ ПОЛИТИКА

РЕСУРСЫ РАЗВИТИЯ

ВЫСОКОПРОИЗВОДИТЕЛЬНОЕ РАБОЧЕЕ МЕСТО

АВТОМАТИЗИРОВАННОЕ РАБОЧЕЕ МЕСТО

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In terms of staff structure, public administration apparatus includes two large categories of government officials: those elected by citizens and those appointed by the elected executives. However, not only those elected can offer appointments: appointees to top positions are also entitled to choose middle- and lower-level officials. Regularities in the functioning of hierarchy, subordination, coordination of decisions and the work of groups, including groups of special interests (lobbyism), constitute the fabric of the modern theory of bureaucracy. The adopted government decisions, which feature virtually all types of economic policy, display the importance of the interests of not only certain groups of population, but also the interests of public officers who are either true to their principles and ideals, or pursue certain goals and tasks that might diverge from the needs and interests of society or most of its members (citizens of the country) [14; 19].

An elected person who has become a high-ranking government official usually has, albeit a formal, obligation to their electorate. Therefore, if the target function reflects the intention of an official to be re-elected for a new term, they will strive, one way or another, to fulfil at least part of their promises, not necessarily at once but by the time of re-election. An appointed officer has a completely different motivation, since their appointment was due to a particular high-ranking official or a collegiate body that approves the appointment (for example, the State Duma or the Federation Council). This appointment, however, is still authorized by a certain individual or a small group of officials. In this case, appointed agents, in addition to the position-related functions, have some obligations to the person (group) that nominated or appointed them or provided support before approval, even if the latter was carried out by a collegial body. Appointments can also be of the two major types: promotion or demotion in accordance with the table of ranks of the public administration hierarchy.

Appointment to a lower position seriously changes the motives of appointed agents, since they realize that they were demoted either for some kind of mistake and failure to cope with their job, or as a result of intrigues in order to replace them with candidates who are more suitable for superior officials. Appointment to a higher position provides opposite incentives and is perceived as a reward for doing a good job, or as a positive assessment of the work results in the previous position, or as a promotion owing to personal connections, i.e. nepotism (telephone justice). Firstly, such agents should meet expectations and resolve the tasks set by the superior official (if the main purpose of the assignment is to resolve the tasks assigned). Secondly, such agents can tackle problems in the same way as their predecessors, but be more pleasing to their boss or to the person who nominated them (if they are not supposed to deliver encouraging results in their work, but are appointed due to their obsequiousness toward authority).

If a public officer is demoted, their salary usually decreases, since the system of public, as well as any other ad-

ministration is founded on a hierarchical principle. A higher position brings larger income but by no means greater responsibility (although in the system of public administration, responsibility is formally bigger when moving up the administrative hierarchy, but at the same time it is very difficult to prove work-related missteps of the appointed person, not to mention the elected officials).

Government officials' income consists of salary established by the law within the framework of state budget (including pension accruals that in Russia are on average higher than those of individuals engaged in the private sector, with the exception of the military), as well as perks and various intangible benefits that they acquire if employed in a government position. These benefits can include personal connections and contacts acquired while working in this position, the power to decide whether to make a decision or not, to sign a paper or not (here we only consider legal powers, without abuse). If we add procedural violations that are deemed lawful, then such opportunities expand even further. At that, government officials themselves can be interested in enhancing such opportunities. For this reason, they implement and enshrine a number of proposals for higher-ranking state officers who, without going into details or being completely unacquainted with the situation (as being elected to the position), endorse the actions of such bureaucratic elements.

With the self-development of the system [10; 11], the share of nepotism-related promotions increases and positions are staffed with candidates who are far from being the best and promising. There is nothing surprising in this fact, but they solve the current tasks, so there might emerge the illusion that they produce good work results. At the same time, their servility is beneficial to high-ranking officials. Once a certain penalty is imposed on an official, the task will be resolved quickly and all the necessary resources become available. The author of the present paper has repeatedly witnessed a situation where during the so-called "direct line" with the citizens, the Russian President wrote down all their requests and appeals and in the next moment the problems were settled by the middle-ranking officials. For months or even years, there were no resources available to deal with the problem, when suddenly the situation reversed and everything was sorted out immediately. With all the positive outcome of the "direct line" with the President, however, this type of public administration cannot be considered effective. The main reason behind this is that nobody asks the question what kind of resources were found and involved in settling the issue. These resources were either distracted from other sectors (then such redistribution is unfair and ineffective since the alternative use is not proven) or were idling (or served the needs of certain bureaucratic groups of government officials). Here, we can also see obvious inefficiency associated with nepotism and possible corruption.

There are three groups of motives behind government officials' behaviour:

1) aspiration to receive good salary and various kinds of perks and non-financial benefits;

2) ability to hold on to the position and move up the career ladder, which gives both greater salary and new powers;

3) opportunity to receive additional dividends from the position held, not necessarily of a material nature.

Certainly, in addition to the aforementioned motives, there are also other incentives such as job commitment and a desire to do something important for the country what the predecessor failed to do. However, this is an additional risk associated with the possibility of failure of decisions and actions with the consequent probable dismissal and loss of career prospects. The best strategy, therefore, is to keep low profile because management initiatives are often punishable. Thus, we can talk about the target function of a government official's utility that is limited to maximizing salary, bonuses, and any benefits from professional activity while minimizing losses, i.e. efforts. In other words, government officials seek to do nothing, and more specifically, to do the minimum amount of work that is particularly supervised by their boss. Ideally, such a utility function comes down to earning the maximum possible salary while imitating a working process. Due to the fact that the size of remuneration is mostly fixed, it is advantageous to government officials to control their efforts, that is, to imitate a stormy activity, but not to solve the current tasks, or intentionally to spend much more time than needed for resolving them. A workplace equipped with computers and devices, a clear range of functions and no need to make independent decisions (all possible options are provided in the law) seem to reduce a negative impact of government officers on citizens. Nevertheless, even a single relevant decision taken by a bureaucrat is sufficient for the so-called bureaucratic zeal to emerge which undoubtedly decreases the effectiveness of administration.

Inconsistencies in the procedure of performing some functions or a failure to fulfil them in due time are difficult to dispute; transaction costs of complaints, especially litigations, are increasing. In addition, there are gaps in the adopted laws used by government officials in cooperating state institutions, who, in full accordance with the established motive to minimize their efforts, tend to shift the responsibility onto each other.

Growing costs and failure to carry out functions serve as a manifestation and a symbol of the dysfunction of management of specific objects. Such dysfunctions are not unique to public administration, they are also manifested in the sphere of corporate governance in the private sector.

Dysfunctions affect various parts of the management system and the entire economic system [9]. This resembles an aging person whose organs fail one by one, so that eventually this multiple organ dysfunction will cause death. At that, life expectancy is on average 70–80 years. Interestingly, ageing of cells makes it difficult to fight against viruses and other influences, which undermines the proper func-

tioning of various organs of the whole organism. The same situation is characteristic of the system of public administration and the economic environment. Such dysfunctions affect the fundamental rules regulating people's lives. For the same country, not to mention other nations, they differ in characteristics, depth, number, mode of distribution and dynamics, etc. This explains the fact that economies differ in their maturity and management differs in its effectiveness. This is the reason why the transfer of some institutions and elements of the system to another environment is not instrumental in solving all the challenges of development. The theory of self-development [10; 11] does not ban transferring, the so-called import of institutions (including management methods which also should be viewed as institutions), since administration is always a coercion mechanism (according to Douglas North, the mechanism of coercion is an important institution [6]) implemented in accordance with certain procedures.

However, importing institutions is a process of their assimilation in a different economy, in which its institutions operate producing their own depth, dysfunctions, conditions and agents' behavior. The institution being imported should either replace the existing ones, or supplement them with a focus on enhancing their effectiveness. Prior to importing an institution, it is important to understand if it is really necessary, and to evaluate the effectiveness of the existing institutions and the administration system. It is quite possible that there are other ways to boost effectiveness without the import of institutions involved. In addition, the import itself may not solve the problem of improving efficiency due to the fact that, for example, a highly dysfunctional institution is being transferred, but against the background of general well-being, the institution's work is regarded as positive, but, in reality, it is not.

In their work, government officials themselves are the sources of the rules which they have to follow, but they are also responsible for importing the rules while lacking any competences necessary for taking such decisions. Their work is regulated by institutions, i.e. the rules of subordination to a superior officer in the administration hierarchy, as well as the rules to manage their subordinates. There is an obvious clash between government officials' functions – to subordinate and to be subordinated, and both of them can be performed negligently, which reduces the effectiveness of the work. There can also be a situation where a public officer is a highly qualified leader for their team, but at the same time it is hard to them to be accountable to anyone. Such officers make themselves persona non grata and they are later replaced with more servile agents. These agents, in turn, fail to be good managers but are good at performing all the instructions of their superiors, reporting on the work done and telling what the high-ranking officials want to hear. The quality of work can suffer, but within such a model of agent relationships, a dysfunction is registered which implies that a position is occupied by an incompetent officer. At that, this mismatch is impossible to detect

until they make a serious mistake, and then the superiors have to decide on replacing them. What is really important here is not the fact of dismissal, but the new person to be appointed.

If one servile agent is replaced with an even more servile agent, this does not produce any positive effect, but on the contrary gets the situation worse. An increase in the mass of officials with servile characteristics results in an imperceptible blurring of the quality of management, formalization, growing transaction costs and spreading dysfunctions because a number of important functions ceases to be performed.

It is worth mentioning that bureaucracy generates numerous types of institutional changes. In particular, suspecting that some regulations prevent them from gaining additional non-material dividends of a particular government position, public officials can start either lobbying a change in this law or adopting other regulations that seem to be more beneficial for them. They will try to convince society in their greater effectiveness by all possible means. Certainly, one should not reduce the work of the bureaucracy exclusively to negative outcomes and to the interests of the bureaucracy itself, because certain tasks are still being accomplished and the goals of development achieved. The moral component of the target function implies the need to feel the public significance and recognition, and to do so, it is necessary to deal with the problems of people and be useful to them, and this is what modern public authorities are focused on.

Thus, government officials have to permanently choose between their interests and benefits and utility for society which they use to their advantage demonstrating that they resolve the problem in an effective manner and citizens are happy with such a decision.

Consequently, an important condition for effective public administration is to create incentives and change the utility function of government officials so that they could see benefits for themselves through satisfaction of public interests and specific requests of citizens, for which they take personal responsibility. Definitely, this is quite a difficult task implying the creation of rules, procedures and routines associated with execution of particular functions. Productive stimuli are also capable of reducing the level of dysfunction in terms of duties performed.

Dysfunctional administration means a failure to carry out functions properly, a loss of functions and a decrease in their quality, for example, delays in performing them and growing execution (transaction) costs. Here, we are not talking about a fiasco of the state, but about a dysfunction in terms of those responsibilities that must be performed but the state, in the form of the government, fails to do so. Some of the functions are not supposed to be implemented by this subject, therefore, the fiasco, which is so frequently mentioned in the neo-classical literature, merely does not have a proper point of application within the framework of inadequate analysis in terms of intervention and non-

intervention. Moreover, the problem of intervention does not have a strong rationale, that is, it is impossible to prove, using exact methods, whether intervention or non-intervention did occur, since we are talking about the body in charge of society administration.

Violation of the rules also demonstrates the dysfunction of the institutions introduced. This undermines the effectiveness of public administration, as the system is controlled in accordance with the current rules, which can be changed in many directions simultaneously with the management process.

Self-development of the economic system, including the public administration system as an integral part of the economy, involves a simultaneous change of institutions, administration and parameters of agents' interaction that adapt their behavioral models to the impacts, institutions and other relevant parameters of the economic system. The avenue for self-development is some sort of a final outcome of such interactions, and at the same time, this is a set of factors that matters, but not a factor or condition taken alone. The avenue may be very significant, but this does not mean that the sum of other conditions or factors will not have a relevant influence on the trajectory of movement.

The quality of administration and its talent pool suffer, if at every level of administrative hierarchy the main criterion for selecting subordinates is their servility. Other things being equal, their abilities are insignificant and any appointment by the criterion of personal fidelity or affiliation with a clan outweighs the "usefulness of the business". This is due to the general attitude that new appointed agents will cope with their duties by default. Here, we can witness a negative personnel selection typical of the entire administrative hierarchy, from top to bottom. If, at one of the levels of administrative hierarchy a subordinate is chosen for a position by the criterion other than servility (e.g. expertise or remarkable skills), while fidelity is still the main criterion at all other levels, then a clash is almost inevitable and this staff member is very likely to be rejected by the entire system. No systematic recovery of the system will happen, this means that one non-servile agent is unable to oust all servile agents. This characteristic feature of a hierarchical administration system is manifested in the emergence of ineffectiveness spreading across the whole chain of administrative (informational) channels. However, why does not an effective decision possess a property to spread and eliminate ineffective ones? We suppose that the answer is "the weed principle", where a cultivated plant is easily crowded out by a weed, but the opposite effect, without proper care and agricultural processing, is hardly possible. A similar situation is typical of the hierarchical divisions of the administration system. This emphasizes the importance of administrative institutions at all levels of the economic system, especially at the level of public governance.

When economists and politicians talk about reformation of the administration system, one should realize the need and the scale of such changes and create a sequence of actions

to change the machinery of government, the system of training and staff turnover. These decisions should be commensurate with the tasks that the management system is intended to accomplish. If there is no such correspondence, or it will be violated during the so-called optimization of the machinery of government, reduced to a banal cut of expenses and the number of public officials, then this can compromise the governance process while increasing its dysfunction and reduce the overall quality of public administration. Thus, one can invest all their efforts to enhance the quality of the state apparatus, increase the effectiveness of its work, reduce the number of government officials and cut costs incurred in the decision-making process, but if all these measures are not associated with handling concrete development challenges, then it is hardly possible to generate an ideal administration model within the decrepit economic environment. Such a task is inadequate in its formulation and, therefore, its solution will not be effective.

Developing plans without academia involved, when the process of creation and justification of measures has no solid scientific basis, can lead to the fact that they will look good on paper, but their implementation will not yield the expected dividends, and under the worst-case scenario can even fail. A special obstacle is the reformation of administration implemented simultaneously with large-scale measures on the country's development while claiming that these measures cannot be taken without the new administration system introduced. In principle, such assessments can be fair and a new administration system is really a necessity, but the question is what kind of administration system is required, what elements, functions, personnel, decisions it implies, etc. The relevant link between these decisions and the parameters of economic development will determine the future assessment of the effectiveness of transformations of both the administration system and the economy at large.

Today, government regulation in the economy implies a change in the functioning of institutions. Thus, the management of institutional change turns into the most powerful regulation tool. Bureaucracy regulates itself in the first place creating new tasks and opportunities.

The problem of the constantly growing state apparatus is obvious. Moreover, all administration units are organized in such a way that the higher the hierarchical position, the higher the remuneration, since it is believed, on a priori grounds, that a higher position is occupied by the most worthy and knowledgeable agent. But this statement does not hold water. By virtue of their professional duties, middle-ranking officials, not to mention high-ranking ones, abstain from performing the role of performers, turning, with rare exceptions, into administrators. Knowledgeable performers, therefore, have extensive expertise which is applied on a daily, but not an occasional, basis.

In the bureaucratized systems, a job position is the major value, regardless of the fact that an agent holding the post may have a completely different labour motivation and

reasons behind these or that assessments. Such approaches are adopted by other elements of the administration system, in particular, the media, which makes it possible to control the interpretation of the assessments on air and on television as a whole. So, this is how massive information distortions in the interpretation of the current situation occur: ordinary people express their own opinions about the situation that are completely different from those voiced by high-ranking politicians and broadcast on television. Here arises the effect of cognitive dissonance or "desynchronization of reality".

Government officials look at the situation from the standpoint of the documents relevant to their work, for example, budget, collecting taxes, ensuring macrobalance in the economy, etc. Therefore, in order to balance the budget, they need, for example, to cut costs – this will be a positive outcome of their work. Institutionally, there are no other options, which means that the attitude can be changed through restructuring the basic rules, procedures and functions. If a cut in costs is needed, then privatization is one of the best ways out. In addition, when someone sells something, there emerges room for maneuver to appropriate part of the income earned as a result of the deal (corrupt deals during privatization). Undoubtedly, privatization is able to expand the private sector, but it will also help government officials to abdicate their responsibility. This regulation measure, therefore, is very beneficial to them. The real motives behind the process of privatization can be then disguised as enhancing competitiveness that allegedly will exert a positive effect on the economy, since tough competition usually causes a fall in prices and triggers an anti-inflationary reaction. Competition will restrict monopolies and moguls and stop prices from rising. However, such assessments are of a very general nature, they are vague and, therefore, they cannot be considered fair. Competition is organized and developed according to the rules and time frames. And these rules may not lead to the aforementioned restrictive effect, especially so competition – despite having an immanent property of degeneration (a rather quick movement towards monopoly) – depends on the initial economic structure.

Thus, not only labour, capital, resources and technology generate growth. The overall development effect is produced by not only the economic policy tools, including institutions (rules) being created and adapted, but also by the agents' behavioural models and the state of the main relevant functions of the system and administration. Moreover, in some cases (usually systemic reforms), this condition may be less dependent on the standard growth factors. In other words, the factors may be present, but the functions are not performed – and there will not be proper (expected) growth. And vice versa, the functions are perfectly fulfilled and backed up with resources, but if there is no sufficient generating factors, there will not be adequate economic growth. The cases listed above are, in many ways, theoretical outcomes for the system. In practice, we can see the following situation. If the functions are disorganised,

then elimination of these failure will require additional resources, which will weaken the factors. Consequently, *ceteris paribus*, it will likely slow down growth or, under appropriate conditions, plunge the system into crisis. The poorer the organization of the system, the easier it is for the system to face distress and the more severely functions are disorganized.

From the viewpoint of effective public administration, it is important not to list the directions and priorities of development, but to allocate resources for these purposes and correctly identify strategic alternatives, because strategic mistakes are fraught with the greatest losses. In addition, it is worth taking into account that macroeconomic measures can devalue the movement towards the realization of any priorities whatever correct and urgent they are.

Additional resources for the priorities can either be created or redistributed due to borrowing them from other alternative directions. Here arises the question of resources distribution between the so-called old and new alternatives (activities) which have to be developed all at once, especially given the interconnection between technologies, sectors and directions. In addition, there is the task of allocating resources between new and old types of activity which can also be linked and determinate each other.

Quantitative assessments can and have to be carried out, i.e. an economic policy planner should use calculations, otherwise, whatever justifications are accepted, they will have only rhetorical meaning and indicate nothing.

To create resources and allocate them in the Russian economy, it is necessary to establish the rules regarding their transfer from speculative and transactional sectors and the raw materials complex to the processing industry. To resolve this problem, it is required to restrict capital outflow to foreign countries; to take control of the purchase of Russian property by foreign agents, especially in the manufacturing sector; to create conditions (including institutions) for the emergence of long-term lending to the manufacturing industry considering its regional specificity and capital allocation; to regulate currency and other speculators to prevent Macmillan Gap; to finance the processing sectors not only from own funds, etc. The tax on monetary and financial transactions will also be of extensive use (similar to the Tobin tax) [3; 4; 10].

The set of measures of economic policy should be justified by assessing various impacts according to target areas and taking into account the dynamic changes in the economic situation. The results of such assessments should be reduced to the choice of measures or the replacement of the model of economic policy pursued, i.e. the replacement of basic regulatory measures with new ones that are able to guarantee the new quality of the economy.

The permanence of institutional change suffers from one weakness: it precludes the possibility to offer an accurate assessment of the regulatory tools producing the strongest and the minimal effect. Since the allocated resource has the decisive effect on development, the creation of resources

and their transfer from one sector to another seems to be a crucial process that ensures the dynamic capabilities of economic sectors and the entire system. The risk associated with doing business and the profitability of this activity, being correlated by the economic sectors under consideration, impose a peculiar rule (institution) determining the dynamics of resource distribution in the economy.

MANAGEABLE RESOURCE TRANSFER

The author's research conducted within the framework of Neo-Schumpeterian Economics [7; 8] indicate the following: when economy experiences an emergence of a new sector (combination), it sometimes draws a resource from previous combinations; sometimes it creates a new resource commensurate to its needs; and sometimes a new combination impedes its development stimulating the previous technological capabilities. Thus, being an analogue of new technology, a new sector requires a resource and can either weaken the old technologies or build them into new modes of production, thereby stimulating their application and prolonging their use under new circumstances [9].

Let us demonstrate the results of the computer simulation for an abstract economy, in which there are five sectors (combinations) characterized by a changing value of returns per unit of the resource expended, and there emerges a sixth sector (combination) that influences the distribution of resources between the previous sectors (combinations) and this new sector.

Every sector, or combination, can be associated with a particular technology or a set of technologies described by the given value of returns. The indicators of energy intensity, resource intensity (material intensity) and changes in value added per unit of the resource involved are the most important parameters of the manufacturability of this type of activity (sector, combination) [2; 9].

Fig. 1 shows a change in the value of returns per unit of the resource used for each of the five existing and the sixth emerging sectors.

As seen from Fig. 1, the profitability of the sixth combination is rapidly increasing, which, in theory, means crowding out all other sectors in favour of Sector 6. If we proceed

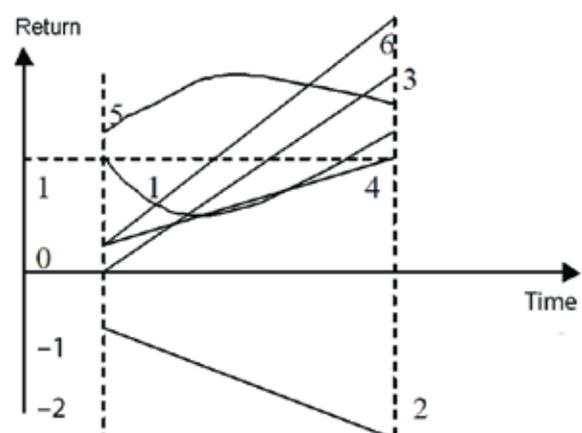


Fig. 1. Change in the value of returns in each economic sector (the figures indicate the sectors' numbers)

from the task that the economic system, represented by the five, and later six, sectors, seeks to maximize the amount of income generated from the activities, which it is engaged in (all institutions are subordinate to this very goal), then the overall result of resource allocation depends on the laws of changing the these sectors' returns, intersectoral communication system (which is beyond the scope of the current paper), the mapped technological levels of the sectors and the rules for their functioning. In our case, the second sector demonstrates an increase in negative returns, so it does not receive a resource and can be removed from the task of allocating available resources. However, in the case of the five existing and the sixth emerging sectors, the distribution in the remaining sectors is not that predictable. The axis of ordinates shows the resource received by the sector; the axis of abscissas shows the income generated by the whole economy consisting of the five existing sectors and the sixth emerging one. As a result of the computer simulation, we obtain the behaviour of the Sectors 1, 3, 4 and 5 for a 5-sector system and a 6-sector system with the same change in income from d_1 to d_2 (Fig. 2 and 3). Obviously, these characteristics are obtained for the given ratio of the returns in the sectors and for the present rule of the changes (see Fig. 1). Under other rules and with other ratios, the overall result of the distribution and the sixth sector's influence will be different. Based on the current approach, it is quite possible to

figure out what change is going to be for a specific economic system. The figures, in fact, present a map of the distribution and relative self-development of an economic system's elements with no effect of increasing resource.

We can see that the system's returns are increasing ($d_2 > d_1$), but with the emergence of Sector 6, the resource flowing to Sector 1 is not just decreasing (while it was growing before), but also shrinking in value in comparison with the situation preceding the emergence of Sector 6. At that, Sector 5 requires additional resources, but, with Sector 6 involved, it receives less resource and increases by a smaller amount. At the same time, Sector 6 displays an increase in resource. Sectors 3 and 4 demonstrate a reduction in resource for a 5-sector or 6-sector system. However, in a situation with five sectors, before sector 6 appears, the value of this resource is greater. Fig. 3 shows the situation where returns are increased by the same amount.

Let us look at a situation where the resource increases, say, from 100 to 110 units, and the return is 120 units, both before and after increasing the resource. The situation is equivalent, for example, to the discovery of a new deposit, which does not require large expenditures on development, or the implementation of large-scale technological changes (discoveries) that have been accumulated and now are being actively introduced making up a new resource for the system development (see Fig. 4).

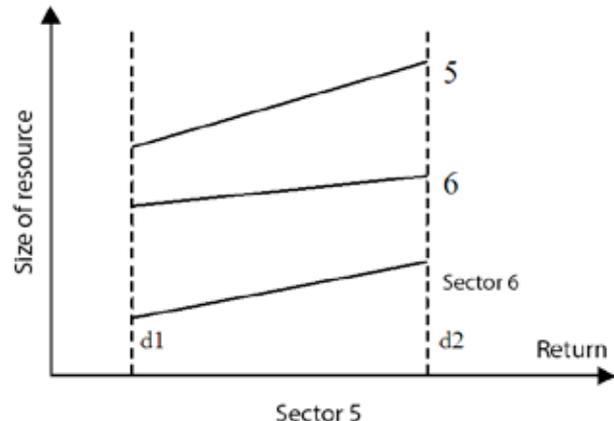
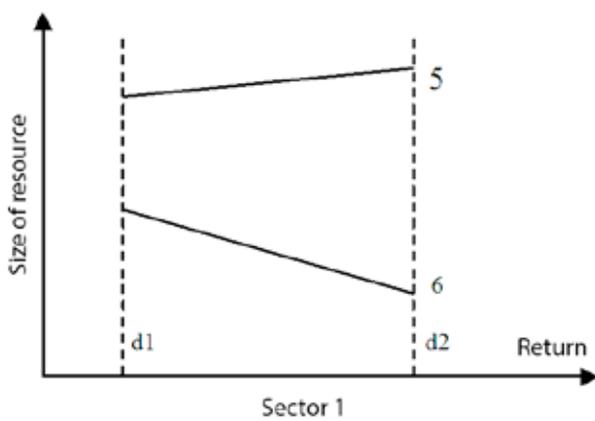


Fig. 2. Change in the resource for Sectors 1 and 5 in case of 5-sector and 6-sector systems (figures 5 and 6 respectively)

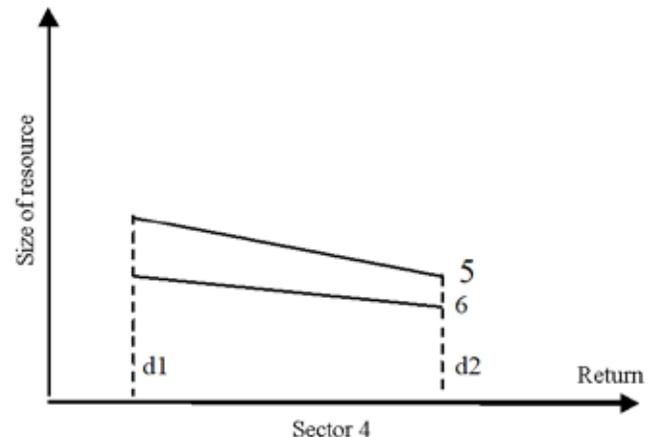
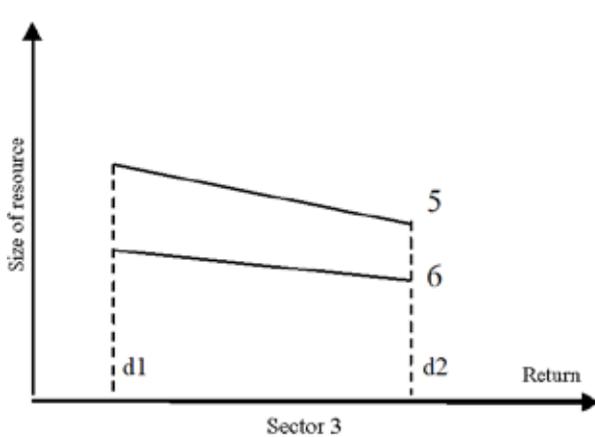


Fig. 3. Change in the resource for Sectors 3 and 4 in case of 5-sector and 6-sector systems (figures 5 and 6 respectively)

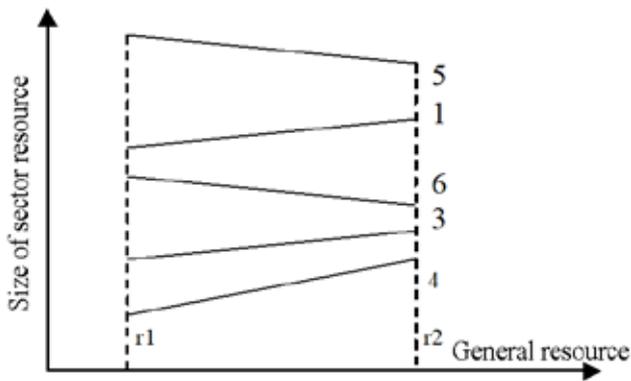


Fig. 4. Laws of resource change by sector depending on an increase in the total system resource

It appears that the emergence of Sector 6, with the expansion of the resource within the system, reduces the resource intended to Sector 5, while with the previous value of the total resource, the resource to sector 5 increased, and also enhances the resource to Sector 1 which decreased at the previous value of the total resource. The resource to Sectors 3 and 4 is growing in contrast to the foregoing situation where it was falling. Thus, Sector 6, while increasing the total resource in the system, changes the structure of its distribution in the standard set of economic sectors (combinations). Prior to the emergence of Sector 6, the five-sector system witnessed an increase in the resource to Sectors 1 and 5, a decrease in the resource to Sectors 3 and 4, and the system's returns increased from 110 to 120 units. Once sector 6 has emerged, Sector 5 was the only one that experienced an increase in the resource, while Sectors 1, 3 and 4 suffered from a decrease in the resource; the system's returns also increased from 110 to 120 units (Fig. 5).

It is noteworthy that Sector 5 previously absorbed the ever-expanding resource which increased along with the system's returns. Within a 6-sector system, Sector 5 is characterized by a decreasing resource, while Sectors 3 and 4, on the contrary, demonstrate a growing resource. Thus, if there is an increase in a system's resource, a new sector (combination) is capable of changing the previous laws of development of individual sectors even in the context of computer imitation (within the framework of solving an optimization task for the entire system – to obtain the greatest returns under given

laws of return for sectors). This is possible due to the general expansion of the system resource. The net impact of Sector 6 within the previous resource is shown in Fig. 2, 3, 5.

A similar distribution of resources, with the same growth in returns and the ratio between returns and risk, will occur in practice. In a similar way, technology influences resource allocation, which, in addition to the internal capabilities of the technology itself, is determined by the demand for the product manufactured using this technology. Thus, the ratio of profitability to risk across sectors affects resource transfers between them and sets the mode of economic evolution within a specific time period while acting as a sort of rule for regulating the transfer. The emerging structure, in turn, establishes the number of high-performance jobs, since technological renewal is determined by resource capabilities, including investments flowing into the sector [2; 5].

In case of Russia, a model of labour and capital transfer from processing (first sector) in favour of the transactional and raw materials (second) sector was obtained¹ (Figures 6, 7). It is worth mentioning that in order to analyse how it influences the transfer of resources, the ratio of risk and manufacturability was altered. In other words, these were institutional parameters of the sectors in their most aggregated form that were subject to assessment. However, such an approach makes it possible to work out a way to control the transfer of resources between the sectors and influence the growth of the entire economic system by means of regulatory methods (through institutional corrections).

As illustrated in Fig. 6, according to the computed model, the biggest change in gross value added in the processing sector is observed when the risk of doing business in this sector reduces by 10% and simultaneously the risk of doing business in the transactional and raw sector increases by 10%. This results in a significant outflow of capital and labour from the processing industry, which allows increasing the share of value added within the framework of this economic system consisting of two sectors. The correlation between risk and profitability in the processing sector is shown in Fig. 7.

¹The country's economy was represented by the two sectors, depending on the ratio between risk, profitability and overall manufacturability (for the capital transfer).

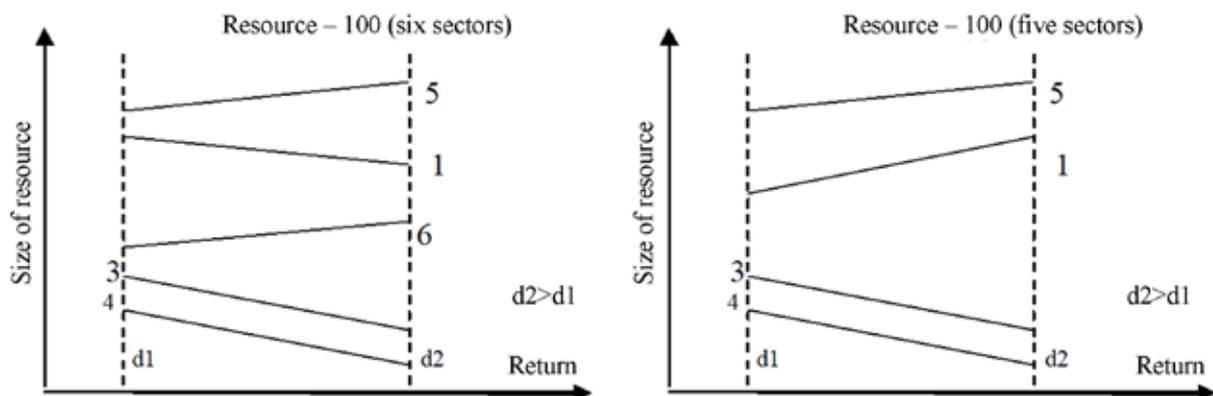


Fig. 5. Change in the resource by sector, with and without sector 6; returns increases from 110 (d1) to 120 (d2) units



Fig. 6. Change in gross value added in the processing sector caused by resource transfers (measured in 2004 prices), depending on the system's institutional parameters (risk, profitability) (according to actual data for Russia – fact and the computed model from resource transfer)*

* Calculated by the author. The author expresses gratitude to a postgraduate of Perm State University Ye.N. Voronchikhina for participating in performing the calculations.

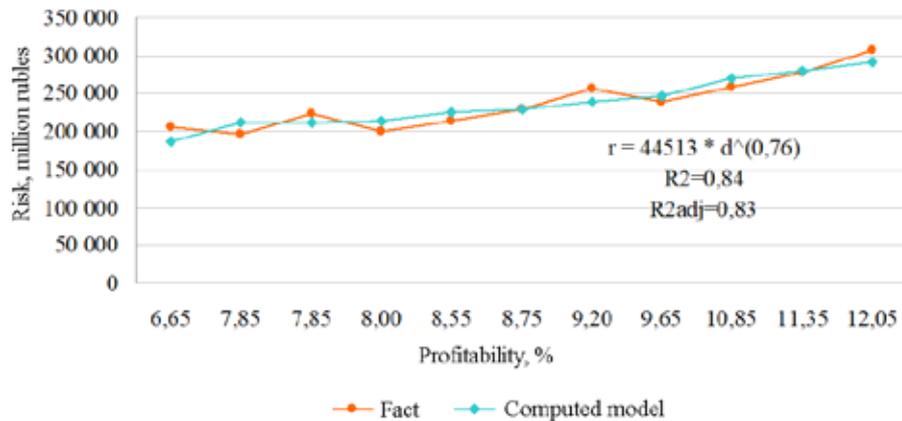


Fig. 7. Interrelation of risk and profitability in Russia's processing sector in 2006–2016
 $(y = 3,5 \times L^3 - 12,2 \times k^2 - 2214,9 \times L^2 - 33695 \times \gamma^2 - 6,7 \times k \times L \times \gamma \quad R^2 = 0,93 \quad R^2_{adj} = 0,9)$

Consequently, by changing the proportion of risk and profitability, as well as by stimulating investment in advanced technology, thereby altering the structure of investment in old and new technology, it is possible to adjust the sectors' structure and their contribution to the overall dynamics of economic development.

Demand for new technology stems from the necessity to boost productivity and reduce production costs and release of labour which is replaced with capital ensuring mass production with a smaller number of employees involved. However, in a situation where labour costs are rather low (up to 20% in the structure of material costs) and there is a shortage of highly skilled personnel, is it really practicable to carry out such a replacement? Today, the mechanisms for training and retraining employees are slow and costly, and soon-to-be-retiring employees, due to the unwillingness to enter retirement, are quite reluctant to train newbies to occupy their positions. All the conditions indicated generate the labour market immobility and reduce the motivation

for introducing the latest technology. The fact that the domestic market is limited and characterized by a high share of imports also impedes industrial development, since in such a market there is no need for large batches, which restricts the demand for technological modernization and introduction of new technologies. In addition to the fundamental dependence emerging at the level of organization and maintenance of production, components and semi-finished products, import of technologies is expensive, which affects the price of final products and the state of further production processes throughout the entire value chain. Import technology wedges into this chain and is able to either modify it considerably, or make it dependent on itself as an element of this chain while increasing production and maintenance costs.

Sometimes, without having a possibility to create some sort of technology, it is easier to buy it for big money abroad and not to reinvent the wheel. However, success in technological development is possible if the acquired technology

can be adapted and embedded into the existing system while utilizing it to encourage the domestic technological development, teaching staff independently and improving this technology. High-performance working requires not only trained and highly-qualified personnel, but also appropriate technologies. The mere staff retraining, without an adequate rise in the technological effectiveness of the economy, will be hardly enough to guarantee high-performance working. Moreover, it is worth assuming that the objective of enhancing manufacturability is system-induced, and its achievement will lead to an increase in the share of high-performance jobs. Transfers of labour and capital predetermine the structural characteristics of the economic system development. As shown above, the overall manufacturability exerts a marked influence on the resource transfer. If there is a local task of creating high-performance jobs that are subjected to a very conditional assessment, this may cause significant distortions in the field of labour and technology development. Let us look at this situation in more detail.

HIGH-PERFORMANCE WORKING: "A TRAP OF SELF-DECEPTION" AND THE NEED FOR AUTOMATED PRODUCTION MANAGEMENT SYSTEMS

The emergence of new technologies is associated with novelty. The source of changes and novelty is fundamental research (science), as well as demand for changes in the current technology with a view to enhancing the production efficiency (to provide savings and increase profit). Technology affects productivity, but this influence is not linear: with low manufacturability, productivity may improve, although usually it is rather low and, with growing manufacturability, it may decrease. It would seem that a more productive agent, other things being equal, should prevail in the market over a less productive agent. This is by no means always the case, therefore, supporters of evolutionary economics use the term "hyperselection" (superselection¹), which implies that natural selection mechanisms, according to which the most productive agent wins the market, do not work and the actual winner is an agent that cannot boast of the best performance. However, this is not only technology (determined by the state of funds, technical devices, organization methods, etc.) that affects labour productivity. Here, we can find the factors arising from labour itself, motivation and many other additional conditions. The alleged performance paradox, when productivity lags behind technological change over a long period of time, is not a stable ratio, since under modern conditions the rate of technological change is quite high and incomparable with that in the 19th or 20th centuries. The labour market adapts faster, training systems, in turn, also transform themselves and march in lockstep with such changes. We believe, this paradox will soon be removed from the economic agenda, despite the fact that there is a lag in new technology adaptation and

¹ Or G. Akerlof's adverse selection in the secondary markets (for example, the second-hand cars market, where the best quality is superseded by the worst product quality).

its development; technology becomes more sophisticated and requires more time to learn and organize its introduction. Due to this lag, as well as the existing strong motivational factors affecting productivity, it is not difficult to find explanation for a slow pace of adaptation and, accordingly, there is no paradox. It should be noted that a cumulative effect is typical of the sphere of technology. It is necessary to reach a critical mass of technological changes, as well as to modify the system of rules and technical infrastructure, so that this affects labour productivity. Productivity assessment by output, as well as by gross value added, is a very conditional indicator since the latter includes wage, profit and the tax portion of the income generated. Generating a certain number of high-performance jobs in the economy is an important political objective in Russia, however, the problem is reduced to suggesting a definition of the term and developing criteria for its evaluation. The aggregate approach applied (according to which productivity is estimated by value added per employee and compared with the average value, or by part of the value added, i.e. wage that is compared with the average wage for a region or country) does not seem to be an adequate way to measure the number of high-performance jobs.

Thus, in accordance with the decree of the Federal State Statistics Service (Rosstat) No. 665 of October 9, 2017, high-performance jobs are all jobs of an enterprise where the average monthly earnings exceed the established threshold value. For a number of OKVED² entries, this threshold value is average monthly earnings in the region (KOPQR), for other entries – average monthly earnings in Russia³. The current approach was widely criticized, but new proposals were limited to the application of value added to measure the number of high-performance jobs. The approach indicated a large amount of high-performance jobs created for the economy at large; at that, these numbers were overestimated in the transactional and raw materials sectors and underestimated in the processing industry and budget sectors. In principle, following this logic, high-performance jobs embrace a drug dealer, a manicurist, etc. It does not allow establishing the fact that the emergence of such jobs is associated with growing manufacturability. At the same time, wage rate is a very inaccurate indicator to be applied during the assessment.

Fig. 8 illustrates a quantitative evaluation of an increase in the number of high-performance jobs in Russia in 2012–2017, as well as the ratio of the number of high-performance jobs to the total number of people employed (according to the aforementioned methodology of Rosstat). It is noteworthy that in 2011–2017 the share of products of high-tech and knowledge-intensive sectors in Russia's GDP increased from approximately 20 to 22%. The increment in the number of high-performance jobs in 2015 and 2016

² OKVED stands for the Russian Standard Industrial Classification of Economic Activities.

³ The threshold value is indexed taking into account the consumer price index; for sole traders, it is the average revenue.

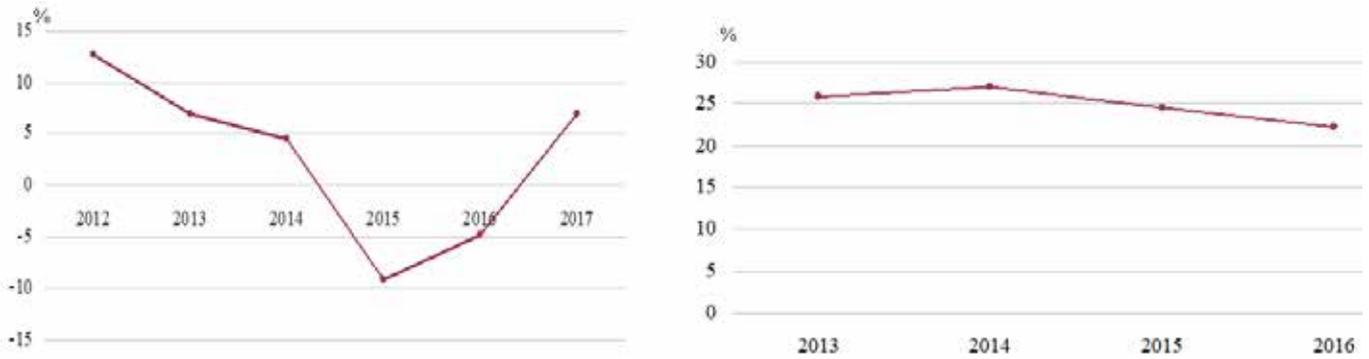


Fig. 8. The increment (left) and the share (right) of high-performance jobs in the Russian Federation in 2012–2017 calculated using the Rosstat method

Solution map for creating automated workplaces (AWP)

Sphere	Planning	Organization (following the results of functional modeling)	Motivation (normative base)	Control (computer-, network-based)
Production	<ol style="list-style-type: none"> Analysing the state of fixed assets and production infrastructure. Developing measures on saving resources: electricity, heating, water, compressed air, materials, etc. 	<ol style="list-style-type: none"> Searching for reserves, dealing with production bottlenecks. Applying functional cost analysis (FCA). Optimization and invention. Cost saving program 	<ol style="list-style-type: none"> Regulations on bonuses for managers and employees on the fact of savings. Measures against violators and squanderers (according to the regulations) 	<ol style="list-style-type: none"> Raids, commissions, inspections (according to regulations and decrees). Performance cards at each AWP
Marketing	<ol style="list-style-type: none"> Developing an active marketing plan. Schedule and plan for expanding of offensive marketing 	<ol style="list-style-type: none"> Sending inquiries and offers to prospective customers. Involving engineering and other departments. Advertising 	<ol style="list-style-type: none"> Regulations on remuneration for massive sales (contracts). Bonuses to departments for pre-contractual work 	<ol style="list-style-type: none"> Meeting minutes. Computer-based control of plans
Finance	<ol style="list-style-type: none"> Revising bonus regulations (including salary uplift and surcharge, double jobbing, etc.). Reducing social payments. Analysis of accounts receivable and accounts payable 	<ol style="list-style-type: none"> Calculating and analyzing financial and economic reporting; tax breaks. Developing debt reduction schedule 	Maintaining the motivation level by granting salary uplifts based on the results of savings measures	Financial and economic report to the general director and the board of directors on the results of the adopted program of financial growth
Human resources	<ol style="list-style-type: none"> Planning staff numbers needed for performing the work (starting from lower levels). Reducing staff numbers (starting from upper management levels). Planning transfers, retraining and double jobbing 	<ol style="list-style-type: none"> Developing proposals from departments. Renewal of fixed-term contracts (pensioners). Redistributing job responsibilities 	Preservation of jobs (including in case of changes in working conditions and increased job responsibilities)	HR management system (HR department), CEO (the board of directors) – personal control
Innovation	<ol style="list-style-type: none"> Quarterly plan for searching innovative products. Participation of engineering staff in the work of the marketing service, technological and other innovation 	<ol style="list-style-type: none"> Creating temporary target groups (TTG), etc. Identifying the products that are subjected to FCA. Speeding up R&D, etc. 	Remuneration based on the results of achieving the TTG goals, introducing innovation, FCA, reducing the time required to develop documentation, etc.	<ol style="list-style-type: none"> Work of target groups. The work of FCA groups – controlling the chief engineer and technologist. The timeline of R&D is controlled by the chief designer

was negative, and the share in the total number of people employed decreased¹.

The table contains the main management functions and spheres of application (production, marketing, finance, human resources, innovation) and presents possible solutions when creating automated workplaces. This is the level of automation and robotization of workplaces and decision-making processes and system management that will characterize its manufacturability and indicate the presence of high-performance jobs. For instance, if a smokehouse operator reduces the time required for preparing meat from 8 to 2 hours, then it is a high-performance job. But if we smoked meat for 12 or 24 hours and then were selling all the batch throughout the year and received high profits and wage due to prevailing market conditions so that the current value was higher than the average wage or gross added value, should we consider such a job to be high-performance? We assume that in this case the answer is negative, emphasizing the significance of the problem of measuring and accounting which underlies all the accountancy, the fairness of economic policy evaluations, as well as the potential of further government decisions.

Thus, the task of enhancing labour productivity should not be reduced to reporting and measurement, turning it into a "bureaucratic report" on increasing the number of such jobs when reducing overall manufacturability in sectors exhibiting a rise in labour productivity. Indeed, productivity growth can occur with a fall in the technological level of production due to the exhaustion of factors, i.e. extensively. Such a mode of creating high-performance jobs contravenes the logic of the technological development according to which the technological level is expected to rise initiating a natural need for new jobs with increased productivity. At that, high-performance jobs are not characterized by wage or profit, which are usually typical of such jobs, but by the level of automation and mechanization of work, the speed of performing basic functions with a useful output of the product while reducing costs incurred in each function. Such perception of high-performance jobs dramatically changes the approach to its measurement producing further interpretations of the policy on boosting productivity and creating jobs. There are two principal avenues here: 1) creating and improving automated production management systems (APMS) on the basis of functional modelling and 2) increasing the share of automated workplaces in the industrial sphere and auxiliary management structures, en-

¹ According to the Business Russia report, which evaluated high-performance jobs by value added in relation to the average value, in 2015 and 2016 the increment was positive. The problem is that such an approach produces only a rough idea of what exactly a high-performance job is. To be more precise, it gives absolutely no idea of that, but instead giving rise to an acute problem what kind of job can be considered high-performance. Of course, the automation level of workplaces can be calculated separately. But then, what is the point of providing such statistics for making state decisions, if a drug baron or a catwalk model are more productive than a professor.

hancing the application of digital technologies as a way to raise productivity of the informational-communicational infrastructure.

In Russia, the development of automated workplaces and production management systems is impeded by the following factors:

- 1) unstable financial situation, lack of demand, high costs;
- 2) depreciation of production assets;
- 3) high median age of workers, insufficient influx of young specialists, problems with retraining of workers;
- 4) a falling level of training and expertise of organizations' staff;
- 5) poor state technological policy regarding industrial enterprises;
- 6) neglecting the structure of the market, cheap labour, expensive, worn out or imported capital;
- 7) a lack of control over import purchases in all areas of production, transport and construction, including microelectronics and digital systems;
- 8) a lack of an integrated approach to the creation of APMS (AWP included) – unification and accounting requirements.

When resolving the problem, there is little use in an ill-conceived, analytically unreasonable economic policy based on provisional measurements that do not allow grasping the real state of the system. The creation of high-performance jobs in the public administration system involves not just an administrative reform with vague objectives of "digitalization" of decision-making, but an increase in the analytical substantiation of the very decisions using a different quality of the information infrastructure that serves the preparation and implementation (monitoring) of such decisions.

Fig. 9 shows the general logic of creating automated workplaces which arises from the need to fulfil relevant functions. At that, it is taken into account that in the future the number of the functions can increase whereas the costs incurred in their performance reduced. This will boost the efficiency of production and management and release labour causing a need for additional capital that will be spent, among other things, on the creation of new AWP. Thus, if there is a critical mass of such workplaces, the demand

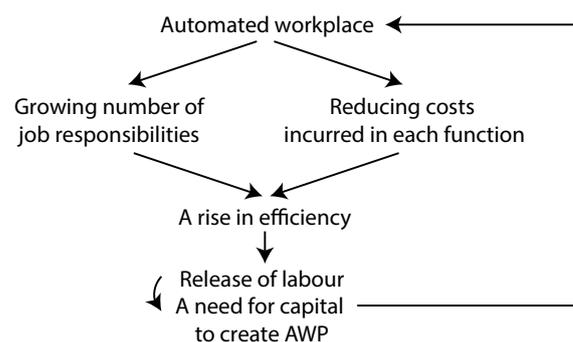


Fig. 9. The role of automated workplace

for AWP grows, i.e. there appears a certain multiplier affecting their creation. The main reason behind an expanding demand for AWP is an urge to improve the economy's competitiveness. An automated production management system is established, if there is a certain number of automated workplaces. One of the promising directions for development is unmanned production which is controlled remotely and engages robots and computer systems, mainly due to the control function rather than management in the broad sense of the word. Fully automated production systems and factories are already functioning in the most developed countries. At the same time, productivity of such factories can also vary. Consequently, there is a need to assess productivity of such enterprises, but it is impossible to do this based on the data on wage and value added.

To sum up, a high-performance workplace should be evaluated according to a different system of accounting and measurement rules, focusing on the level of automation of this workplace and the assessment of its functional efficiency through this level. This will significantly shift the paradigm of both public administration while setting goals and selection of methods for achieving them.

Our analysis confirms that there exists "a trap of self-deception", where something characterized by low automation, mechanization and robotization is mistakenly believed to be highly productive. Creating new jobs is the task resolved by demand and the initial manufacturability of the economic system, the ratio between the size of investment in one high-performance workplace and the size of returns. This is also a problem of substituting labour with capital, as well as releasing and allocating labour resources in other economic sectors. This immediately initiates the task of managing resource transfer that requires the state institutions to influence the ratio of risks to returns determining this transfer between sectors. New elements of the public administration system, therefore, should embrace measurement, accounting and evaluation institutions, as well as mechanisms to influence the distribution of resources and the creation of new forms and types of labour.

CONCLUSION

Let us underline the following statements obtained during the analysis.

First, functional failures of public administration are able to significantly reduce efficiency due to the fact that over the past decades the method of institutional corrections has become one of the major ways for implementing permanent economic transformations. Bureaucratic interference alters the target public utility function which should prevail over economic policy measures, bringing its own attitudes to it, whereas inefficiencies inherent in the government system affect the analytical level of government decisions and economic development.

Second, the emergence of a new combination (innovation, new technology, etc.) distributes a resource between old and new opportunities in such a way that it is possible to establish the overall result on the basis of the scope and content of new combinations. Resources can be distributed in such a way that the old combinations will also receive a renewed impetus, i.e. they will not be ruined running counter to the principle of "creative destruction". Managing the distribution of resources between sectors is possible through the influence on the system of regulations (institutions) that predetermine the ratio of risks to returns.

Third, high-performance jobs are not those generating the highest wage or creating value added; one should distinguish between the content (source) of this wage and value added. As a consequence, it is relevant to alter the method for recording such jobs, which can regulate both the very task of creating them and changing the measures of stimulation policy.

The tasks of public administration are integral to the content of administration itself, since there is a correlation between the controlling influence and the change of the object. Evaluations, measurements and patterns arising while managing resource transfers determine the intensity of the public administration tools applied. Even the sequence of application of these tools can exert a substantial influence on the parameters of the functioning of the economy.

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