

FEDERAL AGENCY  
FOR SCIENTIFIC ORGANIZATIONS

RUSSIAN  
ACADEMY OF SCIENCES

FEDERAL STATE BUDGETARY INSTITUTION OF SCIENCE  
INSTITUTE OF SOCIO-ECONOMIC DEVELOPMENT OF TERRITORIES  
OF RUSSIAN ACADEMY OF SCIENCE



**ECONOMIC  
AND SOCIAL  
CHANGES:  
FACTS, TRENDS, FORECAST**

**Vol. 10, Issue 1, 2017**

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## **The Journal is published since 2008**

According to the decision of Presidium of the Higher Attestation Commission of the Russian MES (No.6/6, dated 19.02.2010) the Journal is included in the list of leading scientific editions, recommended for publication of the main results of dissertations for the degree of Doctor and Candidate of Sciences.



The Journal is covered in Web of Science Emerging Sources Citation Index (ESCI).

The Journal is included into databases: VINITI RAS, Ulrich's Periodicals Directory, Index Copernicus International, EBSCOhost, Proquest, and also into the Russian Science Citation Index, and is presented in the open access on the platform of the Scientific e-Library (<http://www.elibrary.ru>).

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The formation of the scientific personnel with an active life position, a great demand for Institute's investigation, academic community's support of the new journal published by ISED T RAS, which combined efforts of the economic institutes of RAS in the Northwestern Federal District, and furthermore development of international ties have become the main outcomes of the last years.

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- regional integration into global economic and political processes, problems of economic security and competitiveness of territorial socio-economic systems;
- territorial characteristics of living standards and lifestyle, behavioral strategies and world view of different groups of the Russian society;
- development of regional socio-economic systems, implementation of new forms and methods concerning territorial organization of society and economy, development of territories' recreational area;
- socio-economic problems regarding scientific and innovative transformation activities of territories;
- elaboration of society's informatization problems, development of intellectual technologies in information territorial systems, science and education.

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2009 – Cooperation agreement is signed with Center for System Analysis of Strategic Investigations of NAS (Belarus, 2009).

2010 – Cooperation agreement is signed with Institute of Economics of the National Academy of Sciences of Belarus (Minsk, 2010).

2011 – Cooperation agreements are signed with National Institute of Oriental Languages and Civilizations (Paris, 2011), Institute of Business Economy at Eszterhazy Karoly College (Hungary, 2011), Republican research and production unitary enterprise “Energy Institute of NAS” (Belarus, 2011). Protocol of intentions are signed with Jiangxi Academy of Social Sciences (China, 2011), Research and Development Center for Evaluation and Socio-Economic Development and the Science Foundation of Abruzzo region (Italy, 2011).

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*Global Challenges and Regional Development in the Mirror of Sociological Measurement: Proceedings of the Online Research-to-Practice Conference. Vologda, March 14–18, 2016.*

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# FROM THE CHIEF EDITOR

DOI: 10.15838/esc.2017.1.49.1  
UDC 338.24(470), LBC 65.050.11(2Rus)  
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## One Year Left before the Fourth Presidential Term



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Vladimir Putin has to rule the country during the difficult and volatile times characterized by the turbulence of political processes, transformation of cultural and moral values, economic crises, military conflicts, and spread of international terrorism. When Vladimir Putin became president in 2000, Russia was actually on the verge of extinction, being torn by the internal policy of the liberal democrats and oligarchs of the 1990s, facing mass impoverishment of the population, a lack of understanding of the vector of spiritual development after the collapse of the Soviet Union, the Chechen

war and the regular terrorist attacks that took place even in the capital itself.

Having assumed office as President of the Russian Federation, Vladimir Putin managed to overcome the socio-economic consequences of the reforms of the 1990s, to restore, and then significantly improve the financial situation of the overwhelming majority of Russian citizens, to restore Russia's position in the international political arena. It was clearly contrary to the wishes of those forces that in the late 1980s facilitated the collapse of the Soviet Union. After Vladimir Putin's Munich speech in 2007,

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**For citation:** Ilyin V.A. One Year Left before the Fourth Presidential Term. *Economic and Social Changes: Facts, Trends, Forecast*, 2017, volume 10, no. 1, pp. 9-24. DOI: 10.15838/esc.2017.1.49.1

the globalizers made at least three attempts to exclude Russia from the participants of geopolitical competition: in August 2008 (attempt of Georgia's integration into NATO, which entailed an armed conflict in southern Ossetia), in February 2012 (the rally on Bolotnaya Square) and March 2014 (an attempt to draw Russia into a war with Ukraine). Each of these attempts, and it is largely thanks to the policy of the President of Russia, ended in failure for the West and Russia "extended its possibilities in the geopolitical confrontation; its impact on global processes was increasing, and, each time, Russia failed to implement to the fullest extent its capabilities and new potential in its domestic development"<sup>1</sup>.

**In the end, during 17 years of his presidency, Putin not only managed to restore Russia's status as a full-fledged participant in a geopolitical competition but to place it in the center of the mainstream moral values that only in the mid-2010s gradually began to dominate the public consciousness of ordinary people in the United States and Europe, and after that, to transform the ruling elite and the entire political system of leading world powers.**

In this sense the year 2016 provides a telling example, when many countries held the most important referendums and began a new political cycle. The United Kingdom's prospective withdrawal from the European Union, Donald Trump's victory in the presidential election in the United States,

<sup>1</sup> Starikov N.V. Chto delat' patriotam [What the patriots have to do]. *Ofitsial'nyi blog N. Starikova* [N. Starikov's official blog]. Available at: <https://nstarikov.ru/blog/75257>

The development of socio-political and economic processes in Europe and in the world, in general, makes the issue concerning the crisis of liberal values and multiculturalism in Europe critically important<sup>2</sup>.

presidential election in Bulgaria, Moldova, Italy, election campaign in France – all these events demonstrate the fact that liberal-democratic values (multiculturalism, tolerance, globalization, etc.) give way to the values of national sovereignty, social justice and national interests, which Vladimir Putin protected from the beginning of his presidential activity and not only in public speeches on international platforms (the Munich Speech of 2007, the Valdai Speech of 2013, Address to the heads of states at the 70th Anniversary Session of the UN General Assembly in 2015, etc.), but also in the struggle with the fused interests of the oligarchs and the representatives of the corrupt liberal democratic bureaucracy at all the levels of the power vertical.

**By the mid-2010s, the international community understood what the Russian President had openly warned it about 10 years before in the Munich Speech about the threats and the hopelessness of a unipolar world order and the dangers of trampling the international law. This fact forced Americans and Europeans to take a new look at Russia and its president.**

<sup>2</sup> About the crisis of liberal values and multiculturalism in Europe. International Project of the Public Association "For human rights". Available at: <http://thedecline.info/ru/pre2>

**Vladimir Putin:** “The decisions debated within the UN are either taken in the form of resolutions or not. As diplomats say, they either pass or they don’t. Any action taken by circumventing this procedure is illegitimate and constitutes a violation of the UN Charter and contemporary international law... Of course, the world changes, and the UN should also undergo natural transformation. Russia is ready to work together with its partners to develop the UN further on the basis of a broad consensus, but we consider any attempts to undermine the legitimacy of the United Nations as extremely dangerous. They may result in the collapse of the entire architecture of international relations”<sup>3</sup>.

However<sup>4</sup>, today, a year before the next presidential election in our country and, apparently, a year before Vladimir Putin’s fourth presidential term, experts say that **“global liberal financial forces are making a fourth attempt to rein in and subjugate Russia”**<sup>4</sup>. This time they use a mechanism that was “tested” at the collapse of the Soviet Union – the opposition between patriotic and liberal-democratic forces in the system of public administration.

The struggle of the patriots and the liberals in the ruling elite of Russia has quite deep

<sup>3</sup> Stenogramma vystupleniya V.V. Putina na plenarnom zasedanii yubileinoi, 70-i sessii General’noi Assamblei OON v N’yu-Iorke 28 sentyabrya 2015 g. [Transcript of Vladimir Putin’s Speech at the Plenary Meeting of the 70th Session of The UN General Assembly in New York on September 28, 2015]. *Ofitsial’nyi sait Prezidenta RF* [Official Website of the RF President]. Available at: <http://www.kremlin.ru/events/president/news/50385>

<sup>4</sup> Starikov N.V. Chto delat’ patriotam [What the patriots have to do]. *Ofitsial’nyi blog N. Starikova* [N. Starikov’s official blog]. Available at: <https://nstarikov.ru/blog/75257>

historical roots. In fact, it is the choice of one of the two alternative variants of Russia’s development: the “Eastern” one, in which power prevails over property, and the “Western” one, when the system of public administration is subject to the laws of business and profit. Russia has always developed via the “Eastern” path, while the **general idea of patriotism was systemic, it “permeated” not only the government sector, but all the social strata of Russian society.**

**V.I. Karpets:** “The order of things in Russia until 1762, when the “Decree on the freedom of the nobility” issued by Catherine II was signed, was as follows: there was the immutable rule of “villeinage”: the farmer was “villein to the land” of the aristocrat only up until the latter was “villein” to the Sovereign in his service. V. O. Klyuchevsky called it a “taxed state”... Spiritual and ideological “signs and pillows” of old Russia and the Soviet Union changed, but the structure remained almost the same. Asceticism, self-denial and selflessness were equally required in both cases”<sup>5</sup>.

In the Soviet period, the party nomenclature was guided by the principles of patriotism and national interests largely because of fear of political repression, but after the death of Stalin the discipline and tension characteristic of the Stalin era, gradually became the thing of the past. Having felt freedom and impunity, individual

<sup>5</sup> Karpets V.I. Istoki i korni “pyatoi kolonny” [Origins and roots of the “fifth column”]. *Gazeta “Zavtra”* [Newspaper “Tomorrow”], 2017, February 02. Available at: [http://zavtra.ru/blogs/istoki\\_i\\_korni\\_pyatoj\\_kolonni](http://zavtra.ru/blogs/istoki_i_korni_pyatoj_kolonni)

**N.V. Starikov:** “The Government is engaged in direct sabotage of Presidential orders:

- ✓ The President demands a moratorium on the growth of tariffs of monopolies – the Government introduces the so-called “social norms”, which are a disguised form of increasing tariffs.

- ✓ The President speaks about the solution to the demographic problem – the Government is trying to abolish the maternity capital.

- ✓ The President sets a task to create 25 million new jobs by 2020 – the Government speaks about abandoning employment at any cost and is prepared to the fact that unemployment will rise.

- ✓ The Government requires citizens to transfer their pension accumulations to private pension funds – the President does not recommend doing that.

- ✓ The President issues an order to create a national payment system – the Government says that it is impossible to abandon foreign payment systems.

And these are just some facts of direct sabotage of Presidential orders by the Government. In reality, there are much more such facts... Russia needs a working Government that would consist of patriots. Not partially and fragmentarily, as it is today, but entirely. The liberals in power are simply dangerous for Russia”<sup>6</sup>.

members of the ruling elites gradually began to lift the “iron curtain”, guided by their private interests in close conjunction with the values of the Western world and consumer society. The apotheosis of the liberalization of the elites was observed in 1991, when the Soviet nomenclature actually completely stopped protecting socialism and was engaged in private appropriation and division of what was considered “public” property, including the USSR territory.

This continued throughout the 1990s, until in 1999, Vladimir Putin was appointed Chairman of the Russian Government and started to create a block that would oppose the liberal elite, advancing officers from FSB and other security services to positions in the governmental and economic structures. Throughout all presidential terms of Vladimir Putin there began a confrontation with varying success between security forces and representatives of the governmental liberal clan that consisted mainly of the heirs of the Communist Party and the liberal intelligentsia. Largely due to the fact that the main threats to the country during Vladimir Putin’s first three presidential terms were focused on the international arena, his attention was focused on foreign policy matters. In addition, strategic foresight has not allowed Vladimir Putin to embark on a radical rupture of relations with the liberal elite because it had the support of “the collective West”.

The issues of domestic economic development were a priority for the Dmitri Medvedev Government, the composition of which has remained practically unchanged. Despite the fact that new people joined his

<sup>6</sup> Starikov N.V. Kto-to dolzhen uiti: libo pravitel'stvo, libo narod [Someone has to go away, either the government or the people]. *Ofitsial'nyi blog N. Starikova ot 02.06.2014* [N. Starikov’s official blog, June 02, 2014]. Available at: <https://nstarikov.ru/blog/40617>

economic bloc from time to time, the essence of the interests they lobbied remained the same and this was repeatedly expressed by the experts such as S.Yu. Glazyev, S.S. Gubanov, Yu.Yu. Boldyrev, A.A. Prokhanov, and others.

The priority of private interests, the fusion of the oligarchic forces and the bureaucracy or, simply, **the abuse of official position for personal gain** became the characteristic features of the Medvedev Government. In fact, in the 21st century the Medvedev Government continued the policy of Mikhail Gorbachev, Boris Yeltsin and other members of the liberal elite of the 1980s–1990s, which led to the collapse of the Soviet Union. Having existed and flourished more than a quarter century at the top of the political Olympus, these characteristics of the liberal block of the Government “rooted” deep throughout the whole power vertical. This became all the more pronounced when the comprehensive work to identify corrupt officials began – first at the local level (arrests of “high-handed” governors, who believed in the impunity of their actions, lost their sense of professional responsibility for the management of the region and the personal moral responsibility toward the people<sup>7</sup>) and then in the Government itself (arrest of the Minister of Economic Development Alexei Ulyukayev), which took the fight against corruption to a new level, significantly reducing the range of “untouchables”.

<sup>7</sup> Some heads of regions, against whom criminal proceedings were instituted: M. Mashkovtsev (Kamchatka, 2003), A. Barinov (Nenets Autonomous Okrug, 2007), A. Tishanin (Irkutsk Oblast, 2008), L. Korotkov (Amur Oblast, 2010), V. Dudka (Tula Oblast, 2011), V. Yurchenko (Novosibirsk Oblast, 2014), A. Khoroshavin (Sakhalin, 2015), N. Denin (Bryansk Oblast, 2015), V. Gaizer (Komi, 2015). N. Belykh (Kirov Oblast, 2016).

As experts noted, the arrest of a federal minister “is an unprecedented occasion. Such single, not mass, arrests helping manage the economy. As a matter of fact, the budget has become much poorer. And high-profile criminal cases are a good way to show the officials that it is simply impossible to spend public money as it was earlier”<sup>8</sup>.

**The “closed” (especially from society) nature of decisions made** became another feature of the Medvedev Government; as a result, some experts talk about a certain “super-elite”<sup>9</sup> that makes all decisions “on the sidelines” of government offices, and personnel changes are not made according to the criterion of competence of newcomers, but rather result from the victories of certain groups in the struggle for power “behind the scenes”.

After the election to the State Duma of the seventh convocation, in which United Russia got a constitutional majority in Parliament, there emerged a new political tandem “Medvedev–Volodin” that strengthened the position of the liberals in the Government. A concrete result of the work of this tandem can be seen in the new budget of Russia, according to which in 2017:

✓ funding for inpatient care will be reduced (in 2.5 times adjusted for inflation compared to 2012);

✓ federal spending on preschool education will be reduced (by 47.7% compared to 2016);

<sup>8</sup> Solovei V.D. Zapad vernet Ukrainu v orbitu Rossii, a k vesne zhdite novykh reform [The West will return Ukraine in Russia’s orbit, and in the spring you shall expect new reforms]. *Komsomol’skaya Pravda*, 2016, December 28. Available at: <http://www.vologda.kp.ru/daily/26625/3643134/>

<sup>9</sup> Arbitrazh Putina [The arbitration of Putin]. *Nezavisimaya gazeta*, 2016, November 17. Available at: [http://www.ng.ru/editorial/2016-11-17/2\\_6861\\_red.html](http://www.ng.ru/editorial/2016-11-17/2_6861_red.html)



✓ the share of expenditures on housing and utilities will be reduced (from 2.6% in 2011 to 0.4% in 2017).

In addition, the Government submitted and the State Duma supported the bill to increase the excise tax on gasoline and diesel fuel, and the law of the city congestion charge. The Medvedev Government has increased the housing and utilities tariffs (by 4–6%) and refused to increase the minimum wage from January 01, 2017; however, the State Duma rejected the bill that prohibits officials from having property abroad and the bill that abolishes the Unified State Exam as a final exam in school and entrance exam to universities.

The ineffectiveness of the economic policy of the liberal bloc of the Medvedev Government creates a double threat to Russia's national security.

✓ The first threat was voiced by the President himself in one of his articles: "Today Russia depends on the global economy, it is integrated in it to a great extent – more than most other countries... It is untenable of Russia to have an economy that does not guarantee either its stability, or sovereignty, or worthy welfare. We need a new economy with competitive industry and infrastructure, with a developed services sector, with effective agriculture. The economy that is built on a modern technological basis. We need to establish an effective mechanism for economic renewal, to find and attract the necessary vast material and human resources"<sup>10</sup>.

<sup>10</sup> Putin V.V. O nashikh ekonomicheskikh zadachakh [On our Economic Tasks]. *Rossiiskaya gazeta* [The Russian Newspaper], 2012, January 30. Available at: <https://rg.ru/2012/01/30/putin-ekonomika.html>

V.L. Sheinis: "Looking at the activities of the Government, analyzing its proposals and its work, we cannot but note that the lion's share of the President's direct orders remain unfulfilled. The May decrees of Vladimir Putin will soon turn five years old, and they still have not been executed. At the recent congress of the All-Russia People's Front it was said that only 16% of the may decrees were fully implemented, the others – either partially implemented or not implemented at all"<sup>11</sup>.

With the escalation of geopolitical competition, the change of the old economic model is becoming an increasingly urgent task. Experts note that "it is naive to expect that the economy will develop if it is based on gas and other commodity exports, at a time when industrialized countries are moving toward a new, digital and technetronic industrialization, they are shifting from burning hydrocarbons to post-oil energy"<sup>12</sup>.

✓ The second threat stems from the fact that in terms of inefficient economic policy Russian society is plunging deeper and deeper in its "injured" condition. According to the results of sociological research, the population negatively assesses its current financial situation and sees no prospects for

<sup>11</sup> Sheinis V.L. Istoricheskii tranzit: rossiiskaya drama [Historical transit: Russian drama]. *Nezavisimaya gazeta*, 2017, January 27. Available at: [http://www.ng.ru/ideas/2017-01-27/5\\_6914\\_drama.html](http://www.ng.ru/ideas/2017-01-27/5_6914_drama.html)

<sup>12</sup> Gubanov S.S. Al'ternativy suverenizatsii sobstvennosti net, krome krakha Rossii [There is no alternative to the sovereignization of ownership, except the collapse of Russia]. *Delovaya elektronnyaya gazeta «Biznes Online»* [Business Online newspaper], 2016, April 19. Available at: <https://www.business-gazeta.ru/article/308196>

Insert 1. Share of people who consider themselves “poor and extremely poor” (% of the number of respondents)

Population group	2007	2011	2013	2014	2015	2016	Dynamics (+/-), 2016 to		
							2015	2011	2007
<i>Sex</i>									
Men	39.8	42.8	45.1	48.9	49.5	47.9	-2	+5	+8
Women	44.6	45.4	48.3	49.2	51.7	49.8	-2	+4	+5
<i>Age</i>									
Under 30	32.4	39.2	42.8	44.6	47.7	42.7	-5	+4	+10
30-55	40.0	43.1	46.3	48.6	51.3	49.4	-2	+6	+9
Over 55	55.5	50.2	50.8	52.7	51.7	52.1	0	+2	-3
<i>Education</i>									
Secondary and incomplete secondary	52.6	52.5	55.7	58.0	54.6	55.5	+1	+3	+3
Secondary vocational	39.9	46.7	48.3	48.0	50.1	47.6	-3	+1	+8
Higher and incomplete higher	33.1	33.3	36.1	40.0	47.3	42.8	-5	+10	+10
<i>Income groups</i>									
20% of the poorest people	64.5	60.3	70.3	70.1	65.8	70.5	+5	+10	+6
60% of the people with median income	45.0	47.9	48.5	50.9	53.0	50.3	-3	+2	+5
20% of the most prosperous people	15.9	21.9	19.7	22.2	32.6	28.7	-4	+7	+13
<i>Territories</i>									
Vologda	32.3	44.8	49.3	50.4	53.9	46.5	-7	+2	+14
Cherepovets	31.4	35.0	34.7	39.8	44.5	47.2	+3	+12	+16
Districts	52.5	48.7	52.1	53.4	52.3	51.3	-1	+3	-1
<b>Average in the Vologda Oblast</b>	<b>42.5</b>	<b>44.2</b>	<b>46.9</b>	<b>49.1</b>	<b>50.7</b>	<b>49.0</b>	<b>-2</b>	<b>+5</b>	<b>+7</b>
<b><i>The total number of positive and negative changes in 14 groups and in the Vologda Oblast as a whole</i></b>							<b>+2 / -6</b>	<b>+11 / 0</b>	<b>+13 / -1</b>

\* Question wording: “Which category do you belong to, in your opinion?”. Response options – “the rich”, “with middle income”, “the poor”, “the extremely poor”.

In order to calculate the index of social identity, the share of answers “the rich” is multiplied by 200, “with middle-income” – by 150, “the poor” – by 50, “I find it difficult to answer” – by 100. The sum of these products is divided by 100. Hereinafter, the sampling error does not exceed 2%, thus the change of +/- 2 percentage points was taken as insignificant.

For the period from 2007 to 2016, the proportion of people who consider themselves “poor and extremely poor” increased by 6 p.p. (from 43 to 49%). Negative changes were observed in 12 out of the 14 socio-demographic categories. **In this case, none of the major social strata showed significant positive changes in the past 10 years.**

Moreover, the group of those who consider themselves to be “poor and extremely poor” now more often includes representatives of those groups that cannot be described as socially vulnerable: people of young and middle age (10 p.p.), people with high incomes (13 p.p.), urban residents (14–16 p.p.).

**In 2016 in 10 out of the 14 groups almost every second person (46–55%) considered himself/herself to be “poor and extremely poor”. The figure is 70% among the 20% of the least wealthy layers of the population.**

## Insert 2. Dynamics of the consumer sentiment index, points\*

Population group	2007	2011	2013	2014	2015	2016	Dynamics (+/-), 2016 to		
							2015	2011	2007
<i>Sex</i>									
Men	107.8	90.3	91.0	87.6	76.8	78.7	+2	-12	-29
Women	104.4	89.1	89.8	87.6	77.3	76.9	0	-12	-28
<i>Age</i>									
Under 30	115.2	95.0	94.5	93.0	82.9	83.7	+1	-11	-32
30-55	107.1	89.1	91.4	87.5	75.2	76.8	+2	-12	-30
Over 55	95.7	86.0	85.6	84.2	76.0	75.4	-1	-11	-20
<i>Education</i>									
Secondary and incomplete secondary	100.2	85.6	83.4	80.5	73.6	74.7	+1	-11	-26
Secondary vocational	105.9	87.9	88.7	86.9	76.9	78.4	+2	-10	-28
Higher and incomplete higher	113.1	95.6	99.2	96.3	81.1	80.2	-1	-15	-33
<i>Income groups</i>									
20% of the poorest people	88.2	74.8	71.2	69.8	62.5	64.8	+2	-10	-23
60% of the people with median income	105.5	89.0	90.8	87.0	77.0	76.7	0	-12	-29
20% of the most prosperous people	124.7	105.3	108.9	107.5	91.0	91.5	+1	-14	-33
<i>Territories</i>									
Vologda	104.2	90.9	92.3	90.8	75.9	77.1	+1	-14	-27
Cherepovets	114.9	98.9	97.7	95.3	83.3	78.4	-5	-20	-36
Districts	102.3	84.4	85.3	81.7	74.2	77.5	+3	-7	-25
<b>Average in the Vologda Oblast</b>	<b>105.9</b>	<b>89.6</b>	<b>90.3</b>	<b>87.6</b>	<b>77.1</b>	<b>77.4</b>	<b>0</b>	<b>-12</b>	<b>-29</b>
<b>The total number of positive and negative changes in 14 groups and in the Vologda Oblast as a whole</b>							<b>+1 / -1</b>	<b>0 / -15</b>	<b>0 / -15</b>

\* The consumer sentiment index is calculated based on the answers to the questions:

1. How do you assess your family's financial situation: is it better or worse than it was a year ago? (possible answers: "it is better", "it is worse").
2. If we talk about major purchases for your home, then, generally speaking, what do you think of the present: is it a good or bad time to buy most of these goods? (possible answers: "good", "bad").
3. What do you think about your financial situation in a year: will it be better, worse or about the same as now? (possible answers: "It will be better", "It will be worse", "It will be the same as it is now").
4. Do you think the following 12 months will be a good time or a bad time or anything else for the economy? (possible answers: "good", "bad").
5. If we talk about the next five years, then, in your opinion, will they be a good or bad time for the economy? (possible answers: "good", "bad").

For each question partial indices were calculated. To do this, from the share of positive responses the share of negative ones is subtracted, then to the obtained value 100 is added so as not to have negative values. Therefore, fully negative answer would give a total index 0, and positive – 200, the balance of the former and the latter is expressed by the index value of 100, which is, in fact, a neutral mark. The arithmetic mean of the partial indices gives an aggregate value – the consumer sentiment index.

In 2007–2016 the consumer sentiment index (CSI) that reflects the dynamics of people's forecasts concerning the development of the economic situation in the country and their personal financial situation **decreased significantly in the oblast as a whole and in all socio-demographic categories of the population (by 20–36 points).**

In 2007, the value of the CSI below 100 points (which means the predominance of pessimistic judgments) was observed only among people older than 55 years (96 p.) and 20% of the poorest inhabitants of the oblast (88 p.). **In 2015–2016, the consumer sentiment index was below 100 points in all socio-demographic categories, including 20% of the wealthiest inhabitants of the oblast (91 p.). In 11 out of 14 analyzed groups the CSI "did not reach" even the level of 80 points.**



Insert 3. Proportion of people faced with the problem of uncertainty in the future (% of the number of respondents)

Population group	2007	2011	2013	2014	2015	2016	Dynamics (+/-), 2016 to		
							2015	2011	2007
<i>Sex</i>									
Men	40.1	60.0	46.3	46.5	56.8	57.9	+1	-2	+18
Women	48.5	62.8	51.7	49.6	53.1	62.6	+10	0	+14
<i>Age</i>									
Under 30	35.1	47.3	41.1	40.6	47.1	52.5	+5	+5	+17
30-55	44.7	63.9	47.9	47.6	54.4	59.7	+5	-4	+15
Over 55	53.1	69.7	58.8	54.2	59.9	66.2	+6	-4	+13
<i>Education</i>									
Secondary and incomplete secondary	41.2	66.5	53.6	55.2	63.6	60.5	-3	-6	+19
Secondary vocational	47.6	64.2	49.6	49.4	50.8	64.4	+14	0	+17
Higher and incomplete higher	45.4	54.2	44.2	40.0	49.2	56.3	+7	+2	+11
<i>Income groups</i>									
20% of the poorest people	44.6	69.7	66.2	59.8	64.3	60.5	-4	-9	+16
60% of the people with median income	47.7	63.3	50.1	48.0	57.6	59.6	+2	-4	+12
20% of the most prosperous people	39.2	50.0	35.3	29.5	39.4	59.3	+20	+9	+20
<i>Territories</i>									
Vologda	52.6	61.2	35.3	37.7	45.3	63.8	+19	+3	+11
Cherepovets	52.3	54.0	45.8	41.3	49.0	65.2	+16	+11	+13
Districts	37.5	65.5	57.9	57.7	63.0	55.9	-7	-10	+18
<b>Average in the Vologda Oblast</b>	<b>44.7</b>	<b>61.5</b>	<b>49.3</b>	<b>48.2</b>	<b>54.7</b>	<b>60.5</b>	<b>+6</b>	<b>-1</b>	<b>+16</b>
<i>The total number of positive and negative changes in 14 groups and in the Vologda Oblast as a whole</i>							<b>+10 / -3</b>	<b>+4 / -6</b>	<b>+15 / 0</b>

In the oblast as a whole and in all layers of the population for the period from 2007 to 2016 there was a significant increase in the proportion of those who experience uncertainty about the future (by 10–20 p.p.). In 11 out of 14 socio-demographic groups, the growth in the number of people faced with this problem is registered **annually for the past three years** (from 2014 to 2016).

If in 2007 in most groups, the proportion of those who experience uncertainty about the future was 35–45%, then in 2016 in all the groups their proportion ranged **from 56 to 66%**. This problem is especially frequent among urban residents and people older than 55 years (64–66%). In this case, as shown by the results of the surveys, a high level of prosperity “does not protect” from the feeling of fear of the future – **in all income groups the proportion of people experiencing insecurity about tomorrow is 60%**.

Insert 4. Dynamics of protest potential (% of the number of respondents)\*

Population group	2007	2011	2013	2014	2015	2016	Dynamics (+/-), 2016 to		
							2015	2011	2007
<i>Sex</i>									
Men	23.6	22.6	19.3	21.7	22.6	20.4	-3	-2	-3
Women	18.3	17.5	15.7	16.6	19.9	18.5	-1	+1	0
<i>Age</i>									
Under 30	20.2	19.2	17.4	17.7	20.5	15.4	-6	-4	-5
30-55	20.8	20.8	17.3	20.1	22.9	20.9	-2	0	0
Over 55	20.9	18.5	17.4	18.0	19.1	19.5	+1	+1	-1
<i>Education</i>									
Secondary and incomplete secondary	20.5	20.5	17.3	21.4	20.9	20.7	0	0	0
Secondary vocational	21.1	19.6	18.2	17.9	20.7	18.9	-2	-1	-2
Higher and incomplete higher	20.4	19.1	16.5	17.2	21.8	18.2	-4	-1	-2
<i>Income groups</i>									
20% of the poorest people	23.9	26.8	21.7	23.3	29.0	27.4	-2	+1	+4
60% of the people with median income	21.2	19.0	16.4	19.1	20.9	18.9	-2	0	-2
20% of the most prosperous people	16.1	14.7	13.6	11.4	14.5	13.5	-1	-1	-3
<i>Territories</i>									
Vologda	21.4	21.6	20.3	20.2	25.6	21.4	-5	0	0
Cherepovets	20.3	19.7	17.6	22.7	24.7	21.6	-3	+2	+1
Districts	20.5	19.0	15.7	16.1	16.7	16.8	0	-2	-4
<b>Average in the Vologda Oblast</b>	<b>20.7</b>	<b>19.8</b>	<b>16.8</b>	<b>19.3</b>	<b>21.1</b>	<b>19.3</b>	<b>-2</b>	<b>-1</b>	<b>-1</b>
The total number of positive and negative changes in 14 groups and in the Vologda Oblast as a whole							0 / -5	0 / -1	+1 / -4

\* Question wording: "What are you willing to do to protect your interests?". Answers: "I will sign a petition to the authorities", "I will participate in strikes and other protest actions", "I will participate in a rally or demonstration", "If necessary, I will take arms and go to the barricades", "I will do nothing", "My interests are sufficiently protected", "I find it difficult to answer".

Protest potential is accumulated among the respondents who chose the answers: "I will participate in a rally or demonstration", "I will participate in strikes and other protest actions", "If necessary, I will take arms and go to the barricades".

The proportion of people willing to take part in protests in the oblast as a whole and in all major segments of the population remained stable at the level of 18–20 p.p., which, according to some experts (V.L. Sheinis), is a significant figure, **showing an insufficient social stability in society.**

The relatively high protest potential (more than 20 p.p.) is observed among **men, people of middle age, those with secondary or incomplete secondary education, those who negatively assessing their income level, and those who live in urban areas.** During all the years of measurements, the willingness to take part in the protests was shown most frequently by the inhabitants of the oblast who, according to self-assessments of their income belong to the category of 20% of the poorest. **This is the most important factor in the formation of protest moods.**

its improvement in the future. Thus, over the period from 2007 to 2016, the proportion of people who consider themselves “poor and extremely poor” increased substantially in all the major sectors of Russian society. At that, since 2013, the proportion of “the poor and extremely poor” is 47–50% (i.e. almost one in two; *Insert 1*).

It should also be noted that all socio-demographic categories of the population are dominated by pessimistic forecasts about the future of the Russian economy and their personal financial situation (*Insert 2*).

**Zh. T. Toshchenko:** “Social consciousness is increasingly becoming an indicator of controversial and paradoxical changes in all spheres of social life: sociological analysis proves that they reflect the profound changes in the socio-economic and socio-political life after the collapse of the Soviet Union, which broke the stage-wise development of the state and society... **the injury and antinomy of the consciousness have become characteristic features of the social consciousness of the entire population of post-Soviet Russia**”<sup>13</sup>.

The negative perception of the economic situation and the feeling that it has no prospects affects the psychological state of society: across all social strata, more than 50% of the people say that they feel insecure about tomorrow, while the proportion of those who

<sup>13</sup> Toshchenko Zh.T. *Fantomy rossiiskogo obshchestva* [Phantoms of the Russian Society]. Moscow: Tsentr sotsial'nogo prognozirovaniya i marketinga, 2015. Pp. 14–15.

share this view in the last three years has been increasing (in 2014 – 48%, in 2015 – 55%, in 2016 – 61%; *Insert 3*).

The above trend has not yet lead to the growth of protest moods, but we still cannot say that there is social stability in the country.

As shown by the results of sociological surveys, the level of protest potential over the past three years is 19–20% (*Insert 4*). In the year that marked 100 years since the revolution of 1917 we cannot but recall the warning of experts that **“critical historical turns are made, as a rule, not by society and not even by its majority. Tumultuous events often began to unfold, when not the majority of the population, but its critical mass (reaching first 5, 10, and 20%) decided that it is impossible to live like that anymore, this mass aroused the expectation of reforms and pushed the government toward them.** But abrupt changes cannot be painless and their approval cannot be total and unconditional... Peoples can live for long time with the problems still unresolved. But the world is changing right in front of our eyes, and the gap between Russia and some successful countries of the former third world is becoming more threatening and difficult to overcome”<sup>14</sup>.

In addition, the dissatisfaction of society with the dynamics of the standard of living and quality of life in the country is gradually reflected in people’s assessment of the work of the Government. So, in 2011 the level of approval of the work of the Chairman of the RF Government was 59%, in 2015 – 58%,

<sup>14</sup> Sheinis V.L. *Istoricheskii tranzit: rossiiskaya drama* [Historical transit: Russian drama]. *Nezavisimaya gazeta*, 2017, January 27. Available at: [http://www.ng.ru/ideas/2017-01-27/5\\_6914\\_drama.html](http://www.ng.ru/ideas/2017-01-27/5_6914_drama.html)

and in 2016 – 52%, in February 2017 – 50%.

**Thus, analyzing the situation in the on the eve of the fourth 6-year presidential term of Vladimir Putin, we can come to the conclusion that the stagnation of the Russian economy, which is today a key threat to Russia as a participant in the geopolitical competition, is directly related to the inefficiency of the economic block of the Medvedev Government that is responsible for the domestic economic policy.** Not being able to resist the foreign policy of the Russian President, the global political players are trying to weaken Russia from the inside by using the liberal democratic orientation of the Cabinet of Ministers.

Yet, unfortunately, it can be stated that the forecasts of some experts made after the victory of Vladimir Putin in the presidential election on March 4, 2012, are justified: *“The victory of Vladimir Putin’s and those who supported him, would be diluted or stolen...there is a feeling that everything will remain the same. Sometimes it seems that Putin is amenable to the pressure of the party that lost the election”*<sup>15</sup>.

In February 2012, a month before the presidential election, after which the third presidential term of Vladimir Putin began, our arguments about the prospects of Russia’s development ended with the following conclusion: “Will “new” V.V. Putin lead the country (and himself, in the first place) to a new level of social and political management, which he had spoken in his election speeches and articles about and that most voters had

believed in? It would possible to judge that by the real steps of V.V. Putin in the first year of his third presidency in the Russian Federation”<sup>16</sup>.

Five years later, we are forced to admit this statement and say that the 12 months remaining until the main election in the country will be largely decisive from the point of view of the answer to the question: what mark will Vladimir Putin leave in Russia’s history? Will he manage to achieve equally effective results in domestic economic policy, like those he achieved in strengthening the sovereignty of our country in the international arena for the last 16 years? Or will the fight of the patriotic ruling elites over national interests be lost once again to the liberal-democratic forces that still occupy a significant place in the system of public administration?

**The confrontation between the patriots and the liberals in power is far from over and is not resolved**, and as the situation in the international political arena is stabilizing, the President’s attention is shifting more to the internal affairs of the country: in 2015, Vladimir Putin signed the National Security Strategy, through which he assumed personal responsibility for resolving key issues of national security; in 2016 the Minister of Economic Development was arrested and removed from office; at the end of 2016 Putin delivered the Address to the Federal

<sup>15</sup> Zatulin K. Kak ne dat’ ukrast’ plody pobedy [How not to allow to steal the fruits of victory]. *Moskovskii komsomolets*, 2012, March 22.

<sup>16</sup> Ilyin V.A. K itogam politicheskogo tsikla [To the Political Cycle Results]. *Ekonomicheskie i sotsial’nye peremeny: fakty, tendentsii, prognoz* [Economic and Social Changes: Facts, Trends, Forecast], 2012, no. 1, p. 13..

Assembly of the Russian Federation, which was also devoted mainly to internal affairs. At the beginning of 2017 there were several personnel changes among the governors: in February, the governors of the Republic of Buryatia and Karelia and of the Novgorod, Ryazan and Perm oblasts left office. Experts say that with the help of these measures **the President “strengthens the state discipline in the field, after which he will be able to start a “clean sweep” among Russian government officials”**<sup>17</sup><sup>15</sup>. While Vladimir Putin himself remains “the only moderator of the relations within the elite. Without Putin it is impossible to maintain the peaceful nature of the transition to the new government and new leaders; conflicting groups cannot afford to lose Putin as arbitrator”<sup>16</sup>.

However, while the “fifth column” in Russia’s state administration system exists, there remains a threat that it will be used by geopolitical opponents to destroy our country. That is why the presidential election, which will be held next year, are so important for Russian society: **in a society that feels the futility of its position and the failure of the current government to cope with the problems in the economy, there is a growing hope pinned on the head of state who possesses, in fact, monopoly power that is above the law and**

**beyond the Constitution.** Experts point out that “Russian power in the form in which it appeared in the middle of the 16th century and survived to the present day – is the **power above and beyond the law.** Even the current, post-Soviet power, weakened by both internal and external factors, retains the generic features. The power is concentrated in the Presidential Administration, the body about which nothing is said in the Constitution. As a result, we have a situation where the technical agency that is not mentioned in the Constitution and, therefore, is beyond and above the Constitution is the main power structure in the country”<sup>19</sup>.

**A year before the fourth presidential term, Vladimir Putin created a foundation to implement decisive action in the struggle of the patriotic forces with the private interests of the liberal elite that hit the system of public administration. Experts note that “only a complete change of the ruling layer can save Russia. And it is the supreme power itself that must do this, because “the revolution from below” in the current environment will inevitably lead to the breakdown of the country and then to its foreign occupation”**<sup>20</sup>.

Further implementation of people’s expectations will depend on coherent and strategically considered steps of the President in the direction of nationalization of the

<sup>17</sup> Starikov N.V. Chto stoit za cheredoi otstavok gubernatorov [What is behind the string of resignations of the governors]. *Ofitsial’nyi blog N. Starikova* [N. Starikov’s official blog]. Available at: <https://nstarikov.ru/blog/75270>

<sup>18</sup> An interview with K.V. Remchukov on the radio “Echo of Moscow” in the program “Special opinion” (live from 26 December 2016). *Official website of the radio station “Echo of Moscow”*. Available at: <http://echo.msk.ru/programs/personalno/1898516-echo/>

<sup>19</sup> Fursov A.I. *Voprosy bor’by v russkoi istorii. Logika namerenii i logika obstayatel’stv* [Issues of Fight in Russian History. The Logic of Intentions and of Circumstances]. Moscow: Knizhnyi mir, 2016. P. 139.

<sup>20</sup> Karpets V.I. Istoki i korni “pyatoi kolonny” [Origins and roots of the “fifth column”]. *Gazeta “Zavtra”* [Newspaper “Tomorrow”], 2017, February 02. Available at: [http://zavtra.ru/blogs/istoki\\_i\\_korni\\_pyatoj\\_kolonni](http://zavtra.ru/blogs/istoki_i_korni_pyatoj_kolonni)



elite, and on a clear understanding of the fact that **“our problems in all spheres of life – in economy, in education, in health and in foreign policy – are largely due to the fact that our political leaders (senior and middle management), officials of different levels advocate doublethink and sit on two chairs. It is impossible to pursue a policy while sitting on two chairs. Sooner or later, these chairs will move apart and you will fall and hurt yourself real hard. And while on the one hand we have a kind of patriotic rhetoric, but on the other hand – a completely blatant anti-patriotic course, we will hardly get any further. So sooner or later this kind of thing will present our management with this dilemma: to make this choice (maybe a metaphysical choice) – what way should our country pursue?”**<sup>21</sup>.

“The foundations on which our country stands go so deep, and have such solid roots, that Russia’s bright and marvelous future is simply inevitable,” said Vladimir Putin at an event dedicated to Russian Science Day in February 2017<sup>22</sup>. Objectively, over the years of his work as President and Chairman of the Government, Vladimir Putin has done a lot to

<sup>21</sup> Spitsyn E.Yu. Lektsiya v “Politkafe” (Moskva, 27 dekabrya 2016 g.) [A Lecture at the “Potikafe” (Moscow, December 27, 2016)]. *Ofitsial’nyi blog N. Starikova* [Official Blog of N. Starikov]. Available at: <https://nstarikov.ru/blog/73788>

<sup>22</sup> Stenogramma vystupleniya V.V. Putina na tseremonii vrucheniya premii Prezidenta v oblasti nauki i innovatsii dlya molodykh uchenykh za 2016 god (8 fevralya 2017 g.) [Transcript of Vladimir Putin’s Speech at the Ceremony of the Delivery of Presidential Prizes in Science and Innovation for Young Scientists for 2016 (February 08, 2017)]. *Ofitsial’nyi sait Prezidenta RF* [Official Website of the RF President]. Available at: <http://www.kremlin.ru/events/president/news/53837>

strengthen the international status of Russia, to protect its national interests and enhance national security. His merit is also great in the fact that the forces of the “collective West” still cannot destroy the country from within through the “fifth column” in the system of public administration.

However, to make the optimism of the head of state spread to the general population (actually to the people who will come to polling stations in March 2018) requires something more: it requires tangible progress in resolving the most acute issues of social justice, the need of which has remained for many years in the public consciousness of Russians.

Assessing the current condition of Russian society and the state, the majority of experts believe the most important characteristic of the modern state – the presence of a single leader. “Russian President and his entourage, including security officials and state media are recognized as the only development factors. Experts predict that such a condition will remain in the foreseeable future and they see no other serious and resource-provided actors with the potential to influence significantly the development of the situation in the country.

***The general conclusion regarding the most probable future of the Russian society can be expressed in one sentence – “it is in a fog”***<sup>23</sup>. It

<sup>23</sup> Gorshkov M.K., Petukhov V.V. *Rossiiskoe obshchestvo i vyzovy vremeni. Kn. 4* [Russian Society and the Challenges of Time. Book Four]. Moscow: Ves’ Mir, 2016. P. 345.

is hard to disagree with such expert evaluation of the present and the future of the Russian society taking into account the economic and social policy pursued by the ruling elites and ineffective for large parts of the population, the policy leading to the decrease in the standard of living and quality of life as a result of reforms in education, healthcare and housing. Sociological surveys show that

Russian citizens are very concerned about the ongoing internal reforms and their own uncertain future.

**President Putin as the national leader, who actually has a constitutional majority in the Federal Assembly, has the opportunity to set a clear and understandable direction for pulling the country out of this sticky and enclosing liberal “fog”.**

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## Public Opinion Monitoring of the State of the Russian Society

As in the previous issues, we publish the results of the monitoring of public opinion concerning the state of the Russian society conducted by ISEDТ RAS in the Vologda Oblast<sup>1</sup>.

The following tables show the dynamics of several parameters indicating the social feeling and socio-political sentiment of the Vologda Oblast population in December 2016 – February 2017, and also on average for the latest six polls (April 2016 – February 2017). These data are compared with the data for 2007 (the last year of Vladimir Putin's second presidential term, when the assessment of the President's work was the highest) and for 2011 (the last year of Dmitri Medvedev's presidency). The yearly dynamics of the data is presented beginning from 2013.

### Estimation of performance of the authorities

In December 2016 – February 2017, the assessment of the work of the President of the Russian Federation did not change significantly (67%). Approval of the President's work remains stable throughout 2016 and in the beginning of 2017.

The assessment of the work of the Chairman of the Government of the Russian Federation over the past two months has not changed either: the share of positive judgements is 50%. It is lower than in 2014–2016 (52–58%). In general, for the latest 6 surveys, the proportion of positive judgments about the work of the Chairman of the RF Government declined by 7 p.p. (from 58 to 51%), and in comparison with 2011 – by 8 p.p. (from 59 to 51%).

For reference: the nationwide level of approval of the RF President's performance remains stable. In December 2016 – January 2017 it was 85–86% according to VTsIOM (the share of negative assessments was 9–10%) and 84–85% – according to Levada-Center (the share of negative judgements was 14–15%). The proportion of positive assessments of the work of the Chairman of the RF Government, according to the polls, has decreased slightly (by 3 p.p., from 61% in December 2016 to 58% in the first half of February 2017).

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<sup>1</sup> The polls are held six times a year in Vologda, Cherepovets, and in eight districts of the oblast (Babayevsky District, Velikoustyugsky District, Vozhegodsky District, Gryazovetsky District, Kirillovsky District, Nikolsky District, Tarnogsky District and Sheksninsky District). The method of the survey is a questionnaire poll by place of residence of respondents. The volume of a sample population is 1,500 people 18 years of age and older.

The sample is purposeful and quoted. The representativeness of the sample is ensured by the observance of the proportions between the urban and rural population, the proportions between the inhabitants of settlements of various types (rural communities, small and medium-sized cities), age and sex structure of the oblast's adult population. Sampling error does not exceed 3%.

More details on the results of ISEDТ RAS polls are available at <http://www.vsc.ac.ru/>.

How do you assess the current performance of..? (as a percentage of the number of respondents)

Answer option	2007	2011	2013	2014	2015	2016	Apr. 2016	June 2016	Aug. 2016	Oct. 2016	Dec. 2016	Feb. 2017	Average for the latest 6 surveys	Dynamics (+/-) the latest 6 surveys compared to...		
														2015	2011	2007
<b>RF President</b>																
I approve	75.3	58.7	55.3	64.1	69.1	67.8	66.9	67.4	68.7	68.4	67.3	65.7	67.4	-2	+9	-8
I don't approve	11.5	25.6	29.4	22.3	17.5	18.8	17.9	20.1	19.6	19.7	19.3	21.1	19.6	+2	-6	+8
<b>Chairman of the RF Government*</b>																
I approve	-*	59.3	48.9	54.2	58.1	52.3	53.5	52.8	52.7	49.4	50.4	50.4	51.5	-7	-8	-
I don't approve	-	24.7	32.8	27.6	21.7	27.6	25.7	28.6	27.7	30.6	30.1	29.8	28.8	+7	+4	-
<b>Governor</b>																
I approve	55.8	45.7	44.4	40.1	39.3	37.7	34.9	38.2	38.4	39.1	40.2	38.9	38.3	-1	-7	-18
I don't approve	22.2	30.5	33.2	38.9	36.2	39.3	39.6	40.3	40.0	39.3	38.5	37.8	39.3	+3	+9	+17
* Included into the survey since 2008.																

In December 2016 – February 2017 there was a slight improvement of assessments of the work of Russian President aimed to strengthen Russia's international positions (by 3 p.p., from 52 to 55%, the highest figure for the latest 6 surveys) and the work on protecting democracy and strengthening freedoms of citizens (by 3 p.p., from 36 to 39%)

Assessments of the work of the head of state in the field of restoring order in the country in December 2016 – February 2017 did not change significantly: it is considered successful by 50% of the population, unsuccessful – by 37%.

The opinion of the people about the success with which the President deals with the task of economic recovery and growth of welfare of citizens remains stable and low: the proportion of positive judgments is 26–27%, negative – 59–61%.

It should be noted that on average for the latest 6 surveys, compared to 2011, there was an improvement in people's assessment of the President's work on coping with all the key tasks (by 4–13 p. p.), except for economic recovery and increasing the welfare of the population (the share of positive ratings decreased by 4 p.p., from 31 to 27%).

In your opinion, how successful is the RF President in coping with challenging issues?\* (as a percentage of the number of respondents)

Answer option	2007	2011	2013	2014	2015	2016	Apr. 2016	June 2016	Aug. 2016	Oct. 2016	Dec. 2016	Feb. 2017	Average for the latest 6 surveys	Dynamics (+/-) the latest 6 surveys compared to...		
														2015	2011	2007
<b>Strengthening Russia's international standing</b>																
Successful	58.4	46.2	45.7	50.4	51.7	51.2	50.7	52.2	50.1	51.4	51.9	54.5	51.8	0	+6	-7
Unsuccessful	24.9	33.7	36.2	32.4	31.3	29.9	30.9	29.0	30.3	28.8	31.1	26.5	29.4	-2	-4	+5
Success index	133.5	112.5	109.5	118.0	120.4	121.3	119.8	123.2	119.8	122.6	120.8	128.0	122.4	+2	+10	-11
<b>Imposing order in the country</b>																
Successful	53.2	36.6	39.4	48.0	50.2	49.2	48.1	49.7	50.0	49.7	50.2	49.5	49.5	-1	+13	-4
Unsuccessful	34.0	50.0	47.5	39.1	37.9	36.7	38.2	37.5	35.1	35.6	36.7	36.8	36.7	-1	-13	+3
Success index	119.2	86.6	91.9	108.9	112.3	112.6	109.9	112.2	115.4	114.1	113.5	112.7	113.0	+1	+26	-6
<b>Protecting democracy and strengthening the citizens' freedoms</b>																
Successful	44.4	32.4	31.8	37.5	40.4	36.6	35.6	38.3	36.7	35.7	36.2	38.6	36.9	-4	+4	-8
Unsuccessful	37.0	48.3	51.0	45.4	41.5	44.3	45.3	42.2	45.0	44.7	44.3	41.3	43.8	+2	-4	+7
Success index	107.4	84.1	80.8	92.1	99.0	92.3	90.3	96.1	91.7	91.0	91.9	97.3	93.1	-6	+9	-14
<b>Economic recovery and increase in the citizens' welfare</b>																
Successful	47.2	30.7	31.3	34.8	34.2	27.2	27.6	27.5	26.7	26.4	27.2	26.1	26.9	-7	-4	-20
Unsuccessful	39.1	56.1	56.8	53.4	52.3	59.4	57.9	59.1	60.4	60.9	61.1	59.1	59.8	+7	+4	+21
Success index	108.1	74.6	74.5	81.4	81.8	67.8	69.7	68.4	66.3	65.5	66.1	67.0	67.2	-15	-7	-41

\* Ranked according to the average value of the index of success for 2016.

Over the past two months, the structure of Russians' preferences concerning political parties did not change significantly. The United Russia Party is supported by 34–35% (which is lower than in 2015 – 39%), KPRF – by 7%, the Just Russia Party – by 4%.

In early 2017, there was a significant decrease in the level of support of LDPR (by 4 p.p., from 14 to 10%), although it remains higher than in 2015 (6%).

It should also be noted that in December 2016 – February 2017 there was an increase in the proportion of people who find it difficult to decide what political party reflects their interests (by 6 p.p., from 8 to 14%), which may indicate the growth of disinterest or ignorance of the population about the political situation in the country.

Which party expresses your interests? (as a percentage of the number of respondents)

Party	2007	Election to the RF State Duma 2007, fact		2011		Election to the RF State Duma 2011, fact		2013	2014	2015	2016	Election to the RF State Duma 2016, fact		Apr. 2016	June 2016	Aug. 2016	Oct. 2016	Dec. 2016	Feb. 2017	Average for the latest 6 surveys	Dynamics (+/-) the latest 6 surveys compared to...		
		2015	2011	2007																			
United Russia	30.2	60.5	31.1	33.4	29.4	32.8	38.8	35.4	38.0	34.1	36.0	36.5	36.3	34.5	33.9	35.2	-4	+4	+5				
LDPR	7.5	11.0	7.8	15.4	7.2	7.6	6.2	10.4	21.9	8.2	10.3	10.5	12.8	13.9	10.2	11.0	+5	+3	+3				
KPRF	7.0	9.3	10.3	16.8	11.3	9.7	7.1	8.3	14.2	7.2	8.0	7.5	9.0	8.7	7.2	7.9	+1	-2	+1				
Just Russia	7.8	8.8	5.6	27.2	4.6	3.5	3.6	4.2	10.8	2.7	4.0	4.7	6.1	4.9	4.3	4.5	+1	-1	-3				
Other	1.8	-	1.9	-	0.6	0.3	0.2	0.3	-	0.2	0.3	0.4	0.3	0.3	0.1	0.3	0	-2	-2				
No party	17.8	-	29.4	-	34.9	34.4	31.8	29.4	-	34.9	29.7	26.1	23.7	30.1	30.7	29.2	-3	0	+11				
It is difficult to answer	21.2	-	13.2	-	10.2	11.7	12.2	12.0	-	12.7	11.7	14.3	11.8	7.7	13.6	12.0	0	-1	-9				

Over the past two months, assessments of social well-being slightly worsened. The percentage of people describing their mood as positive decreased by 3 p.p. (from 70 to 67%). The proportion of those who say that “everything is not so bad; it’s difficult to live, but it’s possible to stand it” declined from 81 до 78% (by 3 p.p.).

The dynamics of social identification did not see any significant changes over the past two months: the proportion of those who consider they have “average income” is 43%, the proportion of the “poor and extremely poor” is 47%, which is higher than in 2007 (42%) and 2011 (44%).

For the period from December 2016 to February 2017 the consumer sentiment index increased slightly (by 3 points, from 79 to 82 p.), although its value remains less than 100 points, which indicates the predominance of pessimistic forecasts of the population regarding the dynamics of development of the economic situation and their personal financial situation.

Estimation of social condition (as a percentage of the number of respondents)

Answer option	2007	2011	2013	2014	2015	2016	Apr. 2016	June 2016	Aug. 2016	Oct. 2016	Dec. 2016	Feb. 2017	Average for the latest 6 surveys	Dynamics (+/-) the latest 6 surveys compared to...		
														2015	2011	2007
<b>Mood</b>																
Usual condition, good mood	63.6	63.1	68.6	69.4	68.7	68.0	67.0	68.0	68.8	70.2	70.4	67.2	68.6	0	+5	+5
I feel stress, anger, fear, depression	27.8	28.9	26.2	24.9	25.9	26.2	25.4	26.7	25.8	24.3	26.1	28.5	26.1	0	-3	-2
<b>Stock of patience</b>																
Everything is not so bad; it's difficult to live, but it's possible to stand it	74.1	74.8	79.3	80.8	78.4	78.0	77.5	78.2	78.3	79.5	81.1	78.2	78.8	0	+4	+5
It's impossible to bear such plight	13.6	15.3	14.2	12.6	14.5	15.6	16.4	15.7	15.5	14.9	14.9	16.1	15.6	+1	0	+2
<b>Social self-identification*</b>																
The share of people who consider themselves to have average income	48.2	43.1	43.9	43.2	38.7	42.1	40.9	42.8	43.2	42.3	43.7	42.5	42.6	+4	-1	-6
The share of people who consider themselves to be poor and extremely poor	42.4	44.3	46.9	49.1	50.7	49.0	49.4	47.1	49.5	48.9	47.4	47.2	48.3	-2	+4	+6
<b>Consumer sentiment index</b>																
Index value, points	105.9	89.6	90.3	87.6	77.1	77.7	74.4	77.3	79.4	80.8	79.4	82.0	78.9	+2	-11	-27

\* Question: "Which category do you belong to, in your opinion?"

Over the past two months the assessments of social mood deteriorated in the majority (in 8 out of 14) of socio-demographic categories. The percentage of positive ratings of emotional state declined more dramatically among people under the age of 30 years (by 10 p.p., from 81 to 71%) and among those who, according to their own assessments of their income fall within the 20% of the least wealthy layers of the population (by 13 p.p., from 58 to 45%).

However, in the Vologda Oblast in general, the proportion of people describing their mood as "normal, good", still corresponds to the average level of 2013–2016 (68–69%).

Social mood in different social groups (answer: “Good mood, normal condition”, as a percentage of the number of respondents)

Population group	2007	2011	2013	2014	2015	2016	Apr. 2016	June 2016	Aug. 2016	Oct. 2016	Dec. 2016	Feb. 2017	Average for the latest 6 surveys	Dynamics (+/-) the latest 6 surveys compared to...		
														2015	2011	2007
<b>Sex</b>																
Men	65.9	64.5	69.9	68.9	69.5	68.8	66.5	70.0	67.3	71.6	73.3	66.9	69.3	0	+5	+3
Women	61.7	62.0	67.5	69.8	68.0	67.4	67.5	66.5	70.0	69.0	68.1	67.4	68.1	0	+6	+6
<b>Age</b>																
Under 30	71.3	70.0	75.5	75.1	77.1	76.4	75.4	81.2	74.5	76.3	80.8	70.9	76.5	-1	+7	+5
30-55	64.8	62.5	69.2	69.5	67.2	67.4	66.0	68.3	67.1	68.9	71.8	66.7	68.1	+1	+6	+3
Over 55	54.8	58.3	62.4	65.4	65.5	64.0	63.7	59.8	67.7	68.3	62.8	65.8	64.7	-1	+6	+10
<b>Education</b>																
Secondary and incomplete secondary	58.4	57.4	60.6	62.5	63.6	62.1	62.4	62.9	61.7	64.7	62.8	61.4	62.7	-1	+5	+4
Secondary vocational	64.6	63.6	68.1	70.4	70.1	68.4	67.3	69.3	68.5	72.1	72.7	67.7	69.6	-1	+6	+5
Higher and incomplete higher	68.6	68.3	77.4	76.2	72.7	74.3	71.5	73.3	76.8	74.6	76.9	73.1	74.4	+2	+6	+6
<b>Income groups</b>																
20% of the poorest people	51.6	45.3	46.2	50.8	51.8	52.5	51.3	52.0	56.3	55.5	57.5	44.6	52.9	+1	+8	+1
60% of the people with median income	62.9	65.3	71.9	72.3	71.0	69.4	67.6	69.3	70.4	71.8	70.7	70.8	70.1	-1	+5	+7
20% of the most prosperous people	74.9	75.3	83.3	84.8	82.0	80.9	81.0	85.2	78.5	79.3	83.5	86.3	82.3	0	+7	+7
<b>Territories</b>																
Vologda	63.1	67.1	75.0	76.4	73.9	69.9	69.1	71.5	69.2	71.0	73.6	67.9	70.4	-4	+3	+7
Cherepovets	68.1	71.2	75.3	76.3	70.6	71.7	70.5	72.5	74.0	72.7	74.0	73.7	72.9	+2	+2	+5
Districts	61.6	57.1	61.6	61.8	64.6	64.8	63.9	63.7	65.7	68.1	66.6	63.1	65.2	+1	+8	+4
Oblast	63.6	63.1	68.6	69.4	68.7	68.0	67.1	68.1	68.8	70.1	70.4	67.2	68.6	0	+6	+5

## Conclusion

The results of a poll conducted in early 2017 indicate that society still worries about the dynamics of the economic situation and the standard of living. While the evaluation of the President’s work on strengthening Russia’s international position has improved (the share of positive judgments increased from 52 to 55%), the dynamics of public opinion about the success of his work on strengthening the financial situation of the population shows no significant changes: as in 2016, only 26–27% of the Vologda Oblast residents believe that this problem is being solved successfully.

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The share of people who consider themselves “poor and extremely poor” has been higher than the share of people with “median income” (by about 5 p.p.) since 2013. In early 2017, there is a significant deterioration of the social mood among the poorest inhabitants of the oblast (the share of positive characteristics decreased by 13 p.p., from 58 to 45%).

Many years of people’s dissatisfaction with the dynamics of their financial situation are gradually reflected in the assessment of the work of the authorities, first of all, the work of the Government of the Russian Federation that is responsible for the course of domestic economic and social policy. So, in 2011 the level of approval of the work of the Chairman of the RF Government was 59% in 2015 – 58%, and in 2016 – 52%, in February 2017 – 50%.

The evaluation of the work of the Russian President remains generally stable (the level of support is 66–68%), but after the “Crimean spring” of 2014 there were no significant positive trends in public opinion about the work of the head of state.

Among the notable changes that took place in the beginning of 2017 it is necessary to point out a decrease in the social well-being indicators: the proportion of people describing their mood as positive decreased by 3 p.p. (from 70 to 67%), the stock of patience also decreased (the percentage of those who believe that “everything is not so bad; it’s difficult to live, but it’s possible to stand it” decreased from 81 to 78%). So far it is impossible to say whether these changes are due to seasonal factors (climatic conditions of winter, the end of Christmas holidays, housing and utilities problems, low wages in the beginning of the year) or whether they will become a trend after a while.

At the end of 2016 in his Address to the Federal Assembly, the RF President said: “Stabilization does not mean an automatic transition to a sustainable recovery. If we do not address the underlying problems of the Russian economy, if we do not launch new growth factors at their full force, it will stagnate for years, and we will have to constantly scrimp and save, to delay development. We cannot afford that... I am asking the Government to explore ways to improve mechanisms that guarantee stability of the budget and public finances, while delivering on all our commitments regardless of external factors, including the price of oil and gas”<sup>2</sup>.

Nevertheless, the draft budget, which was developed by the Government and adopted by the State Duma in December 2016, is considered by many experts (S.Yu. Glazyev, B.Yu. Titov, S.A. Glotov, N.V. Starikov) to be the budget of stagnation and standstill, which is inconsistent with the key objectives of national security and people’s expectations.

In these circumstances, there remain concerns regarding the future dynamics of public opinion. The absence of perceptible changes in the standard of living and quality of life can significantly aggravate the social situation in the country, which is unacceptable on the threshold of the presidential election scheduled for March 2018.

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<sup>2</sup> Transcript of the Address of the President of the Russian Federation Vladimir Putin to the Federal Assembly on 1 December 2016. *Official website of the RF President*. Available at: <http://www.kremlin.ru/events/president/news/53379>

# SOCIO-ECONOMIC DEVELOPMENT STRATEGY

DOI: 10.15838/esc.2017.1.49.2

## About the Socio-Economic Development Prospects in the Vologda Oblast

Interview with Kozhevnikov A.V.,  
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The presence of a strategic planning system is one of the basic conditions of sustainable development of territories in the long term. According to Federal Law 172-FZ of June 28, 2014 “On strategic planning in the Russian Federation”, strategic development plans for constituent entities of the Russian Federation are an integral element of strategic planning in the country. In recent years, the regions were actively engaged in the elaboration of relevant documents. The Vologda Oblast was no exception; here the Socio-Economic Development Strategy for the period until 2030 was approved in October 2016. We discussed key points of the Strategy and development prospects in the region with Aleksei Viktorovich Kozhevnikov, Deputy Governor in charge of strategic planning and socio-economic development.

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**For citation:** About the Socio-Economic Development Prospects in the Vologda Oblast. Interview with A.V. Kozhevnikov. *Economic and Social Changes: Facts, Trends, Forecast*, 2017, vol. 10, no. 1, pp. 32-40. DOI: 10.15838/esc.2017.1.49.2



– **Aleksei Viktorovich, you took an active part in the elaboration of the Strategy for socio-economic development of the Vologda Oblast for the period up to 2030. The main goal defined in the document, is “to promote the preservation of the demographic potential and human capital accumulation with the help of regional economic competitiveness and formation of development space”. In your opinion, how realistic is this goal?**

– Without any doubt this goal is achievable, and the region is able to implement the challenges set before it. In order to achieve the goal, emphasis is placed on the main priorities: preservation of population (demography), human capital, creating a competitive future economy (economics of high technology), balanced spatial development of the territory, efficient state and municipal administration, and environmental well-being.

– **Why is the demographic aspect considered to be a basis of the future prosperity in the region?**

– Analysis of the sources of long-term economic growth in different countries shows that areas with a growing population, which has a high proportion of persons of working age, tend to have higher rates of economic development and the dynamics of domestic product. People, population, the preservation of the nation – these are the main components of sustainable social-economic development.

The inhabitants of the territory form the internal demand for products and services and

generate new knowledge and innovative developments. In the end, the people of the territory provide its strategic competitiveness. In our opinion, external challenges and threats can be overcome only if population is growing.

There is a strong direct correlation between economic growth (as measured by GDP growth) and population dynamics. Based on the study of indicators of the sample of countries with the biggest size of their economies (37 countries with open statistics were considered), the results were obtained about the direct relationship between average GDP growth and average annual dynamics of the population. Moreover, the population growth at 1% per year has led to the growth of GDP in the long-term trend by 1.9 %.

Analyzing the sources of economic growth of individual countries, we can argue that it is provided, primarily, by an increase in spending on final consumption (growth of consumer demand). The growing population generates a higher level of domestic demand for civilian goods.

Another determinant of higher growth rates in the countries with growing populations is investment activity – the second largest source of GDP growth due to the demographic component. The growing population causes qualitative improvements contributing to an increase in investment activity in the territories that have highly qualified personnel and favorable innovation climate.

Simultaneously, in the countries with a high dynamics of the number of population, a higher level of development of industry, agriculture, and the sphere of services was identified. There are also higher values of the indicators of the standard of living and quality of life, in particular, the expenses on goods and services.

The study of the dynamics of statistical data for Russian regions also proves that economic growth is higher in the places where population is growing continuously.

– **How do you see the “future image” of the Vologda Oblast from the point of view of development of its production sector?**

The Vologda Oblast in 2030 is a region with high-tech industrial potential, integrated into national and international chains of added value creation. In the oblast there is an accelerated development of production typical of the fifth and sixth technological paradigms due to the constant renewal of products and technologies, growth of labor productivity, reduction of costs, and provision of leadership in quality. Due to the growth of value added that is localized in the region, it is among the 15 leading regions by volume of gross regional product per capita and the 15 leading regions by volume of shipped industrial goods per capita.

To achieve this goal it is planned to solve the following set of key objectives:

– to increase the diversification of industries by increasing the value added in the segment of priority high-tech, medium-

tech and basic industries; to shift to a “new industrialization” associated with the formation, development and introduction of advanced technologies of the fifth and sixth technological paradigms;

– to create conditions and incentives for localization of production in the Vologda Oblast of products with high added value and innovative products by embedding them in the existing and developing technological chains;

– to create and develop industrial infrastructure, including industrial parks (Sheksna, Cherepovets, Vologda, Sokol); to promote the participation of oblast industrial subjects in the draft National technology initiatives;

– to create a special economic zone of industrial and production type for the deep processing of wood;

– to create and develop industrial clusters in order to integrate production chains, localized entirely or mainly in the territory of the region in priority sectors of the industry: “Metallurgy, polymers and composites”, “Chemical cluster”, “Engineering cluster”, “Housing and construction industry cluster”, “Biotech cluster”, “Timber cluster”;

– to create and develop the infrastructure to support activities in the field of industry, including modern engineering, design, testing and certification;

– to create conditions for productivity growth and formation of high-performance jobs in the segment of high-tech and medium-tech industries;

- to stimulate industrial enterprises to implement results of intellectual activities, to develop the production of innovative products;

- to create conditions for technological re-equipment of actors in the industry, to upgrade basic production assets taking into account the pace outstripping their deterioration;

- to create conditions for the development of intraregional, interregional and international cooperation of industrial enterprises located on the territory of the oblast, including by creating incentives to re-organize unified production and technological chains;

- to encourage actors in the field of industry to implement resource conservation, energy efficiency and environmental friendliness of products;

- to create conditions for promoting intraregional cooperation and integration of actors in the field of industry with the educational, scientific, financial organizations, subjects of small and medium enterprises acting as suppliers and providing high quality services;

- to increase the depth of processing of raw materials at industrial enterprises (including in the chemical industry, timber industry, production of construction materials, agro-industrial complex), with an increase in the share of value added created in the region.

- **In the Vologda Oblast, the economy is monostructural in nature, and metallurgical and chemical sectors prevail in its industrial production structure. Are there any fears that this dependence will be hard to overcome?**

On the contrary, we consider major “backbone” enterprises as a kind of “drive belt” to start the process of import substitution and develop small innovation entrepreneurship. Since 2014, the region is successfully implementing the project “Synergy of growth” that focuses on the creation of new productive jobs, ensuring a stable flow of payments to the budget, the increase in the number of small and medium businesses, growth of high-tech and science-intensive products, introduction of the latest developments in the production cycle and increase in the volumes of industrial production in the region. This project is an effective tool to establish production cooperation between large and small businesses, also in the framework of production of import-substituting products. In 2016 in the framework of the project “Synergy of growth” the total sum of the contracts signed was more than 12 billion rubles.

At the same time, the objective limitation of the project consists in the fact that it is mainly aimed at meeting the current needs of large enterprises, makes it possible to use the existing capacities of small and medium enterprises. Meanwhile, large enterprises

acquire a considerable amount of equipment and technology, including foreign one, part of which could potentially be produced in the Vologda Oblast (in this case it is not about how to produce all on our own; it is possible to talk about the development of individual productions with the prospect of entering the Russian and foreign markets).

Taking into account the positive experience of the project “Synergy of growth”, it is appropriate to effect its transition to a new quality – the project “Synergy of development”. Its difference from the project “Synergy of growth” may lie in the strategic approach: it is not only cooperation on the current item, but also, increasingly, mutually beneficial partnership between large enterprises, small and medium business, and the research and innovation sector on the basis of long-term development programs.

The presence of large productions that were created and upgraded in the past decade represents a competitive advantage, but so far it is clearly underutilized for the development of the region. Therefore, the task of stimulating the creation of high-tech industries should occupy a central place in the region’s socio-economic development strategy till 2030.

– **Currently, a lot is being said about the need for active import substitution. What processes in this regard are going on in the Vologda Oblast?**

– We consider import substitution as an important task, but, at the same time, as a kind of intermediate stage for recovering the manufacturing and engineering capability lost over the last quarter of the century. In the region there are small industrial enterprises that implement development projects of high-tech industries with high added value (import-substituting and export-oriented focus) that have the potential to become new growth points in the regional industry. Some of them are included in the draft regional plan for import substitution. It is necessary to set a goal to develop small high-tech companies towards their transition to the status and quality of medium business. Only in this case can they become “drivers” of economic growth for the territories. For this purpose it is necessary to create different incentives and preferences (including at the regional level), so that small businesses would be really interested in growth. Today the regional government has taken several steps in this direction. They include support for priority investment projects, preferential tools developed by the Ministry of Economic Development, assistance in obtaining support from the Ministry of Industry and Trade. An important step is the establishment of a regional fund to support the industry in which we see a key tool of target influence on the development of high-tech industries.

– **In modern conditions the sustainable competitiveness of the region is difficult to**

**provide without the support of scientific and technological potential. How do you see the place of science in the system of strategic planning and management of regional development?**

– From my point of view it does not make sense to set a goal “to develop science on all fronts”. Nor are there any prospects in developing some separate research areas independently (e.g., theoretical physics, chemistry, etc.), because the development of fundamental research in its purest form is a matter of federal competence, the region has no capacity or resources in this connection.

There should be a general purpose, to achieve which it is necessary to form research directions. Modern regionalism considers a relevant approach of justifying the development of the internal potential of territories (an example of effective implementation of this approach at the state level is the experience of South Korea). Given the movement of modern society from a vertically hierarchical model to a network model, we can say that the importance of activating internal potential of regions and local territories will only increase. In this regard, within the framework of the long-term development strategy of the region, the task of improving the quality of life should be fulfilled on the basis of ensuring economic growth through the most effective use of internal potential (natural resources, economic, and social potential). Thus, if a set of conditions for the development of

internal capacity is created, it will provide opportunities to develop the business, increase the attractiveness of the territory for external investors, business, and human resources.

Why I focus on this? Because it is possible to develop internal potential only on the basis of the scientific approach. It is not just about the economic aspects of the problem. If we talk, for example, about the transition from a raw materials model to a model of producing high added value in industries such as dairy farming and timber processing, it is necessary that regions have serious research teams of the global level in these areas. For example, if we remove ten rubles from one liter of raw milk or from one cubic meter of forest, and we can remove a hundred rubles, we must determine how we can remove the remaining 90 rubles and not give it away. If we set a task of minimizing socio-economic losses from the inevitable reduction of demand for the products of ferrous metallurgy, then it is necessary to develop the direction associated with the development of new materials (composites, etc.) and so on.

This requires our own developments, our own research teams, which will be integrated into the regional production network, and before which the region will set strategic and operational objectives. It is important that we should be able to monitor the effectiveness of these costs in real time, because we will have operational valuation reflecting the degree of implementation of socio-economic potential that has not been previously used.



In the framework of strategic planning, it is necessary to identify the key points of growth for the region, which would entwine scientific approach and strict practical calculation focused on long-term (25–30 years) result, and then to work out a roadmap for the development of each research areas (5–7 areas). These areas will be complexly interconnected, since they will be focused on achieving a common goal.

Considering the cyclical nature of scientific and technological development, currently, it is possible to lay the foundation of competitiveness in the long term. This, in turn, raises the question about the need for a strategic approach to building regional innovation systems that meet the future challenges of the external environment.

For the Vologda Oblast, whose economy has long been of a pronounced monostructural character with the dominance of industrial production in ferrous metallurgy, the task of diversification and increase of economic stability is a priority. This task cannot be accomplished without enhancing internal capacity and creating conditions for the development of new productions. We are talking about creating incentives for the growth of innovative activity, formation and realization of innovative projects of existing enterprises, and about “growing” a new entrepreneurship layer that has the potential to become a kind of “technological core” for the regional economy.

**– What practical steps are being made in the region to build and enhance scientific and technological capacity?**

– In 2015–2016, the oblast took some important steps toward establishing a system that helps create conditions for increasing technological and scientific potential, for its efficient use and for enhancing the development of innovative entrepreneurship. In previous years, there were only separate elements of this system: scientific grants, state prizes for science and technology, joint contests with the Russian Foundation for Humanities and the Russian Foundation for Basic Research.

In 2015, for the first time the Vologda Oblast held a competition of scientific-technological projects “Potential of the future”. The contest was held in five nominations: “Student” (for students of educational institutions implementing programs of primary general, secondary general, secondary vocational education and additional education of children, and groups of students consisting of one to three people and leaders of scientific-technological projects); “Youth creative work” (for persons 18 to 26 years of age or for groups of such persons consisting of one to three people and leaders of scientific-technological projects); “StartUp” (for individuals or groups of individuals consisting of not more than five persons; small businesses, the life span of which is not more than two years from the

date of state registration); “Development” (for legal entities engaged in R&D) and “Cooperation” (for legal entities that have a contract with an educational, scientific organization or small innovation enterprise in the performance of research or development work).

The work of the programs under the Fund for promoting the development of small forms of enterprises in scientific and technological sphere has been activated and assigned on a system basis. It served as a stimulus to identifying the internal resources of the oblast enterprises for the implementation of scientific and technological projects. If in 2014 under the different programs of the Foundation, the region attracted a total of 30 million rubles, then in 2015 – already 105 million rubles, and in 2016, this amount increased to 121 million rubles.

In addition to this, in 2015, at the regional level, two significant forms of support for R&D were established:

- subsidies for the implementation of innovation projects of small innovative enterprises of the oblast (up to 500 thousand rubles) allocated on a competitive basis to companies that have a valid contract with the Fund for assistance to the development of small forms of enterprises in scientific and technological sphere (in the framework of the project of the program “Start”);

- subsidies for the research and development work carried out by the enterprises of the oblast with the involvement

of educational institutions of higher education and scientific organizations situated on its territory (up to 1.5 million rubles).

Thus, at the regional level, significant steps have been taken in order to define the framework of the system for support and stimulation of creative activity of the population, and scientific-technological and innovation activity, which is planned to be developed further in the framework of a general project entitled “Innovation assembly line”.

– **In the past year, the Government made significant efforts to address the issue of creation of a RAS regional scientific center on the basis of existing academic institutions. How do you see the role of the scientific center in the system of regional governance?**

The attractiveness of the creation of Vologda scientific center of RAS for the region consists in the fact that it will be integrated into the system of strategic management of regional socio-economic development and focused, in addition to the study of fundamental scientific problems, on the solution of the problems of comprehensive development of territories. This process is currently running and will be carried out in stages.

We hope that in the future, Vologda scientific center will become a large multidisciplinary research institution with a full-time research staff up to 300 people; it will consist of 7–8 highly efficient units engaged in unique comprehensive

fundamental and applied research at an internationally recognized level, including those in the interests of the Vologda Oblast and the Northern economic region of the Russian Federation.

To achieve this goal, we must perform the following tasks:

- deepen and develop the fundamental theoretical and methodological approaches and methodological tools used in the research process;

- extend the thematic spectrum of ongoing research, develop new directions of research activities in breakthrough fundamental areas;

- generate scientific findings that have a high degree of practical importance, in the interests of the national economic complex of territories and bodies of state and municipal management;

- promote extended reproduction of scientific potential through the development of existing and formation of new scientific schools and a system-wide training of specialists of higher qualification.

The strategic goal is to transform the Center into an internationally competitive research institution that performs unique and complex fundamental and applied research that fulfills the needs of the region in the scientific justification of strategic directions, program and planned activities, the development of mechanisms and tools for the management of development of territories.

Customers of research findings can be not only state and municipal authorities, but also economic entities. For the latter, a new scientific organization will be a platform for marketing research and laboratory tests, a consulting center for business planning and attracting investment resources for the implementation of modernization and development programs.

Thus, a joint research center will allow us to develop the scientific potential of the Vologda Oblast to attract, as we hope, promising scientists, to implement high-tech projects that will eventually serve as an additional impetus to the development of the region.

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DOI: 10.15838/esc.2017.1.49.3

UDC 316.3, LBC 60.52

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## Changing Social Reality amid Crisis in the Russian Society



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**Abstract.** The sociological interpretation of reality and the processes occurring in it is determined by various approaches to understanding its nature. The diversity of these approaches is eventually reduced to its definition as a reality of the social world, which reflects, on the one hand, objectively existing phenomena and processes and, on the other hand, people's subjective perceptions about the objective reality. Social actuality as objective social reality exists beyond the subject of social cognition, i.e. objectively. Each new generation inherits from their parent generations a complex system of economic, social and political structures, institutions, organizations and the established relationships which form the social infrastructure of objective reality (social reality). But people perceive directly only the part

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**For citation:** Zubok Yu.A., Chuprov V.I. Changing social reality amid crisis in the Russian society. *Economic and Social Changes: Facts, Trends, Forecast*, 2017, volume 10, no. 1, pp. 41-57. – DOI: 10.15838/esc.2017.1.49.3

of objective reality in which they have their own knowledge. Due to knowledge of its particular sphere or different objects of reality, people get its more or less adequate subjective perception. Therefore, the study of social reality focuses on the process of formation of subjective ideas about the objects of social actuality and attitudes to it, which is included in the subject area of sociology of knowledge. That is, from the standpoint of sociology of knowledge, the research object is not reality, but ideas about the reality. Based on subjective perceptions of reality, people construct their own reality. These perceptions change under the influence of various factors affecting the changes in social reality in the process of its formation. A significant change factor is the crisis which affects all spheres of the Russian society. The article analyzes the impact of the crisis on the changes in social reality in different population groups in Russia and the way it is reflected on people's attitudes to each other, to family, work and education. Based on analysis of data from nationwide studies it has been revealed that there is a contradiction between Russians' traditional attitudes to each other, family, work and education and the emerging modern attitudes. Amid crisis, this contradiction tends to exacerbate due to the impossibility of maintaining the traditional principles underlying the old way of life, which leads to uncertainty and formation of new forms of certainty through the change in life paradigm.

**Key words:** changing reality, crisis, interpersonal interaction, family, work, education.

### 1. Change as an immanent feature of social reality

From the standpoint of phenomenological sociology of knowledge, social reality as an object of the cognitive interest of the person involved in the learning process, “exists only in the minds of its subjects” (M. Heidegger). According to A. Schutz, the term “social reality” refers to “a set of objects and events of the socio-cultural world as an object of mundane consciousness of people living their daily lives among their own kind, and various interactions connected by different types of relations”<sup>1</sup>. When studying reality, personal and group experience, individual and shared

feelings, latest expert opinions and traditional ideas are mixed, folding into a single image of reality<sup>2</sup>.

The social world is discrete and changeable. It is a constantly changing combination of different spheres of reality. According to P. Berger and T. Luckmann, “I realize the world as the one consisting of multiple realities” which, firstly, can be connected to each other, and secondly, can be in the state of a constant change<sup>3</sup>. Accordingly, the society as a whole and its separate elements – social groups, communities,

<sup>1</sup> Schutz A. Formirovanie ponyatii i teorii v obshchestvennykh naukakh [Concept and Theory Formation in the Social Sciences]. *Amerikanskaya sotsiologicheskaya mys'* [American sociological thought]. Moscow, 1994. P. 485.

<sup>2</sup> Barkan S.E. *Sociology: Understanding and Changing the Social World*. Jussim L.J. Social Perception and Social Reality: why accuracy dominates bias and self-fulfilling prophecy. Oxford University Press, 2012.

<sup>3</sup> Berger P., Luckman T. *Sotsial'noe konstruirovaniye real'nosti: traktat po sotsiologii znaniya* [The social construction of Reality. A treatise on sociology of knowledge]. Translated from English. Moscow, 1995. P. 21.

organizations, institutions cannot exist without changing. Various processes constantly occur within them, something changes influenced by both internal (endogenous) and external (exogenous) factors. Becoming the subjects and objects of these changes, people constantly reconstruct their own reality. When interacting with each other within the changing structures and gaining new knowledge about their real state and the nature of the changes, people adjust the images of objects of social reality and their attitude towards them. But only those objects understood by people as space of their own life become real for them.

The sociological analysis of changes in social reality emphasizes the term “social”. It means that not any changes occurring in the society are taken into account, but those reflected in the mundane consciousness of people during their social interactions. I.e., social changes underlie the changes in social reality. Moreover, as noted by P. Bourdieu, the most fundamental social changes do not occur when new structures are established, but when the habitus (behavioral predisposition to certain types of activity) is changed.

The existing theories of social change, though different in terms of the variety of approaches to their sociological interpretation, agree in the statement about the changing nature of the society. Each theory substantiates the mechanisms through which they produce and reproduce social reality. However, it does not reflect

the mechanisms, but the results of their actions in the social actuality – real social change. Social reality itself is characterized as changing, flexible, but reconstructing and always complexified<sup>4</sup>.

Understanding social reality as dynamic is associated with the process of its design. The concept of social construction of reality by P. Berger and T. Luckmann reviews the process of its objectification in interacting with other people. I.e., it answers the question of how subjective perception of reality takes an objective form. The design of social reality in the phenomenological paradigm is a “continuous production by people of specific values, symbols which form subjective reality”<sup>5</sup>. Continuous production of new knowledge in the design process implies constant changes.

Thus, amid market relations a person who is not directly involved in them adjusts their interactions with the others based on new realities. The changing role structures in a family makes young people to take the new forms of marital relations for granted (for example, the so-called common-law marriage). Liberalization of labor reveals a

<sup>4</sup> Alexander J.C. *The Meanings of Social Life. A Cultural Sociology*. N.Y.: Oxford University Press, 2003; Urry J. *Global Complexity*. Cambridge: Polity Press, 2003; Sztompka P. *Sociology. Analysis of modern society*. Moscow: Logos, 2005; Bauman Z. *Liquid Times. Living in an Age of Uncertainty*. Cambridge: Polity Press, 2009; Bauman Z. *Culture in a Liquid Modern World*. Cambridge: Polity Press, 2011.

<sup>5</sup> Kravchenko S.A. *Sotsiologicheskii entsiklopedicheskii russko-angliiskii slovar'* [Sociological encyclopedic Russian-English dictionary]. Moscow: Russo, 2002. P. 174.

new reality in relations between the employer and the employee. The transformation of education into the service sector is becoming the new reality in interactions between students and teachers. In all these cases, the mechanism of individual experience objectification by means of typification of external environment, which contributes to the extension of the objects of social reality in the minds of individuals.

The forms of production and dissemination of knowledge vary in different social conditions. They depend not only on the ability of self-reflecting life experience, but also on the availability of different ways of their acquisition and transfer through education, literature, training, which is also socially determined. The more opportunities for acquiring knowledge, the wider the space of social reality and the subject area of its change.

Amid crisis conditions characteristic of the market and being one of its regulatory tools, the changing nature of social reality acquires new manifestations associated not only with the aggravation of market challenges, but also with the emergence of new opportunities for optimizing social interactions in various spheres of society.

According to Rosstat<sup>6</sup>, in the crisis 2014 compared to 2011 Industrial Production Index declined from 105 to 101.7%, Labor Productivity Index declined from 103.8

<sup>6</sup> *Official website of the Federal State Statistics Service.* Available at: [www.gks.ru](http://www.gks.ru)

to 100.8% economy-wise. Economic recovery which started in 2010 slowed down demonstrating a negative trend by; the gap in imports and exports of Russian goods rose from 3.3 to 5.4 times in favor of foreign production<sup>7</sup>. The decline in production also had an impact on the escalation of inflation which amounted to 11.4%. The fall in the global oil prices, according to the estimations of the Central Bank of the Russian Federation, has partly led to ruble devaluation – by 30 percentage points since 2014, and the sanctions caused additional ruble depreciation by 20 percentage points. Becoming long-term in nature, the crisis also affected the financial status of the Russians. It caused the reduction in their per capita income from 109.6% in 2011 to 107.1% in 2014 against the background of price increase, including the prices of basic consumer goods. Consumer Price Index for goods and services amounted to 111.35% nationwide in 2014. The minimum wage per capita rose during this period from 6369 rubles a month to 8050 rubles. In 2015, the number of Russian people with incomes below minimum wage increase by 3.1 million people (an almost 20% increase). At the same time, the number of people with incomes below minimum wage in 2015 amounted to more than 19 million people, i.e. 13,4% of the total population<sup>8</sup>.

<sup>7</sup> *Regiony Rossii: sotsial'no-ekonomicheskie pokazateli. 2015: stat. sb.* [Russian regions: socio-economic indicators. 2015: statistical book]. Rosstat [Federal State Statistics Service]. Moscow, 2016. 1266 p.

<sup>8</sup> *Rosstat* [Federal State Statistics Service]. Available at: <http://www.gks.ru/dbscripts/cbsd/dbinet.cgi>

More than a half of the total Russian population (56%) admitted their inability to exist without state support<sup>9</sup>. This is the objective reality which inevitably changes subjective reality, being reflected in socio-cultural characteristics of the Russian people, especially young people<sup>10</sup>.

Let us consider how these changes influenced the Russian's perceptions of social reality.

## 2. Trends and contradictions in the changing social reality

The crisis increases the uncertainty during the people's reality design process. Social uncertainty is associated with the emergence of new structures and norms, new aspects of relations which they face in the changing reality. The emerging social relations, relationships, interactions, on the one hand, serve as a necessary source of choice of possibilities in designing social reality, on the other hand, they, being turned into reality, become certain. Therefore, uncertainty and certainty are phases of the process of social design of the changing reality. The transition

of uncertainty and certainty from one state to another causes risks which, in turn, affect the change in reality, giving it a risky character.

Based on information available from comparative studies conducted in the relatively prosperous 2011 and the crisis 2014<sup>11</sup>, the authors consider how social reality changes in terms of people's attitudes towards each other, their families, labor and education.

*Crisis changes in reality in interpersonal interactions.* When interacting and assessing each other, people do not always take into account individual manifestations, but are guided by generalized (figurative) socio-personal characteristics. The more formalized are the interactions, the more attention is drawn to the social characteristics of an individual which together form an image of the Other. They include ethical, status, socio-cultural and behavioral characteristics. Therefore, the change in the image of the Other in crisis conditions is considered as a feature and a factor in changing social reality in interpersonal interactions.

Comparative analysis has showed that the attitude of Russians to the Others as partners

<sup>9</sup> Gorshkov M.K., Petukhov V.V. (Eds.). *Rossiiskoe obshchestvo i vyzovy vremeni. Kniga pervaya* [Russian society and the challenges of time. Book 1]. Moscow: Vės' mir, 2015. Pp. 34, 41–42.

<sup>10</sup> Leonidova G.V., Golovchin M.A. Transformatsiya sotsiokul'turnykh kharakteristik molodezhi [Transformation of youth's socio-cultural characteristics]. Zdorov'e molodezhi: sravnitel'noe issledovanie. Rossiya, Belarus', Pol'sha: kollektivnaya monografiya [Youth health: comparative research. Russia, Belarus, Poland: a multi-author monograph]. Moscow: Ekon-Inform, 2016. Pp. 191–208; Ilišin V., Bouillet D., Gvozdanović A., Potočnik D. Youth in a Time of Crisis. Institute for Social Research – Friedrich Ebert Stiftung, Zagreb, 2013.

<sup>11</sup> The study is conducted by the Department for Sociology of Youth of Institute of Socio-Political Research of the Russian Academy of Sciences by a representative sampling of the Russian adult population in 66 locations in 13 Russian regions. In 2011, 1301 people aged 18 and over were interviewed, in 2014 – 1459 people aged 15 and over. Research supervisor – Zubok Yu.A., Doctor of Sociology, and Chuprov V.I., Doctor of Sociology, Professor. Field research is conducted by Qualitas Institute of Public Opinion under the supervision of Romanovich N.A., Doctor of Sociology.



in interpersonal interactions are dominated by ethical socio-personal characteristics. When building relations with each other, Russian citizens primarily expect the demonstration of moral (82.9% in 2011 and 82.6% in 2014) and business (53.3% in 2011 and 55.7% in 2014) qualities. As can be seen, the values of moral and business qualities of the Others did not significantly change during the crisis in 2014, which demonstrates the stability of moral and ethical criteria in the attitudes of Russians towards each other, they remain dominant amid both social stability and crisis.

Status and behavioral characteristics of the partners are taken into account in interpersonal interactions to a lesser extent, although their influence in a crisis is increasing. The ratio of the values “influence” and “not influence” was as follows: the social status of a partner (39% to 61% in 2011 and 45.1% to 54.9% in 2014), their belonging to a certain circle (45% to 55% in 2011 and 52.2% to 47.8% in 2014); political party membership (13.5% to 86.5% in 2011 and 20.8% to 79.2% in 2014); activity in public life (42.4% to 57.6% in 2011 and 45.2% to 54.8% in 2014); success in life (43% to 57% in 2011 and 47.4% to 52.6% in 2014); leadership qualities (39.8% to 60.2% in 2011 and 44.5% to 55.5% in 2014). It is noteworthy that the partner’s political party membership is the least important in people’s attitude towards them; however, the value of this characteristic also rose in the crisis 2014. I.e., political engagement of modern Russian citizens in

crisis society is becoming lower. The authors conclude that amid crisis, the role of status and behavioral characteristics of partners in the space of social reality in interpersonal interactions is increasing. This is reflected in the fact that people become to reconstruct their subjective reality.

Amid crisis, the role of the degree of influence of socio-cultural characteristics on people’s attitudes towards their partners is significantly increased. Due to national and ethnic characteristics the ratio of the values “influence” and “not influence” in 2011 amounted to 22.2% to 77,8%, in 2014 – 28.2% to 71.8%; due to people’s belonging to different religions – in 2011, 21% to 79% and in 2014 – 29.8% to 70.2%. This demonstrates increasing ethnic and religious tensions between people amid crisis, which is also reflected in the change in subjective reality.

The most common type of interpersonal interactions is communication. On the one hand, in the process of communication the partners learn about each other’s personal characteristics, on the other hand, they exchange knowledge about social reality. Therefore, the value of communication is an important basic characteristic of interpersonal relations. The answers to the question “What is the meaning of everyday communication with other people?” implied analysis of value attitudes related to communication between actors of interpersonal interactions, which distinguished terminal and instrumental values. Terminal value of communication



(its inherent value for the respondent) was determined by a set of semantic values: internal need, pleasure (communication with a pleasant person), habit (communication itself). Its value amounted to 65.3% in 2011 (internal need – 24%, pleasure – 35.2%, habit – 6.1%) and in 2014 – to 60% (internal need – 27%, pleasure – 26.7%, habit – 6.3%). Therefore, amid crisis, communication remains a terminal value for most Russians, although its value is reduced.

There is an increasing proportion of semantic values of communication as an instrumental value (achievement of other goals through communication), which are distributed as follows: communication is a means (exchange of information) – 19.1% in 2011 and 21.3% in 2014; a need (when necessary), respectively 12.7% and 15.4%; duty of courtesy – 2.9% and 3.3%. In general, the instrumental value of communication amounted to 34.7% in 2011 and 40% in the 2014 crisis.

In crisis, all groups – by age, level of education, financial status, type of settlement according to place of residence – demonstrate a clear trend of declining terminal values of communication and its growing instrumental value. This trend is the most explicit among young people aged 18–29 (the instrumental value of communication amounted to 35% in 2011 and 40.1% in the crisis 2014) and in the age group over 50 (32% and 40.6% respectively); among people with higher education (Bachelor's, Master's

and specialist's degrees; 31% and 42.3%); in middle-class people by financial status (31% and 42.5%); among urban residents (33.3% and 42.6%). The instrumentalization of communication is reflected in the social reality of interpersonal interactions in different social groups, determining the focus of its change during in the crisis Russian society.

The conducted analysis suggests that ethical characteristics of the historically formed image of the Other as an object of social reality, which do not change their values in a crisis, are its sustainable basic grounds. They are also represented by terminal values of communication which still remain important.

A change in the conditions of the crisis of socio-cultural, social, status and behavioral characteristics of the image of the Other in interpersonal interactions are factors in the changing social reality. They are distributed by degree of importance of Crisis Change Index<sup>12</sup> as follows: socio-cultural (average total index equals 1.3), socio-status (1.27) and behavioral (1.07). Among socio-cultural characteristics, religious characteristics turned out to be the most significant factor in social

<sup>12</sup> "Crisis Change Index" is an indicator of the degree of connection between the characteristics under analysis and socio-group factors in the crisis 2014 compared to the values of the same characteristics in 2011. The degree of importance of social reality change factors was identified based on average total values of crisis change indices. It should be noted that if the borders of the limits of the measuring range are narrowed, the significance of even small differences between factor importance automatically increases (in deciles and hundredths).

reality change in interpersonal interactions (1.35); among status characteristics – political party membership (1.55); among behavioral characteristics – leadership qualities (1.09). In the social-group context, social reality in interpersonal interactions changes mostly due to the differences in financial status (1.21); level of education (1.2); type of settlement (1.2); social-age features (1.18). Factors identified as a result of analysis contribute to the growth of certainty and trust in relations with each other in a crisis society, influencing the change in social reality in interpersonal interactions.

***Crisis change in reality of family relations.***

In order to identify trends and factors in changing social reality of family relations one uses indicators of underlying characteristics of a family image considered as an empirical referent of attitude towards it. The indicators composing a generalized image of a family in this study are as follows: family as a value, distribution of roles in a family, the number of children, attitude towards children, nature of family ties (one- or multi-generational family), contents of family ties (independence of each member of the family or joint household management), attitude towards inter-marriages.

Value attitude towards the family was analyzed on the basis of distribution of answers to the question “What is the meaning of a family for you?”. The family as a terminal value was determined by a set of semantic values such as a need (cannot imagine my life

without a family); a purpose, i.e., it has to be; love. The instrumental attitude towards a family was determined by the following set of semantic values: a family as a means (for career, comfort); as a need (the sense of duty or unease without a family); as a burden. The attitude towards family as a value did not change compared to 2011. Both in prosperous years and in a crisis the family remains a significant terminal value for the majority of respondents (84.2%).

In 2014, the proportion of respondents with a traditional view of the role of a husband as head of the family increased (from 33.1% to 40.9%); however, the number of supporters of equal roles in the family decreased (from 60.8% to 53.7%). The enhancing role of a man in the family is reflected in the strengthening authoritarian motives in attitudes towards children based on severity and submission to parents’ will (from 11.4% to 16.7%). The percentage of respondents approving of inter-marriages increased (from 26.5% to 22.5%). The proportion of respondents willing to have three or more children decreased from 21.3% to 18.3%. These trends reflect the changing social reality of family relations in a crisis society.

Thus, in a crisis, a family remains the basis terminal value in the Russian social reality. The greatest changes in the image of a family as a phenomenon of social reality are associated with the ideas of distribution of family roles, attitudes to children and inter-marriages.

In terms of importance of average total values of crisis change indices, factors in the changing social reality are distributed in the following way: authoritarian attitude towards children based on severity and submission (average total index equals 1.54); a husband as head of a family in the distribution of family roles (1.24), equal distribution of family roles (0.91) and positive attitude towards inter-marriages (0.85)<sup>13</sup>. This means that in a crisis there is an upward trend of confidence in the traditional family model and a downward trend of confidence in its current model.

In the social-group context of social reality in interpersonal interactions changes mostly due to the differences in financial status (1.16), by the type of settlement (1.13), level of education (1.11) and by social and age characteristics (1.11). I.e., the impact of a crisis on the change in social reality in the sphere of family relations is significantly differentiated due to different living conditions of different population groups.

***Crisis change in reality at work.*** When constructing the image of labor, the meanings which people associate with their expectations are the most determining. The social meaning of labor is revealed in interaction with other people in their view of its feasibility, usefulness and effectiveness. Labor acquires personal meaning in the process of interactions through its evaluation as a measure of consumption,

as well as a way of self-expression and self-affirmation. The variety of actual meanings composes a subjective perception about social reality in the sphere of labor relations.

Empirical indicators of the image of labor in this study are as follows: value of work, expectations and opportunities for their implementation at work, ethical characteristics of employment relations. Value attitude towards labor was analyzed on the basis of distribution of answers to the question “What is the meaning of labor for you?” Labor as a terminal value is determined by a set of semantic values: feeling of one’s usefulness, internal need, creativity. Instrumental attitude towards labor is determined by the following set of semantic values: opportunity to earn money, forced necessity, communication. Despite the fact that throughout the post-Soviet period instrumental attitude towards labor was predominant, in a crisis the importance of terminal value of labor is increased – from 27.7% in 2011 to 31.3% in 2014. This means that the potential of inherently valued attitude towards work typical for most Russians is activated, serving as a way of self-realization and self-affirmation. This conclusion is confirmed by the fact that among this set of semantic meanings of values related to labor an increasing need for the feeling of one’s usefulness is distinguished (18.4% in 2011 and 22.5% in 2014). The highest increase in this value of labor is noted in population groups of the most active period of working age (aged

<sup>13</sup> Positive index values (> 1) demonstrate an increasing trend of social reality change, negative (< 1) – a decreasing trend.

25–29 – from 12.1% to 22.3%; aged 30–39 years – from 12.3% to 23.2%; aged 40–49 years – from 14.8% to 23.8%). Consequently, traditional values of labor have an ability to activate their self-regulation function in extreme crisis conditions.

Significant characteristics of the image of labor are the expectations with which people associate their perception of labor in general, not just of their work. These expectations reflect their needs and interests which could be implemented through labor. Depending on what people expect from labor, their motivation to labor and their attitude towards their own work is formed.

Compared to 2011, in the crisis 2014 labor expectations for interesting and creative job decreased (from 34.6% in 2011 to 24.1% in 2014), for self-assertion among staff (14.6% and 9.5% respectively) and even for improvement of the standard of living (73.9% and 51.9%); however, people are more hopeful about ensuring their basic sustenance (21.9% and 35.5%). However, in different age groups crisis change in expectations, keeping the revealed tendency, differ markedly both in terms of values and the area of change. Among young people, for example, amid declining values of the enumerated expectations increases the need for professional identity (from 38.3% to 46.2% in the group of people aged 18–24, from 36.4% to 41.5% in the group of people aged 25–29). In older age groups the reducing expectations for professional identity are decreased compared to other age

groups (from 27.5% to 20.9% in the group of people aged 50–59 and from 26.4% to 14.7% in the group of people aged 60 and over); the need for providing basic sustenance becomes more relevant (from 24.5% to 41.2% in the group people aged 50–59 and from 20.5% to 44.1% in the group of people aged 60 and over). Every third respondent's answer to the question "To what extent have your labor expectations been realized?" was negative (22.3% – "sooner not realized" and 7.7% "not realized").

All this means that in a crisis the area of labor interests and the possibility of their implementation are narrowed. The most critical needs and interests become relevant. Focusing their efforts on meeting them, people increase their inner potential, thereby expanding opportunities to meet them. Thus, the changing reality increases the role of the subjective factor which is manifested in initiative and activity aimed at overcoming the crisis.

When analyzing changes in workplace ethics in a crisis, the answer to the question "To what extent are these qualities inherent in labor relations of the representatives of your generation?" was "Fully inherent". The crisis significantly affected the change in workplace ethics in different generations of Russians. The estimates of qualities such as diligence, honest and due approach to work, responsibility, thrift and mutual typical of the Russian archetype, significantly increased during the crisis in 2014 among young people

and people aged 30–39. This suggests that in extreme crisis conditions, traditional ethical attitudes at work become more relevant in the Russian social reality. At the same time, the percentage of respondents representing supporters of modern workplace ethics – feelings of freedom and independence from everyone – in these population groups increased. I.e., in the social reality of Russians under 40 whose labor socialization took place in the post-Soviet period, there are efforts made to adapt to the crisis by optimizing the ratio of traditional and modern workplace ethics qualities.

However, in older generations the crisis is controversial. It is the most controversial in groups of people aged 40–49, whose period integration to work coincided with the end of the perestroika period and the collapse of the Soviet Union. In this group, on the one hand, there are increasing values of traditional workplace ethics characteristics in the crisis 2014. On the other hand, the value of traditional characteristics such as mutual aid and support is reducing (from 57.2% in 2011 to 51.5% in 2014), and the share of supporters of the principle of “every man for himself” is dramatically increasing (from 18.6% to 26%). In generations over 50 in a crisis there is a reduction in values of diligence, responsibility, mutual assistance and a significant increase in the values of the principle of “every man for himself”. Most likely this is due to age-related changes in labor activity, subjective perception of which is enhanced in a crisis

by a threat of being fired by reason of old age. The need to adapt to the changing conditions contributes to the replacement of traditional ethical attitudes with more rational ones based on individualism, which is becoming a significant factor in the changing social reality in labor relations in the older generation. I.e., the older generation forced to survive loses its most important function – preservation and reproduction of traditional values in labor relations.

Thus, in a crisis there the following changes in social reality at work took place. Amid the instrumental value of labor predominant in the majority of Russians’ social reality, in a crisis the share of respondents who consider labor as a terminal value is increased. This means that it activates the potential of inherent value of labor (typical for most Russians) as a way of self-realization and self-assertion. Activation of deep attitudes is a kind of a regulator in a crisis becoming unique in the regional context<sup>14</sup>.

There is also a clear trend of rationalizing expectations from labor and employment relations ethics, as evidenced by the crisis change index values. In expectations from work: provision of basic sustenance – 1.74; professional identity – 0.72; interesting, creative work – 0.71; improvement the standard of living – 0.7; self-assertion among

<sup>14</sup> Golovchin M.A. Mental’nye osnovy formirovaniya obraza zhizni u molodezhi: na materialakh Vologodskoi oblasti [Mental bases of formation of young people’s lifestyle: case study of the Vologda Oblast]. *Problemy razvitiya territorii* [Problems of territory’s development], 2016, no. 5, pp. 72–89.



staff – 0,64; business opportunities – 0.53. In employment relations ethics: feeling of freedom and independence from everyone – 1.19; the principle “every man for himself” – 1.15; thrift – 1.06; responsibility – 1.01; diligence, honest and due approach to work – 0.98; mutual aid and support of each other – 0.95. This means that in a crisis in the Russian social reality in the sphere of labor primary needs become more relevant (according to A. Maslow), which provide basic sustenance; confidence in labor as a way of personal self-realization is reduced. However, there are increasing efforts to harmonize workplace ethics by optimizing modern characteristics based on self-perception of freedom, independence and individualism, and traditional – thrift and responsibility.

In social-group terms the trends of social reality change in the sphere of labor are connected with the differences in financial status (0.98), in the level of education (0.98) and in socio-age characteristics (0.98), as well as in type of settlement (0.92) but to a lesser extent. Negative values ( $< 1$ ) indicate a downward trend in the changing social reality in these groups in a crisis of confidence in labor as possible personal self-realization.

***Crisis change in education.*** The attitude to education involves understanding its meaning and functions in the space of social reality and its role in spiritual reproduction of the society and personal self-realization, which is manifested in people’s value attitudes. Accordingly, the change in the value of

education and knowledge in a crisis is considered as a feature and a factor in the changing social reality.

Education as a (terminal) value is determined by a set of semantic values such as development of abilities, need for knowledge, general culture. In general, aggregate values show that the terminal value of education amounted to 49.7% in 2011 and 34.5% in 2014. Such a sharp decline in the terminal values of education is apparently connected not only with the crisis, but also with the education policy implemented in the country throughout the post-Soviet period. The crisis only exacerbated the negative consequences of this process.

Inherently valued attitudes to education which historically formed in the national archetype were traditionally typical of most Russians. It composed the basis of the Soviet system of education, which largely determined its qualitative superiority in the world. Reformation of education in the post-Soviet period according to Western models aimed at its rationalization and transformation into an education service contributed to the instrumentalization of the value of education, especially among the youth. Gradually declining, the proportion of Russians who share the terminal value of education graded up in the pre-crisis 2011 with the share of supporters of instrumental attitude towards education. In the pre-crisis period, the share of young people aged 18–29 considering education a terminal values



was significantly lower (38.3%). Two-thirds of young people (61.7%) adhered to the instrumental attitude towards education as a means of achieving other goals (diploma, prestige and career).

In the crisis of 2014 young people demonstrated the increasing indicators of terminal values of education (from 38.3% in 2011 to 42.2% in 2014). This means that the crisis activates young people's terminal values such as development of abilities (from 20.9% to 26.6%) and need for knowledge (from 12.6% to 15.1%), i.e. young people value these characteristics more and more in the changing social reality.

In order to study the value of knowledge the authors used the question which consisted of several alternative judgments, the choice of which assumed proper assessment. The alternative – “Knowledge is the person's main asset” or “It is not necessary to possess knowledge if you have money” – implies the assessment of the respondent's understanding of the role of knowledge in the life of a modern young man (terminal or instrumental value of knowledge respectively). The next alternative – “One should acquire knowledge for general development, even if it is not in demand in real life” or “Knowledge is not a purpose, but a means of solving the set objectives” – clarifies the previous assessment for identifying the terminal and instrumental aspects of the cognitive value.

Analysis shows that among Russians in general, the terminal value of knowledge

exceeds its instrumental value, the ratio of which almost did not change in a crisis. This is evident in the following estimates: “Knowledge is the person's main asset” (61.8% in 2011 and 61.5% in 2014) and “One should acquire knowledge for general development, even if it is not in demand in real life” (59.4% and 57.8% respectively). Young people also demonstrate a positive balance in the ratio of terminal and instrumental attitude towards knowledge; in a crisis the terminal value of knowledge is increases in the estimates of both judgments (from 54.2% to 61.1% and from 53.7% to 56.2% respectively). The share of the instrumental value of knowledge among the youth remains high. In 2014, among young people aged 18–29 nearly half of them (43.8%) believed that knowledge is only a means of solving the set objectives, 38.9% of young people believe that money can replace knowledge.

The predominance of the instrumental value of education and relatively high values of the instrumental attitude towards knowledge in the Russian social reality demonstrate a contradiction of the Russians' traditional attitude to education with the state policy in this sphere. In many ways, this contradiction is associated with the introduction of majoring education at the students' choice, as well as with the Unified State Examination (USE). Majoring education and the introduction of USE ruined the integrity of the educational process

at school, limiting it to a narrow range of knowledge required for entering a university.

More than a half of young people and their parents believe that the purpose of general secondary education is preparing a young person for life, which requires that he acquires a wide range of knowledge and general culture. Moreover, this opinion was strengthened even in a crisis of 2014. As can be seen, it does not match the Federal educational standard for senior secondary school, which emphasizes majoring education at the students' choice<sup>15</sup>. Every second student has a negative attitude towards USE (52.1% in 2011 and 56.9% in 2014). The declining quality of school and university knowledge is becoming generally acknowledged. In 2014, the answer to the question "How satisfied are you or your children with the quality of knowledge acquired at the place of study?" was accompanied by dissatisfaction to different extents (not satisfied, rather than satisfied or dissatisfied): young people aged 18–24 – 25.8%, young people aged 25–29 – 29.8%, parents aged 40–49 – 34.9%. All this suggests that the wrong course of education reformation is reflected in the contradiction of the changing social reality intensified in a crisis – the forced need to follow it if one disagrees with its fundamental principles.

By degree of significance of average values of crisis change indices, factors in the

changing social reality are as follows. The upward trend of the impact of values of education in the social reality is associated with getting a diploma – 1.5 and with a career – 1.29. A downward trend – with the development of abilities – 0.81; with prestige – 0.78; with the need for knowledge – 0.6; with general culture – 0.48. That is, in a crisis, these instrumental values of education play a decisive role in the construction of social reality of Russians, which suggests an increasing confidence in education as an opportunity for social advancement and a downward trend by factor of personal identity. In social-group context significant changes in the social reality in the sphere of education are associated with different standards of living depending on financial status (1.16) and type of settlement (1.02).

Thus, analysis suggests that in a crisis, the contradiction between traditional historically inherent attitude of Russians to each other, family, work and education and modern, rational and pragmatic attitude towards them as objects of the changing social reality is increased. The crisis which affected the living conditions of each person, makes him choose between different behavioral patterns. Up to a certain moment, people try to keep the usual traditional principles determining their way of life. But facing different life situations, when keeping to these principles does not meet people's expectations; they experience the state of uncertainty, overcoming which is possible only by changing life paradigm.

<sup>15</sup> The framework of majoring education in secondary school is included in Federal Law "On education in the Russian Federation", dated 30.12. 2012

The state of uncertainty is aggravated by the underdeveloped public policy and by the influence of the media. The search for other life principles is fraught with risks due to unpredictable consequences of applying them. The increasing risk in the changing social reality does not promote certainty, preventing optimal implementation of the

selected strategies. Overcoming the arising contradictions is associated with the need to increase the society's confidence based on people's trust in life principles historically inherent in the Russian mentality. It is obvious that a set of measures aimed at achieving this goal should be reflected in the Government anti-crisis program.

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Received November 01, 2016.

DOI: 10.15838/esc.2017.1.49.4

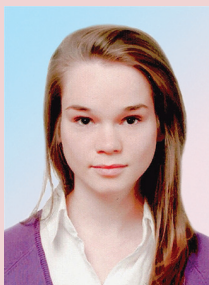
UDC 332.142.2, LBC 65.9(2Rus)

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## Methodological Aspects in Analyzing the Level of Non-Uniformity of Socio-Economic Development of Regions



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**Abstract.** This article considers uneven socio-economic development of territories. The experience of many countries convincingly demonstrates that the heterogeneity of space is a significant obstacle to the sustainable development of regions. Having analyzed the works of foreign and domestic scientists, the authors prove that in the course of transformation of the views on spatial development, there gradually evolved an idea of uneven socio-economic development as an objective feature of any territory. The study classifies factors that influence the socio-economic inequality of territories and determine

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**For citation:** Gubanova E.S., Kleshch V.S. Methodological aspects in analyzing the level of non-uniformity of socio-economic development of regions. *Economic and Social Changes: Facts, Trends, Forecast*, 2017, vol. 10, no. 1, pp. 58-75. DOI: 10.15838/esc.2017.1.49.4



its complexity. The authors pay attention to the fact that when studying development unevenness the researchers use different terms (“differentiation”, “asymmetry”, “polarization”, “disproportion”) that are often treated as similar. Therefore, the paper puts forward a hypothesis that there exists a relationship between these concepts that have similar meaning, and the special nature of this relationship is manifested in the fact that these concepts represent different stages of unevenness. This hypothesis is confirmed by the analysis and synthesis of a number of works of domestic and foreign researchers. The authors conclude that each stage of unevenness reflects a certain degree of fragmentation of the territory (or territories) by socio-economic indicators. Transition from one stage to another (from differentiation to asymmetry, from asymmetry to polarization) is caused by a combination of factors that reinforce differences in the direction specified. Taking into account the fact that uneven development of territories can lead to negative consequences affecting their socio-economic development, it should be noted that the government should play an important role in their elimination. The authors attempt to expand the existing notions of uneven socio-economic development of the territory. Theoretical generalizations contained in the article can be used as materials for discussion in the scientific discourse. In addition, they may be of interest to the scientific and educational activities.

**Key words:** unevenness of socio-economic development of the territory, differentiation, asymmetry, polarization, disproportion.

Unevenness in the development of territories is one of the key problems in many countries; specific features of this problem are largely determined by the size of the territory, climatic features, national composition, historical and cultural factors, heterogeneity of economic space, distribution of resources and degree of development. This problem has taken on new shape and new features at the present stage of development of productive forces under the influence of rapid introduction of innovations in all the spheres of human activity, universal dissemination of information technology and telecommunication systems that form a single information space and development of network forms of production organization.

The configuration of the socio-economic space of Russia is distinguished by its heterogeneity and imbalance; all this hinders the movement toward sustainable development and leads to increased inter-regional contrasts. The processes of differentiation of the Russian economy formed under the conditions of centralized planning increased in the period of transition to a market model of economic management that caused the decline of its competitiveness, and deepening disparities in socio-economic development levels. These circumstances emphasize the relevance of the study of uneven development in the territory, its causes and possible consequences and the specifics of its manifestation.

It is worth noting that scientists have been interested in the problem of unevenness and studied it for over two hundred years. We agree with the authors of a monograph [11, p. 26], and it is confirmed in [34, p. 42] that uneven regional development is the spatial manifestation of irregularity in the development of society, the changes in which are largely due to the change in the stages of development. During these changes, the views of scientists on the space and its features also changed, thus the very space was transformed under the influence of the development of productive forces and production relations.

For a long time, uneven development was considered to be a result of certain phenomena and processes occurring in a territory, so in many studies, scientists have tried to answer the question: what are its causes? A. Smith was one of the first to identify the causes of uneven development, highlighting among them the level of accumulated resources and spatial position [35, p. 204, 248].

In the 19th century the works of J. Thünen and W. Launhardt appeared, which marked the beginning of the theory of production location [3; 37]. The science of economic space started to be developed when people began searching for answers to the questions about how to place the enterprises to achieve better economic results; under the influence of which factors the location of the production is carried out; how the location of production affects the system of population

settlement. It is necessary to note that the spatial aspect in the economic science of the West in the 19th century was studied mainly from the standpoint of location theory, where the economy first started to be considered as a “spatial” category, which indicates the interrelation between the issues of production location and the uneven development of territories. Summarizing the works of J. Thünen and W. Launhardt who developed the fundamentals of the classical location theory, A. Weber proposed a model for the location of industry, identifying not only industrial location factors, but also the spatial and temporal regularities of their action [3, p. 578; 5].

The work of these authors determined the factors such as transportation, labor and agglomeration that have a significant influence on the distribution of agricultural and industrial production. Despite the fact that feature of these studies was the assumption about the homogeneity of economic space, as a consequence of a number of assumptions required to prove the ideas of optimal allocation of the economy, they were of great importance for the further development of economic thought.

But, if we turn to the reality of the late 19th – early 20th century, it becomes noticeable how along with the development of productive forces there was a stratification of economic space on different hierarchical levels, and this was particularly evident at the

country level. Confirming this idea, we can refer to K. Marx's fundamental work "The Capital", in which the author came to the conclusion about the origin of polarization of economic space caused by the uneven distribution of income not only between classes but also between regions (both within the country and between countries) [26, p. 660, 763]. These provisions were further developed in the works of V.I. Lenin, which stated that "the irregularity and discontinuity in the development of enterprises, industries and countries are prerequisites for the capitalist mode of production" [24, p. 59].

Changes occurring in the economies of individual countries in this period, served as an impetus to further research. A great contribution to the development of location theory was made by T. Palander and A. Predel. Criticizing location theory, the authors suggest that the heterogeneity of the territory is its property caused by geographical factors that determine the dominance of certain industries. In T. Palander's work, in particular, special attention is paid to territorial differences in demand, differentiation in the prices of resources and also in opportunities to use alternative technologies depending on the location of the company [44]. The study of these authors marked the transition to a new stage in the development of location theory and the theory of economic space.

A special place among the works of the first half of the 20th century belongs to a

fundamental work by A. Loshch "The spatial organization of the economy", where economic space was considered not only at the level of individual enterprises and settlements, but also on the level of economic regions [25]. Moreover, the author expanded the composition of the factors (these include technological progress, the tax system, proximity to national borders) affecting the location, showing their mutual impact on the spatial organization of the economy.

A great contribution to the study of the problem of location of productive forces and economic space was made by the Soviet scientists N.N. Baranskii and N.N. Kolosovskii, who stood at the origins of the "regional school" of economic geography. In the works of these scientists, not only the issues of economic regionalization of the country, but also the issues of formation of clusters received theoretical justification [2; 18]. In fact, the scientists proposed the real instruments of territorial management, the use of which was aimed at rational distribution of production that helps smooth the socio-economic imbalances. However, under the centralized command economy and the priority of industrial management, the application of the proposed tools did not bring the expected result.

In the second half of the 20th century, against the background of the processes of internationalization of economic life and regional integration, the theoretical and

practical interest to problems of functioning of economic space was revived. During this period, works of W. Isard, who is called the founder of modern regional science, were published. They were “Location and Space Economy” and “Methods of Regional Analysis”. In these works, the author made an attempt to adapt methods of macroeconomics to the study of regions, presented a model of spatial equilibrium and proposed mathematical methods to study economic space [13; 42]. The works of this period are distinguished by an important feature: when studying economic space, the authors draw attention to its heterogeneity as a special property.

Among the works that developed the theory of economic space, we should distinguish the works by the French economist F. Perroux, who developed the concept of “growth poles” [45; 46]. According to this concept, economic growth does not occur evenly, but is manifested in the centers of economic space (“growth poles”), but then may spread with different intensity to other areas. F. Perroux made an important methodological conclusion: inequality should be considered as a fundamental principle of economic development, and it arises from differences in the sizes of production and capital, from the different degrees of awareness of partners, from belonging to different areas of the economy. Ideas of F. Perroux were developed in the works of J.

Boudeville who distinguished the types of economic spaces and proposed a hierarchy of growth centers; H. Richardson, who pointed out the role of agglomerations in the formation of growth poles; J.R. Lasuen, who described a number of important features of growth poles [10; 21; 22; 47].

A significant role in the studies that reveal the mechanisms of spatial development (including its unevenness) belongs to the work “Regional Development Policy” by founder of the theory of “center–periphery” J. Friedmann [41]. According to the scientist, one of the main reasons of uneven development is scientific and technological progress, which leads to the fact that centers at any spatial level attract resources from the periphery, thereby forming not only opportunities for innovation development, but also disparities between territories. This “center–periphery” model confirms the idea that the stratification of regions in terms of development is an indispensable companion of growth.

Thus, in scientific literature gradually develops an understanding of spatial development as uneven. It is necessary to emphasize that along with the development of productive forces and production relations, the authors explore the forces that lead the economy to a non-equilibrium state and expand the range of factors affecting the unevenness of development. For instance, if in the works of the late 18th and 19th

centuries the main driving forces contributing to uneven development were location factors and transport factor, then, starting with the first half of the 20th century, the composition of the factors increased significantly. The most important result of the scientific works of this period is the recognition of unevenness as an objective property of the territory. At the present stage, it is the innovative factor that is of great importance in strengthening (as well as in reducing) uneven development.

At the same time the emphasis in research has shifted to studying the structural characteristics of economic space [12; 20; 27], the specifics of manifestation of uneven development of territories of different hierarchical levels [1; 16], since the strengthening of unevenness begins to form threats to continuous progressive development. In this regard, there arises an increasing practical interest in the issues related to the development of techniques for examining and evaluating non-uniformity [14; 17; 33], which in turn makes relevant the search for new mechanisms to reduce the negative consequences.

Analysis of scientific literature devoted to the problems of uneven development of territories shows that there are quite similar definitions of this category, which differ from one another in the characteristics determined by the direction and the sphere in which unevenness is considered. In general it can be noted that in many studies, uneven

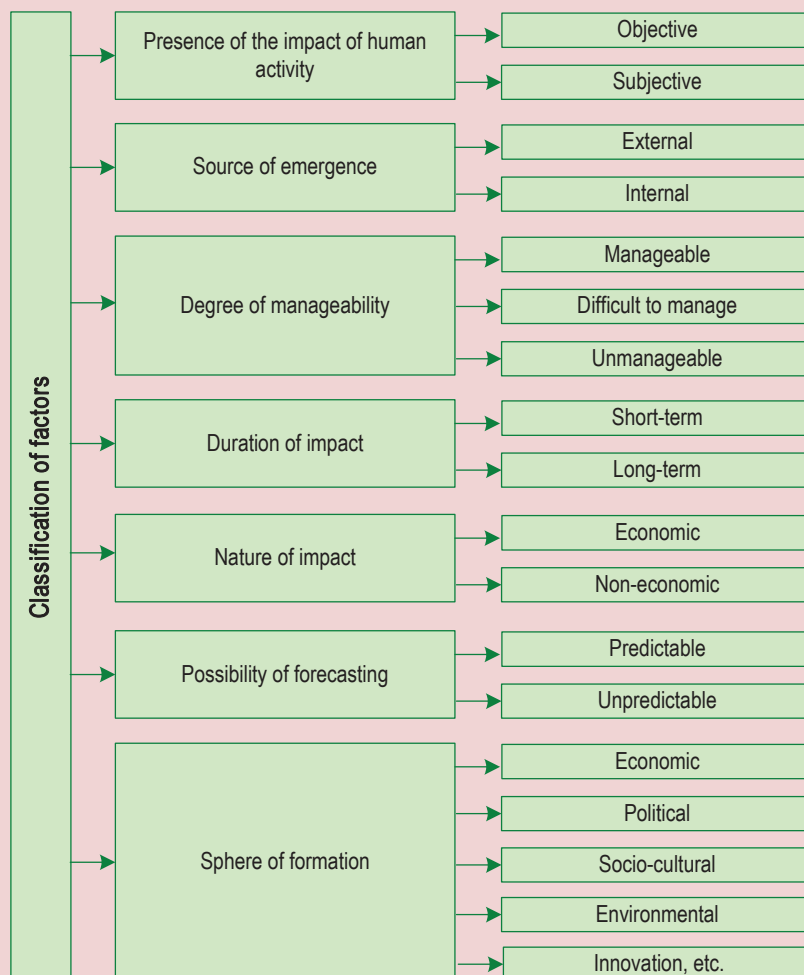
development of the territory is identified with the differences. Therefore, *uneven development of the territories is understood as the presence (existence) of differences in a specific set of parameters that reflect a particular area of functioning and development of the territory.*

Unevenness as a property of the territory is determined by various reasons and factors. The works of a number of authors identify factors influencing the inequality of territories, however, they do not give evidence to understand how these factors are classified. However, some authors focus on the selection, for example, objective and subjective, internal and external factors determining the emergence and transformation of unevenness of territories. Classification of the factors extends the opportunities of not only a better understanding of the reasons for the change in the uneven development of regions, but also a more accurate assessment of the place and role of each of them in the process. We note also that this creates opportunities for the substantiated management of socio-economic development. In this regard, we would like to acknowledge the work of P. Krugman, Nobel laureate in Economics in 2008, in which he identifies two groups of factors: one of them does not depend on human activity, and the other, on the contrary, is determined by this activity [43]. In relying on these factors created by human activities, one can exert a certain

influence on spatial development, smoothing imbalances, decreasing their negative effect on the development of society. Understanding the opportunities and the need to influence these processes makes it possible to expand a list of features that form the basis for the allocation of the following groups of factors (Fig. 1).

Special attention, in our opinion, should be given to objective and subjective factors, which can also be separated on other grounds. The objective factors include: geographic location (in certain latitudes, in relation to waterways, seas, boundaries, areas of consumption of finished products, areas where natural resources are concentrated,

Figure 1. Factors influencing the uneven development of territories





etc.); natural and climatic characteristics (climate type, soil type, geomorphologic features, configuration of river networks); natural resource endowment (presence or absence of certain types of fuel and energy, ore, rock, land, forest and water resources). These factors, in turn, affect the degree of economic development of the territory, the settlement pattern of the population, and the industrial structure of the economy. This allows us to conclude that objective factors determine the effect of subjective ones, which include economic conditions, political and economic institutions, management system, scientific and technological progress, human capital, social institutions, infrastructure, market conditions, etc.

Each of these factors affects socio-economic processes, while the joint effect of a combination of factors shapes a trend, in the direction of which the distinctions in a specific circle of parameters can either increase or decrease. Meanwhile, one and the same factor may have different direction of influence on the specific territory: in some cases it can affect the development positively, in others – negatively, and still in others – to exert no influence at all.

Functioning specifics of modern economic systems (transition to an innovation type of development, achievements in various fields of science, etc.) have caused a decline in the role of objective factors and enhanced the role of subjective factors. However, it

is impossible to eliminate non-uniformity factors completely: they are inherent in any territorial social system.

Thus, the diversity of factors and their mutual influence on each other determine not only the complex nature of unevenness, but also the ability to change it.

According to the analysis of scientific literature, the researchers studying uneven socio-economic development denote it with the use of various terms such as “differentiation”, “asymmetry”, “polarization”, “disparity”. Thus, describing the unevenness in the development of territories, each of them “reflects separate aspects of the phenomenon of unevenness” [31, p. 87]. One should also agree with the author of the work [28], in which differentiation, polarization, imbalance, disharmony, and enclavization of territories are referred to as the forms or degrees of inequality.

This became the basis for a hypothesis about the existence of a connection between these concepts (unevenness, differentiation, asymmetry, polarization) that bear a similar meaning, and about the special nature of this relationship, which is manifested in the following:

- these concepts characterize unevenness;
- changing the unevenness of development of the territory undergoes three stages (differentiation – asymmetry – polarization);

- at each of these stages the differences increase, which suggests that each stage corresponds to a certain degree of uneven development;
- deepening the differences is due to the impact of a set of certain factors.

Arguments supporting this assumption can be found in the results of studies of uneven development, based on which it is possible to establish the specific features of differentiation, asymmetry and polarization that help distinguish between these concepts and establish a relationship between them.

Scientific works related to the study of socio-economic inequality note that the basis of differentiation is formed by objective differences in the basic assumptions of economic activity that are natural. According to researchers [8, p. 8; 36, p. 12], differentiation is the process of *formation* and development of discrepancies between territories, and this process is determined by differences in the conditions, drivers and results of development. The authors emphasize that differentiation is one of the laws of development of the economy, leading to disequilibrium, disparities and imbalance of the territory. The study [29, p. 10] considers differentiation as an integral part of the economic space, as an objective condition of space heterogeneity, which is manifested in the differences in certain social and economic parameters. The authors of [23, p. 39-40] provide convincing arguments in favor of

the fact that differentiation is an indicator of integrity of space and territories. In their opinion, differentiation is both a process and a result of formation of differences between the territories, which reflect the “quality and degree of unity of economic space, social, political and other society within the borders of a particular state”.

Taking into account these viewpoints, one can argue that the beginning of differentiation (differences) indicates the beginning of the process of “stratification” of the territory that is conditioned to some extent by objective factors (like geopolitical position of the region, climatic conditions, cultural and historical factors, availability of the most important resources in the region, and others). The presence of these reasons confirms the idea that the state of heterogeneity of the space is a regularity of economic development. But, as mentioned above, objective factors bring into action subjective factors, the combined action of which alters socio-economic space.

The above allows us to define *differentiation as a phenomenon of occurrence of initial differences in the level of socio-economic development of the territory due to the impact of objective and subjective factors.*

One of the most important properties of complex systems such as the region (as a territory) is its openness. It manifests itself in constant interaction of the territory with the external environment (changing in time), with other regions, etc. In the course of this,

there is a marked increase in the number of factors influencing development processes. For example, as a result of the influence of external factors, especially uncontrollable, difficult to forecast and long-term, both economic and non-economic in nature, there is a gradual change of the initial condition of heterogeneity and an increase in social and economic differences. Note that along with this, some factors can influence separate parts of the territory with a different depth and direction, generating increased non-uniformity. This is reflected in the fact that the indicators showing the increase in interregional differences (stratification) move farther apart from each other [20, p. 525]. Some authors consider that the emergence of the so-called deviations (breaks, shifts) in the parameters characterizing the state of the territory is associated with the concept of asymmetry. So, the author [6] understands the asymmetry of socio-economic development as an increase in variance between territories; according to the author [7, pp. 10-11], asymmetry is a deviation in the conditions and results of development of the social and economic spheres of the region; the same view is held by the authors [19, p. 8; 32, p. 10; 39, p. 9], they link asymmetry to the gaps (deviations) in the results.

This suggests that the uneven development of the territory under the influence of certain factors is moving from the stage of differentiation, where differences arise that

violate the integrity of the space, to the stage of asymmetry, at which the shift of the level of development of territories relative to each other is going on and the destabilization of reproductive processes becomes more significant.

Therefore, *asymmetry* can be defined as *a phenomenon of increasing socio-economic differences between territories caused by a mixed combination of internal and external factors*.

It should also be noted that as a result of increasing asymmetry, the fragmentation of the territory by socio-economic parameters increases, and due to the decreasing asymmetry the differences can be smoothed and there can be a gradual alignment of the level of socio-economic development of the territory. It becomes clear that the vector of change in the asymmetry to a certain extent may depend on regulatory effects of the state.

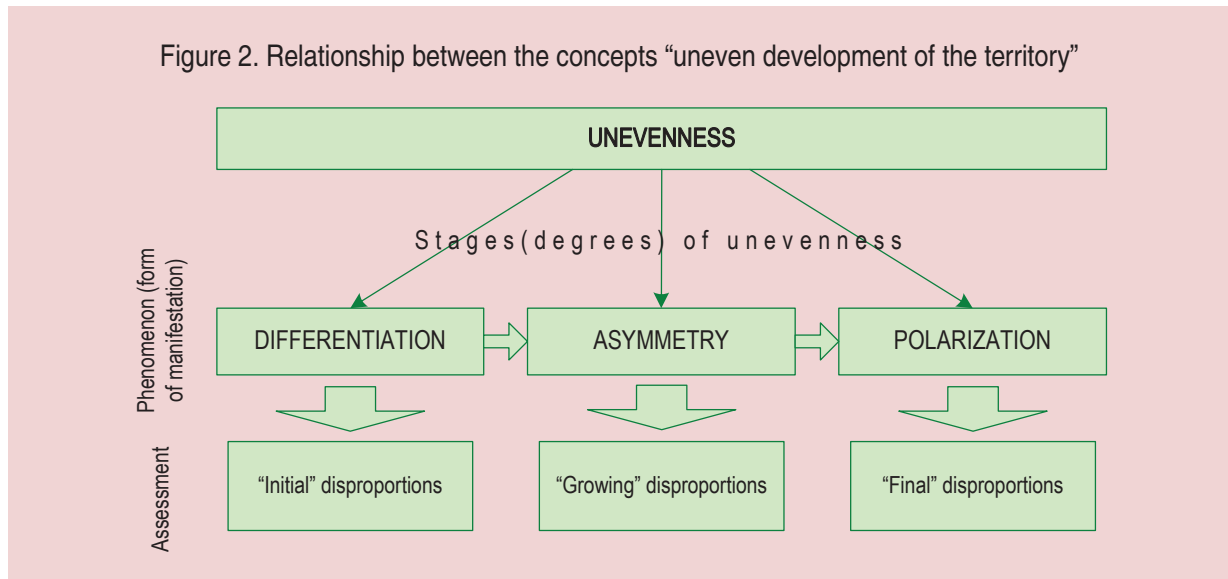
However, the influence of the state does not always lead to positive results for the development of territories. The lack of attention to the regularities of the socio-economic system, to certain internal and external risks, the choice of methods of regulation without taking into account the properties of the object of exposure and the random nature of the appearance of some factors can cause a significant increase in socio-economic differences – up to a critical level. This will inevitably aggravate the

separation of areas (or their parts), which in turn can be a serious threat to the economic integrity and security of the country.

Such a condition under which there is a “juxtaposition of territories by individual signs, as well as the process of dividing a single space into the territories opposite in a number of features [9, p. 10] is called the polarization of space in scientific literature. Despite some differences in wording used in the definition of the essence of polarization, many authors associate it with the “separation of two relatively independent but interrelated components in the framework of the relations that have economic nature” [4, p. 15], leading to excessive territorial unevenness, which in turn “opposes territories to one another on individual characteristics” [15]. Such separation of territories inevitably leads to a redistribution of resources, changes in the level of attractiveness of territories, their competitiveness and the formation of leading territories and outsider territories. This allows us to conclude that polarization is the final stage in the uneven development, in which the aggravation of the differences in the socio-economic parameters reaches significant extent. *Polarization* represents the highest level of uneven development of territories, its maximum, threshold level in the current conditions, it is *a phenomenon when territories achieve diametrically opposite (or maximum possible) remoteness from one another according to certain parameters under specific conditions.*

Socio-economic development unevenness is manifested through imbalances that increase along with increasing differences that take place when the stages change (differentiation – asymmetry – polarization). Violating the proportional balanced development may exacerbate economic and social tensions. Determining the degree of development unevenness necessary for making managerial decisions can be based on the assessment of imbalances. According to some researchers, the disparity is understood as the difference in the parameters characterizing socio-economic development, which exceeds some (marginal, critical) level [20, p. 525; 30, p. 9]. Therefore, we can assume that by identifying imbalances it is possible to estimate the unevenness of development as a whole and in the individual stages (differentiation, asymmetry, polarization) of the territory (*Fig. 2*). Such quantitative assessment helps determine not only the extent of differences between territories according to socio-economic parameters, but also the tools of state influence for the purpose of reducing the differences.

At the initial stage, under the influence of mostly objective factors, there is a change in the equilibrium of socio-economic development, and the so-called “initial” imbalances are formed. Further increase in the differences is due to the impact of not only internal but also external factors and it is accompanied by the disturbances



of the equilibrium of development and leads to “growing imbalances”. In the end, when the interaction of factors increases, the differences, reaching a significant size, influence the formation of opposites, and the “outcome” imbalances are formed.

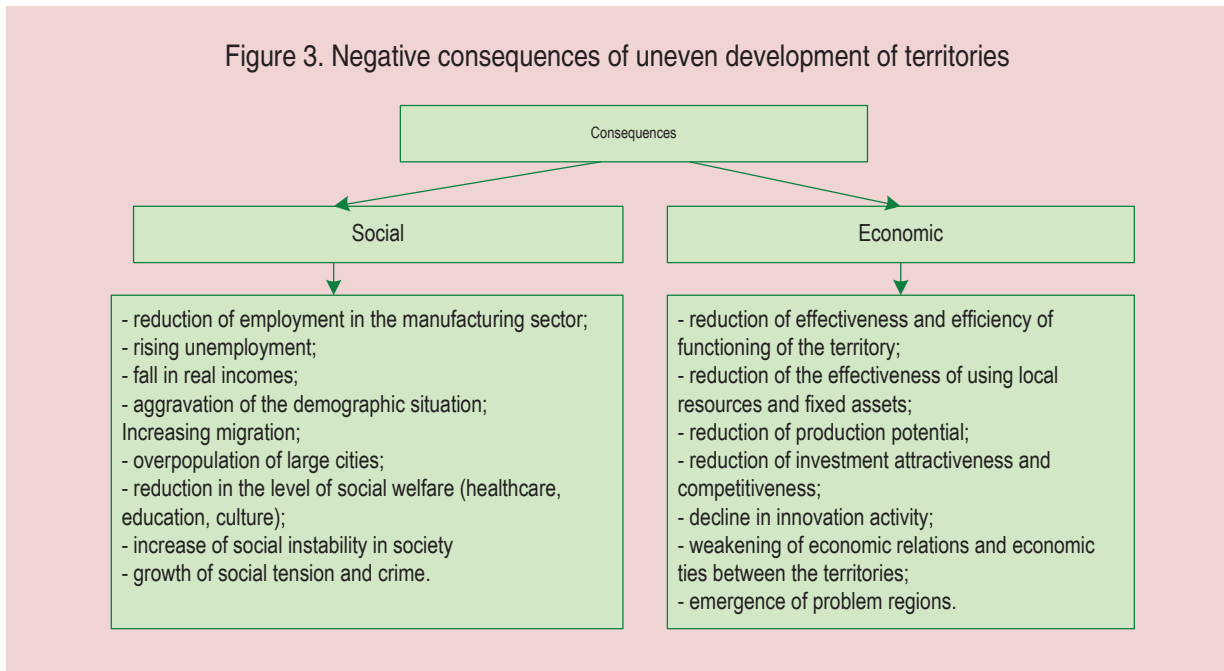
In the works of many domestic and foreign authors it is stressed that uneven development, as a property of socio-economic space, is a natural normal phenomenon typical of a territory at any level of the hierarchy. At that, there is an ambivalent influence of non-uniformity [10; 23; 40]. This is manifested in the existence of both positive and negative components of its impact on economic and social spheres.

The positive impact of uneven development on the functioning of the regional socio-economic system can be manifested in the fact that some territories get an opportunity to develop through a

more effective use of their own resources and attraction of external resources, thereby enhancing their competitiveness and sustainability. Here we can add that under certain conditions and regulatory effects of the state the impetus to the development can spread to other territories where economic processes are promoted and the opportunities for the realization of competitive advantages are unfolded.

At the same time it must be borne in mind that in terms of significant differences, some territories accumulate advantages and develop at the expense of constraining other territories, which increases the risks of crisis phenomena, leads to the stratification of socio-economic space and disruption of its homogeneity. The negative impact of socio-economic inequality is reflected in the slowdown in economic growth, depletion of human capital, technological backwardness,

Figure 3. Negative consequences of uneven development of territories



decrease in public confidence in the government, weakening of economic and social ties.

However, as practice shows, in most cases the unevenness in the development of territories causes negative effects (Fig. 3).

Of interest is the fact that between the extent of unevenness and the consequences a close connection and dependence can be traced. When unevenness shifts from the stage of differentiation to the stage of polarization, then the social and economic implications may threaten the sustainable development of the territory: reduction of employment in various sectors of the economy can lead to social tension in society; reduction in the efficiency and effectiveness of functioning of the economy – to the emergence of a problem territory.

The emergence of problem regions that require significant support from the state entails growing inequality in the standard of living of people and their migration to more favorable territories, and this, in turn, leads to the “decline” of development and “extinction” of entire settlements [38, p. 65]. The increase in differences between territories by several socio-economic parameters destabilizes the development of the economy and social sphere and violates the sustainable development of the territories, the integrity and unity of socio-economic space.

Thus, comparing and analyzing the concepts under consideration (differentiation, asymmetry, polarization) have shown that each of them is associated with substantial differences, which characterize uneven socio-economic development. The emergence and



change of the differences are caused by the combination of various factors. First, the effect of certain factors (mostly objective) initiates the emergence of unevenness, then the combination of factors increases and the relations between them and socio-economic processes became more complicated that leads to increasing variation, after that the differences are exacerbated, as the effect of many factors is compounded not only by the instability of the conditions and uncertainty of outcomes of many phenomena, but also by the random nature of some processes. This sequence of changing forms of unevenness (qualitatively and quantitatively) allows us to make a conclusion that in the development of unevenness it is possible to distinguish separate stages, at each of which the studied property of the space takes on its own specific features. Therefore, each stage of unevenness

(differentiation – asymmetry – polarization) reflects a certain degree of fragmentation of the territory (or territories) by socio-economic indicators, and this fragmentation increases in the indicated direction. The growth of unevenness (as well as its negative consequences) may threaten not only the integrity of the socio-economic space, but also national security. In order to prevent negative consequences of this phenomenon it is necessary that the state take active part in the regulation of territorial development. When choosing the methods, tools and forms of state influence it is necessary to rely on the determination of the stage of unevenness of socio-economic development, identification of its features and the factors contributing to the differences that could be influenced for the purpose of achieving the best result.

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Received August 29, 2016

# DISCUSSION PLATFORM

DOI: 10.15838/esc.2017.1.49.5  
UDC 316.774, 316.74, LBC 76.0, 60.524  
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## New Breath of the “Fourth Estate”\*



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**Abstract.** In rapidly and chaotically developing globalization processes, which are observed in recent years, the media have become increasingly important as factors influencing social consciousness. This phenomenon is associated with the increasing complexity of social structures and psychological relations in the course of natural evolution of mankind, with the development of information technology as well as the tense international situation caused by the deployment of the so-called hybrid warfare. Impact of the media on public knowledge is particularly relevant for the Russian Federation because, first, the “subjective” factor has always been highly important (which was confirmed more than once by the course of historical events) in the mentality of Russian society, and second, Russia plays a major role in the hybrid warfare. The aim of this study is to identify and characterize the specific features of social perception and social well-being prevailing in the public mind under the influence the media. The key question that the present article addresses is how objective the media reflect the existing social reality? Is the purpose of the “fourth estate” to help people see the objective and reliable information about political and economic situation in the country and abroad and thus involve the broad layers of society in the construction of social reality? Or are the modern media to a greater extent a tool of information management, focused on programming a certain type of behavior, forming certain types

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\* This article was prepared under the grant from the Russian Foundation for the Humanities No. 15-02-00482 “Socio-cultural determinants of Russia’s modernization development: measurement methods and the analysis of causal dependencies”.  
**For citation:** Morev M.V. New breath of the “fourth estate”. *Economic and Social Changes: Facts, Trends, Forecast*, 2017, vol. 10, no. 1, pp. 76-100. DOI: 10.15838/esc.2017.1.49.5



of psychological response to certain events taking place in Russia and in the world? The main sources of information for the preparation of this article were the results of a sociological research conducted in the territory of a particular region – the Vologda Oblast (ISED T RAS) and in the whole country (VTsIOM, Levada-Center, RAS Institute of Sociology). The conclusions and issues raised in the course of the reasoning are fairly debatable, but, in the author's view, they are worthy of discussion, primarily, due to the existence of potential threats to social stability and national security, which can be found in a distorted perception of social reality in public consciousness.

**Key words:** Russian society, mass media, hybrid warfare, public opinion, social reality.

The mass media are becoming more and more important as a tool of influence in shaping public opinion. This process is noted by many experts (G.G. Malinetskii, N.V. Starikov, S.S. Sulakshin, etc.): it is going on not only in Russia but all over the world, so the issue of influence of the media on public consciousness is extremely relevant. "Nowadays, there are new methods of social control: informational control, in which people's behavior is programmed by the information conveyed to them or hidden from them..." [21, p. 153].

In connection with the growing influence of the media on shaping public opinion the goal of the present study becomes especially important: to identify and characterize features of social perception and social well-being in people as a result of the impact of the mass media, to analyze the population's attitude toward the media and to outline possible consequences that arise out of a distorted perception of economic and political processes, which is hypothetically possible if the media sources choose a wrong approach to performing their functions.

It should be noted that for the Russian Federation the urgency of strengthening the role of the mass media as a tool for shaping public sentiment is caused by specific factors. These include, for example, mastering the new forms of social control as a result of the experience of "information warfare" with the United States [33] during the conflict with Ukraine. Today, despite a gradual attenuation of the Ukrainian conflict, the experience of "information control" is still relevant. According to some experts, "the attention of the authorities is focused on propaganda" [6].

In our country, an intangible factor has always held a special place. Suffice it to recall the fact that Russian society for nearly 70 years was living under the total propaganda of the Communist regime. During that time, the Soviet economy experienced different periods: there were times of famine, there was the Great Patriotic War... And not always did an ordinary Soviet resident feel the same way as in the period of decline of the USSR, when it was one of the most powerful countries in the world. In all the periods of Soviet power the standard of living in the country was

much worse than it is now; however, thanks to systematically arranged ideological politics or, in other words, the appeal to the spiritual and moral foundations of Russian society, the sense of national identity was developed stronger than it is today.

Even the social structure of modern Russian society testifies to the exceptional importance of the intangible driver of development. “The prototype of the middle class in Russia, unlike that in the Western world, is not the bourgeoisie, but the intelligentsia, i.e. teachers, doctors, engineers, scientists, rather than the entrepreneurs. Thus, today the Russian middle class is dominated by intellectuals rather than businessmen” [32].

The modern, post-reform Russia, as researchers note, “concentrates a huge socio-psychological resource that acts as a basis for the implementation of modernization breakthrough, which is so much needed in today’s Russian society” [7, p. 6]. The subjective factor “plays a significant and growing role among the factors that determine the content and vector of the changes in our world and in our country” [38, p. 32]. “The complexity and unpredictability of social transformations experienced by Russian society over the past twenty-five years have resulted in the inclusion of socio-psychological mechanisms of adaptation of the population to the existing order of things. Or rather, not so much to the order,

since the latter involves a certain stability and predictability, as to the relationships prevailing in society that are not always predictable and orderly” [29, p. 126].

In the 2010s a series of events (Vladimir Putin’s Munich speech in 2007, his Valdai speech in 2013, the Olympic Games in Sochi, “the Crimean spring”, Russia’s participation in the Syrian conflict) have resulted in the fact that Russian society experienced the surge of patriotic feelings, self-respect and pride for its country and the growth of national identity. Many scientists (G.V. Osipov, S.S. Sulakshin, etc.) talked about this period as a new stage in the country’s life [25, p. 18; 36, p. 103]. In this connection we would like to note that **none of the above events, by and large, was associated with the improvement of the standard of living and quality of life. It is the “spiritual” rather than any other “ties” became the basis of the revival of Russian national identity. This is a telling example of how important the intangible factor is for Russians.**

Thus, we see that there are objective preconditions to the fact that the “fourth estate” is gaining more and more influence on people all over the world and becoming an increasingly important subject of formation of social reality. This process is particularly important for a country like Russia. It has deep, mental foundations rooted in the history of Russian people, as well as specific factors of the present – a “new stage” in Russian history and the key role played by

Russia in the ongoing hybrid warfare. It is not by accident that the National Security Strategy 2015 pays considerable attention to the country's information security<sup>1</sup>.

In the present article, we would like to draw attention to an important but, in our opinion, ambiguous role that the media play today in shaping public opinion. But first, let us make "a lyrical digression" to indicate the two objective facts that do not require proof and that are most relevant to the object of our study.

The first fact is that the mass media at all times had enormous influence on public consciousness and behavior. We all know that the so-called "fourth estate", as the journalists were called back in the 19th century<sup>2</sup>, in fact, has no authority, and this emphasizes their role in shaping social reality. As the society evolves, social structure, social relations and scientific-technological progress become more complex, and new forms and

technical means emerge that ensure the communication of people, which makes globalization inevitable, the role of the media has increasingly intensified. Modern society is called information society, which speaks for itself, and its future is associated solely with the growing influence of information technology.

The second fact that requires no proof is Russia's participation in hybrid warfare. What is hybrid warfare? It is a military strategy that combines conventional war, small war, and information war in a single whole [24]. That is, information warfare is an integral part of hybrid warfare, and the media are one of its main weapons.

It is impossible not to agree with the opinion of Russian President, who believes that "humanity has reached a level of development, when nuclear war becomes meaningless, it could not have a winner" [28]. And while the military industry is developing new technology to prevent nuclear attack, the main resource of hybrid warfare is the society and information is its main tool.

In general, the vector of development of interest of foreign science in the influence of the mass media on public consciousness in the 20th century (the concept of unlimited influence of the media on the audience (1920s–1930s; W. Lippmann, C.E. Shannon, W. Weaver, G. Lasswell); the concepts of mediated influence of the media on the audience (1940s–1950s; K. Hovland,

<sup>1</sup> "National security includes the defense of the country and all kinds of security, provided by the Constitution of the Russian Federation and by the legislation of the Russian Federation, first of all public, informational, environmental, economic, transport, energy security, security of the person... The strengthening of Russia is going on against the background of new threats to national security that are comprehensive and interrelated. The Russian Federation's independent foreign and domestic policy causes counteraction on the part of the United States and their allies, seeking to maintain their dominance in world affairs. The policy of containment of Russia pursued by them provides for exposing it to political, economic, military and informational pressure" [24].

<sup>2</sup> This term was used for the first time by the British writer, essayist, historian and philosopher Thomas Carlyle (1795–1881). Sometimes the authorship is attributed to Jean-Jacques Rousseau (1712–1778).

P., Lazarsfeld, J. Clapper); the concepts of mutual influence of the media and audience (1960s–1970s, E. Noelle-Neumann, S. Ball-Rokeach, M. DeFleur)) speaks about the growing relevance of these issues and the understanding that the media and society are two active subjects mutually influencing each other. In the context of our we draw attention to one of the modern theories – the concept of the so-called “soft power”, the author of which is the American researcher J. Nye, who appeals to the idea that the main advantage of “soft power” in comparison to military or financial power of the state lies in the ability to attract anyone thanks to the value content of foreign policy, and not just a simple set of material levers of pressure [41].

Thus, there are two objective conditions that affect the whole global community: a hybrid warfare which directly or indirectly involves most countries and the increasing role of the media as a result of not only this warfare, but also the natural evolution of mankind (technological progress).

In Russia it is impossible to say that the mass media have acquired a “second” breath. In fact, it did not weaken neither in the Soviet period (with its ideological propaganda) nor in the post-Soviet period of the 1990s (with its aggressive advertising of different types of products of Western culture). **We call it “new” in the first place because its quality has changed. In our opinion, today the media is not a “preacher” of ideology and not a “marketing expert”,**

**but primarily a tool of interpretation of internal and external events.** It is important to understand this, because internal and external threats for the country come to the fore. It is not sufficient to explain them with the use of specialized terms and expert estimates; they should be explained with the help of a language that people understand. This very idea puts “the fourth estate” into action. There is no doubt that popular support has tremendous value today – it provides social stability in the country. **But the question is: what is the relationship between Russians and the mass media? Do the media serve the people by telling them about the real trends in the political and economic situation in the country and abroad, thus creating opportunities for participation of the society as a full and active subject of constructing social reality? Or are they just a tool of “information control”, which is entirely in the hands of the “powers that be” and is used at their own discretion? And if it is so, does this “discretion” of the elites correspond to the national interest?**

According to the results of sociological studies, the dynamics of public opinion on the activities of the mass media reflects people’s attitudes toward the trends in domestic and foreign policy. It is appropriate to make another “lyrical digression” to remind the reader of what is happening today in domestic and foreign policy of Russia.

And what happens in it can be figuratively represented as a man who steps in a boat tied

to the pier – after putting his one foot in the boat, he has to put the other one in it, otherwise he will fall. The same can be said about the political life of modern Russia. We see the obvious achievements in our foreign policy mostly due to the actions of the President and his administration. These include conceptual speeches of Vladimir Putin that have united all the strata of Russian society around the idea of “Russian world”; these include the consequences of the Ukrainian crisis, the main result of which was the accession of Crimea and Sevastopol to the Russian Federation; these include an uncompromising position of Russia in the Syrian conflict, its growing role in resolving the most important global issues, including those related to combating international terrorism.

If in 2007 the President just talked about the fact that “Russia is a country with more than a thousand-year history, and it virtually always had the privilege to carry out its independent foreign policy. We are not going to change this tradition today” [34], then after “full-time” entering into the fight with the Islamic state it became obvious that “Russia no longer has any need to prove its full-fledged partnership with the leading world powers” [16, p. 13], it has become not just an equal player, but one of the key players on the world political arena.

A completely different picture can be observed in the internal life of the country.

Here we see a deep-rooted systemic crisis<sup>3</sup>, which has long gone beyond the real sector of the economy and manifests itself in almost all spheres of social life; ineffectiveness of management, “thanks” to which there is still the domination of the raw material exporting model of economic development that does not meet the realities of the time, making our country uncompetitive against the background of developed countries that shift to neo-industrialization; finally, it is the corruption, the facts of which in recent years have been continuously highlighted in newspapers and on television.

S.S. Gubanov said that “the fact that Russia entered into an autonomous recession is a result of domestic factors, namely the raw material exporting model based on a comprador ownership” [8, p. 21]. Moreover, “autonomous recession shows that Russia is sitting on a volcano of a systemic crisis, which was asleep and now woke up and came into action... The systemic crisis cannot be eliminated by anything except for replacing the old, archaic and inefficient economic system with a historically new one – progressive, capable of providing

<sup>3</sup> “The structural economic crisis in Russia that began formally in 2015 (the first year of the actual drop in GDP) is the structural crisis in various areas and directions: the structural crisis of the real economy, the budget crisis, etc. apparently, one can talk about other manifestations of the structural crisis; however, the ones mentioned above are already enough to complete the analysis of the current economic crisis in Russia, to prove that it is primarily structural in its nature” [22, p. 17].



a qualitatively higher degree of a system combination of economic efficiency and social justice” [9, p. 4].

The official position of the government regarding the economic situation in the country is radically at odds with what the experts say and with the evidence of official statistics<sup>4</sup>. Meanwhile, the point of view of the Government is being spread by the mass media on all federal, regional and local TV channels. As for the opinions of the experts, when they are on air on federal TV channels, it is in programs such as “Politics”, ‘An evening with V. Solov’ev”, “Structure of the moment” and other TV programs that, first, have the status of a talk show, and second, are broadcast on weekdays after 23.00, that is, they are not intended for the general public.

Thus, the situation in the internal political life in the country, to put it mildly, is “lagging

<sup>4</sup> “...It can be argued that in 2014 we experienced only a partial impact of anti-Russian sanctions... In 2014, many indicators deteriorated, for instance, investment; devaluation of the ruble was record-breaking; since the beginning of 2012 inflation has been accelerating. Socio-economic situation has deteriorated in general. Unlike the 2008 crisis, this is not a short-term but a long-term process, so the recovery is impossible to forecast” [1].

“For the first half of 2015 alone, compared with January – June of 2014, GDP decreased by 3.4%, industrial production index – by 2.7%, investment in fixed capital – by 5.4%, real disposable money income of population – by 3.1%, the consumer price index increased by 8.5%. Despite this, the Medvedev Government and the financial authorities continue to give favorable enough forecasts concerning development prospects for the economic situation in the country: under the baseline scenario, “if consumer demand is low, then in 2016 inflation is expected to slow down almost twice: to 6.5–7.5%. By 2018, alongside the strengthening of the ruble, inflation will fall to 5%. The reduction of inflation and the resumption of economic growth will ensure the growth of real incomes at a rate of 1.1% in 2016 and 2.6%–2.8% in 2017–2018” [15, p. 11].

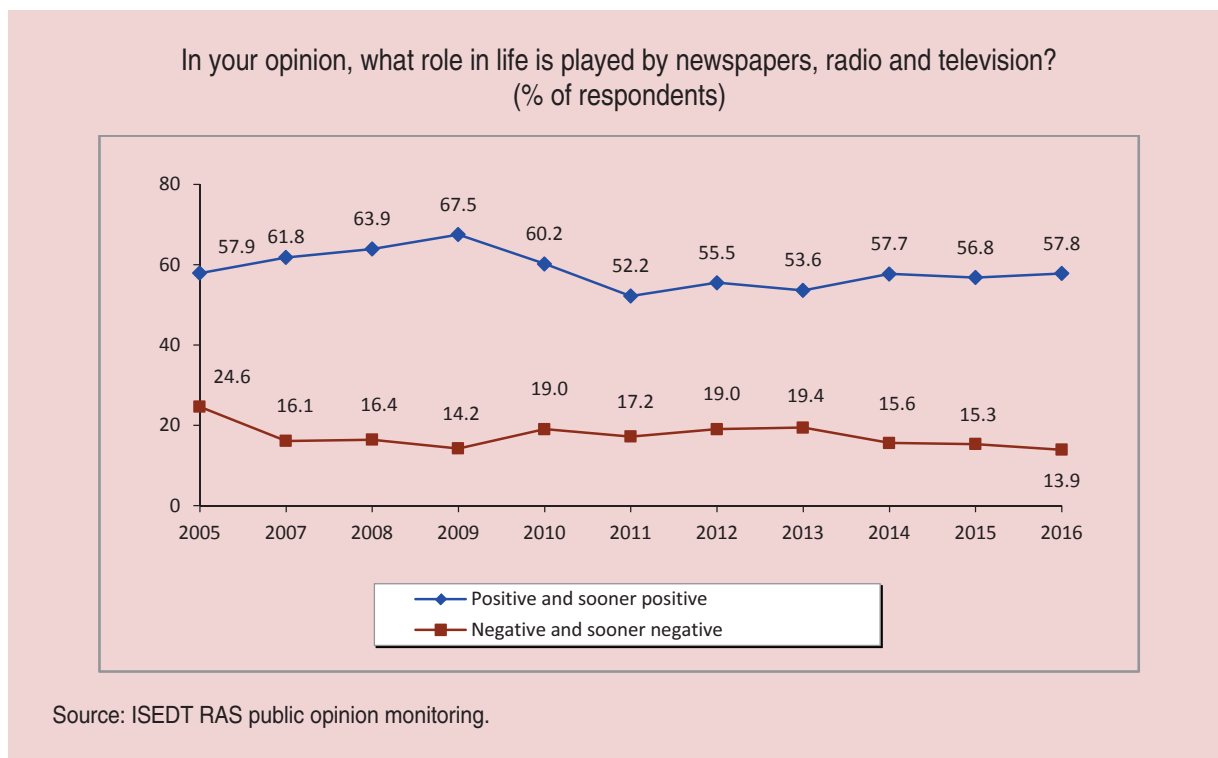
behind” those achievements that Russia could make to strengthen its international status over the last nine years. It is for a reason that the latest edition of the National Security Strategy points out personal responsibility of the President for implementing all priority directions of national security – and not only external but also internal ones, the focus on which is also one of the key features of the main strategic document of the country<sup>5</sup>.

The results of sociological studies show: **the attitude of Russians toward the activities of the media is contradictory to the extent, to which the system of governance in Russia is imbalanced.** People believe that the media played a positive role in the life of the country. In the past 11 years (2005–2016) this opinion was shared by more than half of Vologda Oblast residents. The opposite view is shared by only 15–25% of the population (*figure*)<sup>6</sup>.

<sup>5</sup> “The state policy of the Russian Federation in the sphere of ensuring national security is implemented by the concerted action of all the elements of the system that ensures it, **under the leadership of the President of the Russian Federation** and with the coordinating role of the Security Council of the Russian Federation” [24].

<sup>6</sup> Henceforward (*except Tab. 8*) we provide the data derived from ISED T RAS public opinion monitoring. The monitoring is carried out in the Vologda Oblast since 1996 once every two months; 1,500 people 18 years of age and older participate in the survey in the cities of Vologda and Cherepovets, and in Babayevsky, Velikoustyugsky, Vozhegodsky, Gryazovetsky, Kirillovsky, Nikolsky, Tarnogsky and Sheksninsky districts. The representativeness of the sample is ensured by the observance of the proportions between the urban and rural population, the proportions between the inhabitants of settlements of various types (rural communities, small and medium-sized cities), age and sex structure of the oblast’s adult population. The method of the survey is a questionnaire poll by place of residence of respondents. Sampling error does not exceed 3%.





However, the media as one of the institutions participating in the construction of social reality does not enjoy a high level of trust among the people. Over the period 2000 to 2016, not more than 30% of the population trusted the mass media, which is one of the lowest indicators among the major social structures and institutions (*Tab. 1*). If in 2000 the media were on the 9th place according to the level of trust, then in 2015 – on the 16th place.

According to the results of research carried out at the Institute of Sociology of the Russian Academy of Sciences (IS RAS), “among all the professions engaged in the field of cultural production, the journalists are the only ones that have a quite substantial negative

trust rating (21% of the population trust the journalists, 36% do not trust them)”<sup>7</sup>.

In fairness it should be mentioned that not only the mass media, but almost all democratic institutions in the country enjoy low trust of Russians. As a result of, putting it mildly, inefficient management decisions of the government in the 1990s<sup>8</sup>, the trust in these institutions has long been at a low level compared to the actors that can be called “traditional” for the Russian mentality – the

<sup>7</sup> The study was conducted in 2012 among Belgorod Oblast residents, the total sample included 962 respondents [29, p. 132].

<sup>8</sup> “Russian reformers of the 1990s essentially deprived their people of any desire to build a democratic country. Discredited democracy and creation of real preconditions for the authoritarianism became the main political result of their activities, and these results carried “the gravest losses of this period” [31, p. 143].

Table 1. Dynamics of the level of trust in Russia's social structures and governmental institutions (in % of the number of respondents)

Answer	2000	2002	2004	2006	2008	2010	2012	2013	2014	2015	2016	Dynamics (+ -) 2016 to	
												2015	2000
RF President	57.1	53.1	54.4	62.0	65.2	56.8	45.7	47.0	57.0	60.6	62.0	+1	+5
RF Government	42.7	33.8	35.2	42.1	60.2	52.4	39.6	40.4	48.3	49.4	48.8	-1	+6
Church	42.3	35.4	42.9	42.9	51.9	47.0	41.4	43.9	44.7	43.7	47.1	+3	+5
Army	37.0	28.5	27.1	29.6	37.8	34.5	31.3	37.5	37.8	42.0	43.9	+2	+7
Police	27.2	22.3	23.7	29.0	36.5	32.7	29.3	33.7	35.4	40.2	41.7	+2	+15
Federal Security Service	34.2	25.8	28.4	35.3	43.8	36.0	33.2	37.5	36.4	39.6	40.6	+1	+6
Procuracy	30.9	21.7	28.8	33.3	40.9	36.1	33.9	40.1	38.5	40.9	40.3	-1	+9
Federation Council	28.3	21.7	27.1	34.3	47.6	38.1	32.3	34.6	40.2	40.2	39.3	-1	+11
Court	31.6	24.7	31.0	35.5	41.3	37.4	36.1	39.3	36.9	40.5	39.3		
Vologda Oblast Government	31.3	23.2	30.0	37.7	48.6	41.0	34.6	37.8	37.4	36.9	38.5	+2	+7
Local self-government	n.a.	n.a.	n.a.	26.6	40.9	35.6	29.3	32.7	35.1	34.5	33.3	-1	-
State Duma	23.0	18.2	26.0	27.9	42.0	33.5	30.5	31.6	35.2	34.0	33.0	-1	+10
RF Public Chamber	n.a.	n.a.	n.a.	n.a.	n.a.	27.3	28.1	29.9	32.8	32.5	32.1	0	-
Trade unions	28.4	22.4	26.5	27.4	35.9	29.9	25.6	27.8	26.6	26.5	28.1	+2	0
Vologda Oblast Public Chamber	n.a.	n.a.	n.a.	n.a.	n.a.	24.8	25.4	29.2	29.4	29.5	28.0	-2	-
<b>Mass media</b>	<b>30.2</b>	<b>29.6</b>	<b>31.8</b>	<b>30.4</b>	<b>27.5</b>	<b>28.7</b>	<b>28.7</b>	<b>29.5</b>	<b>28.0</b>	<b>26.6</b>	<b>25.7</b>	<b>-1</b>	<b>-5</b>
Non-governmental organizations	-	-	-	20.0	32.6	26.7	26.5	26.8	25.5	23.8	24.2	0	-
Directors, Chief executives	19.6	17.4	21.5	26.5	30.5	22.8	25.1	27.5	21.9	20.2	20.5	0	+1
Political parties	20.4	11.6	18.5	16.0	17.6	20.0	22.8	20.9	20.2	17.0	18.1	+1	-2
Banking community, entrepreneurs	12.4	10.7	17.6	22.6	26.6	21.5	21.3	23.4	18.8	16.5	17.2	+1	+5

\* Included in the survey since 2000; ranked according to 2016.  
Source: ISED T RAS public opinion monitoring; ranked according to the value of the indicator for 2016.

authorities and the Church. While speaking about all state and public institutions, especially notable is the level of trust in the President of the Russian Federation – the institution, which is the “tip of the whole pyramid of power in Russia” [36], it is also thanks to the “Russia’s historic longing for autocracy”, carrying a “traditional aspect, some similarity to the monarchical form of government, which is a specific feature of the Russian system different from either Eastern despotism or Western democracy” [14, p. 171].

However, the seemingly paradoxical assessments of the public that show a positive attitude of people toward the modern media and, at the same time, a low level of trust in them, are caused, in our opinion, not only by a crisis of confidence in democratic institutions in principle.

There are certain facts, events, statements that cannot but resonate in the hearts and minds of ordinary citizens (for example, statements about how much Europe is “suffering” because of the anti-Russian sanctions, or a detailed analysis of how

unscrupulous American propaganda is lying when it speaks about Russia). Nevertheless, society retains a feeling of some uncertainty, and numerous questions remain: where is the prime of the Russian economy promised as a result of import substitution? Why is the population of the country that claims to be one of the key centers of the multipolar world, year after year, is living in a situation of economic crisis? How can the country enter the global community in an open and full-fledged cooperation, if the attitude toward Russia is negative (which is how people think: according to a sociological survey by the Levada-Center conducted in October 2015, one in three Russians (33%)

believes that the Europeans treat Russia with “contempt” and “fear” [13, p. 189]. According to a sociological survey conducted by ISED T RAS in February 2016, 45–47% of Vologda Oblast residents believe that the attitude toward Russia in the world is “bad” and “biased”; 53% say that Russia is “feared” (the opposite opinion is expressed by 22% of the population; *Tab. 2*). Why since the launch of the anti-corruption campaign Russians learned about the misappropriation of such amount of funds that the money of the oligarchs and the governors put behind bars could be enough to solve all the problems in the country long ago? People cannot but think about all this every time when they struggling

Table 2. Distribution of answers to the questions characterizing the opinion of the population about the attitude toward Russia in the world (% of the number of respondents)\*

Question	Answer	2016
In your opinion, is the attitude toward Russia in the world in general objective or biased?	Objective	20.4
	Biased	46.5
	It is difficult to answer	33.1
Generally speaking, in your opinion, what is the attitude toward Russia in the world nowadays – good or bad?	Good	22.9
	Bad	45.1
	It is difficult to answer	32.0
In your opinion, is Russia respected or not respected in the world?	It is respected	40.9
	It is not respected	28.5
	It is difficult to answer	30.5
In your opinion, is Russia feared in the world?	It is feared	52.5
	It is not feared	21.6
	It is difficult to answer	25.9
In your opinion, do other countries consider Russia as a free country or as a country that is not free?	Free	41.3
	Not free	27.4
	It is difficult to answer	31.3
In your opinion, has Russia’s influence in the world been increasing, decreasing or remained unchanged in recent years?	Increasing	42.9
	Remains unchanged	17.8
	Decreasing	15.8
	It is difficult to answer	23.5
* The question was asked once – in February 2016. Source: ISED T RAS public opinion monitoring.		

Table 3. Distribution of answers to the question “In your opinion, are the mass media objective or not in covering the events in the world, in Russia and in the oblast?” (% of the number of respondents)

Answer		1996	2000	2005	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Dynamics (+/-), 2016 to	
															2015	2000
In the world	Objective	34.1	50.6	58.2	59.3	60.1	57.8	53.6	53.1	55.9	46.1	40.9	44.1	48.3	+4	+14
	Not objective	26.8	21.4	24.2	22.4	21.6	22.2	25.2	24.9	22.1	30.8	34.5	30.1	25.0	-5	-2
In the country	Objective	25.5	43.7	53.5	59.0	57.2	58.1	50.3	48.1	52.2	43.0	43.3	43.8	48.7	+5	+23
	Not objective	38.1	33.4	30.5	24.1	26.3	24.2	30.3	31.9	26.4	34.7	32.8	30.9	26.0	-5	-12
In the oblast	Objective	29.5	51.0	51.8	60.4	57.3	58.5	50.2	49.9	52.6	43.5	43.7	43.8	48.2	+4	+19
	Not objective	32.4	24.0	31.4	22.5	26.0	23.5	29.3	29.6	25.9	33.7	32.2	31.6	27.6	-4	-5

Source: ISEDT RAS public opinion monitoring.

from paycheck to paycheck<sup>9</sup>, but the mass media do not give them an answer or give the answer that people are not satisfied with.

The President “does the work for the long term”; the specific actions and management decisions taken by Vladimir Putin as President become genuinely historical for Russia [4], but the media, interacting with people every day, do not have this capability. They reflect the current situation in the country and abroad, they affect the character of public sentiment “here and now”. Therefore, people relate what is said in the media to what they see in their daily life.

From this point of view it is important to know how objective, in the estimates of population, the information provided by the media is. One can evaluate the results of sociological research in different ways in order to answer this question. On the one hand, the proportion of people who believe that the

media accurately reflect the course of events in the country and abroad is higher than the proportion of those who hold the opposite point of view (in 2016 – 48% and 25–26%, respectively; *Tab. 3*). Moreover, if in 1996 this concerned only the evaluation of the coverage of world events, then since 2000, when Vladimir Putin was elected President for the first term, the objectivity of the media began to prevail in the estimates of the population about the situation inside the country, at the level of specific regions.

However, on the other hand, we cannot conclude that people find objective the information provided by the media about the situation in the country and the world, because less than half of Russians share this opinion (since 2013: 43–48%).

Among those people who have a positive attitude toward the activities of the media and believe that they objectively and adequately reflect the political and economic situation in the country, positive characteristics of social mood are more prevalent (*Tab. 4*).

<sup>9</sup> By the way, promotional signs like “Money before payday!” that advertise microfinance organizations, in our opinion, describe the financial situation of modern Russians quite vividly.

Table 4. Proportion of people who experience normal condition and good mood, among... (% of the number of respondents)\*

Answer	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Dynamics (+/-), 2016 to	
																2015	2002
The media play a positive role in the life of the country	54.4	60.2	64.8	65.1	68.9	69.7	70.3	61.6	70.0	68.5	75.3	76.3	77.7	74.8	75.0	0	+21
The media play a negative role in the life of the country	35.8	37.7	47.0	39.2	42.3	54.9	50.8	32.7	50.1	55.4	54.8	54.1	54.2	53.3	59.2	+6	+23
The media objectively reflect the course of events in the country	56.0	64.0	66.2	63.1	67.6	70.4	71.5	64.5	70.6	68.4	73.0	75.9	74.2	75.6	74.1	-2	+18
The media do not objectively reflect the course of events in the country	44.5	42.9	53.2	51.6	49.3	57.5	55.0	37.2	56.6	58.6	64.1	63.5	71.1	66.0	64.0	-2	+20
The media provide enough information about the political life in the country	52.4	60.9	63.6	61.3	67.8	69.0	71.6	64.5	69.3	65.5	75.0	76.4	73.3	74.8	73.6	-1	+21
The media do not provide enough information about the political life in the country	43.4	51.1	55.8	54.5	49.0	60.3	55.2	43.3	59.7	63.5	62.1	62.9	68.8	62.2	64.4	+2	+21
The media provide enough information about the economic life in the country	–	61.2	65.1	60.5	69.5	70.1	72.7	64.4	69.1	65.3	74.2	76.8	74.3	76.4	76.9	+1	+16**
The media do not provide enough information about the economic life in the country	–	53.5	54.6	55.8	52.2	59.8	54.2	44.6	60.1	64.5	64.1	64.1	67.4	61.3	63.9	+3	+10**
* Included in the survey since 2002.																	
** 2015 to 2003, because the question is asked since 2003.																	
Source: ISEDT RAS public opinion monitoring.																	

But an important point, in our opinion, is that positive assessments of social mood are more common among those who receive information about the political and economic situation from newspapers, magazines and the Internet, rather than among those who watch the news on TV –

the most common source of information about events in the country and in the world (Tab. 5).

**As we see it, the reason lies in the fact that people who get their information about economic and political life from TV programs see that it does not match the real life, while**

Table 5. Proportion of people experiencing normal condition and good mood, among those who receive information about the economic and political life from various media sources\* (% of the number of respondents)

Media source	2010	2011	2012	2013	2014	2015	2016	Dynamics (+/-), 2016 to	
								2015	2010
Television	64.3	64.2	68.8	67.8	71.7	69.9	68.7	-1	+4
Newspapers and magazines	65.6	67.0	72.0	71.6	76.0	74.5	75.9	+1	+10
Internet	77.8	73.9	77.8	76.2	78.5	75.5	75.1	0	-3
Radio	69.8	76.3	80.3	77.2	75.9	76.4	74.5	-2	+5

\* Included into the survey since 2010.

Source: ISED T RAS public opinion monitoring.

**people who draw information from newspapers, magazines and the Internet, form a more adequate perception of the situation in the country and region.**

This happens largely due to more in-depth analytical information available in the vastness of virtual space and particularly in printed periodicals. Thus, according to the results of a monitoring study of the role of the mass media conducted in 2000–2011, Russian scientists made the following conclusion: “What claims are made for modern television by the respondents that have negative attitude toward it? First and foremost, they are not satisfied with the content of television news. Almost all the respondents believe that the news on TV “does not contain the whole truth”, that the news is censored, one-sided, sterile and officious”<sup>10</sup>.

As for the print media, it is generally accepted that they are a platform for in-depth analytics [2, 3], and in this sense, the experts

<sup>10</sup> These are the results of a monitoring sociological research “Television through the eyes of the viewers” (2000–2011): the survey was conducted once a year among urban residents aged 15 and older, the sample was 3,000 people, the method is formalized interview at the place of residence of the respondents [27, p. 168].

have repeatedly expressed fears that with the spread of the virtual network the periodicals will be in a state of crisis: “The forecast on the situation in the print media market for 2020 is negative with the prospect of almost complete disappearance of this segment in its paper form in the period between 2020 and 2030” [2].

In light of this, special attention is given to the Internet as a source the least subject to censorship and as a platform where printed periodicals move to. According to people’s estimates, since 2010, the proportion of people using the Internet as the primary source for information on political and economic life in the country is increasing annually (over the period from 2010 to 2016 – by 18 p.p., from 24 to 42%; *Tab. 6*). One would assume that this is due to the expansion of virtual networks with the improvement of technology, development of fiber-optic networks, etc., in general – with the increased availability of the Internet to citizens. However, in our opinion, Internet technology has long before 2010 “covered” all parts of the world, all countries and regions. Whether at



Table 6. Proportion of Vologda Oblast residents who receive information on the political and economic life from various media sources\* (% of the number of respondents)

Media source	2010	2011	2012	2013	2014	2015	2016	Dynamics (+/-), 2016 to	
								2015	2010
Television	88.9	82.0	84.2	83.6	86.9	86.8	82.9	-4	-6
Internet	24.0	27.8	29.8	37.2	35.1	43.2	41.6	-2	18
Newspapers and magazines	38.1	36.1	33.8	43.9	40.3	40.6	39.1	-2	1
Radio	21.2	21.2	22.6	22.5	19.1	24.3	22.7	-2	2

\* Included in the survey since 2010.  
Source: ISEDТ RAS public opinion monitoring. Respondents could choose any number of information sources they use for obtaining information on political and economic life.

home or at work, the majority of citizens have access to a virtual network<sup>11</sup>, so the increase in the share of those who use Internet resources to find out information (about the economic and political life, in particular), in our opinion, more likely indicates that the quality of information received from other sources (primarily television, which, according to the results of the public opinion monitoring, is used by 96% of the population), less and less satisfies the needs of citizens.

And if we compare the characteristics of the emotional state, perception of economic and political life in the country, evaluation of the effectiveness of public administration in two categories of people: those who use public resources as the main source of information about politics and the economy, and the rest of the population, it may be noted that in the past five years in the first group there has been a marked increase in the share of positive

<sup>11</sup> As of November 30, 2015 Russia ranks 7th by the number of Internet users (70.5% of the total population) among 182 countries. Above it on the list are: France (83.8%), USA (87.4%), Germany (88.4%), Japan (90.6%), UK (91.6%), Korea (92.3) [40]. According to the survey conducted by ISEDТ RAS, the proportion of residents of the Vologda Oblast who use the Internet amounted to 61–65% in 2012–2014.

opinions on all the above parameters, and in the second group – a reduction. Can it be an indication that the Internet (with all its known faults) forms a more adequate picture of perception of social reality in people? Or rather, does it not confirm the fact that positive information pouring from television screens crashes against the harsh reality, when people are faced with real everyday problems?

We think that the key negative consequence of such thing as virtual information space entering into our lives was quite clearly described by Russian scientists: “The development and increasing use of Internet technology actually caused the society to split into two classes: online people and offline people, that is, those who use ICT and those who do not. Moreover, the former got great advantages over the latter both at work and in everyday life. The formation of digital split with the division of the representatives of online and offline categories suggests the emergence of a new dichotomous stratification of society, similar to the division between the rich and poor, elite and ordinary citizens, the educated and illiterate” [12, p. 102].

Table 7. Social mood, situation in the country and the work of the authorities as assessed by the people that use the Internet as their primary source of information about political and economic life in the country, and by the rest of the population (in % of each category)\*

Answer	People that use the Internet as their primary source of information about political and economic life in the country							The rest of the population						
	2010	2011	2012	2013	2014	2015	2016	2010	2011	2012	2013	2014	2015	2016
<b>Mood</b>														
Good mood, normal fine condition	77.8	74.1	77.6	76.2	77.9	74.0	75.1	58.9	59.2	63.0	61.8	66.5	65.4	65.0
I feel stress, anger, fear, sadness	18.1	20.8	17.3	18.3	17.2	21.4	21.3	34.9	34.6	29.7	31.9	28.2	27.1	30.0
It is difficult to answer	4.1	5.1	5.2	5.5	4.9	4.7	3.6	6.2	6.2	7.3	6.3	5.2	7.4	5.0
<b>Assessment of economic situation in the country</b>														
Very good and good	12.1	10.1	12.6	9.4	10.6	9.5	8.9	5.0	11.0	11.5	8.4	8.1	6.1	8.7
Average	47.6	51.4	49.7	52.4	57.7	48.4	39.3	47.9	50.5	48.8	43.9	48.2	41.5	41.2
Very bad and bad	27.6	30.2	25.7	26.0	20.7	33.5	39.2	32.1	28.1	27.2	31.4	29.4	40.2	35.3
It is difficult to answer	12.7	8.2	12.0	12.1	11.0	8.6	12.7	15.0	10.4	12.5	16.3	14.3	12.2	15.0
<b>Assessment of political situation in the country</b>														
Safe, peaceful	51.5	44.9	40.1	45.1	38.1	32.0	29.6	47.9	42.4	34.9	39.5	27.5	24.8	25.3
Tense, critical, explosive	30.8	38.6	42.5	38.7	47.1	49.1	55.0	32.8	38.7	44.6	43.1	56.5	59.4	55.7
It is difficult to answer	17.7	16.4	17.4	16.2	14.9	19.0	15.5	19.3	18.9	20.5	17.4	16.0	15.8	19.1
<b>Assessment of the RF President's work</b>														
I approve completely and for the most part	57.3	54.2	53.3	53.4	70.2	71.3	68.3	57.8	58.8	54.3	57.6	63.8	68.0	66.6
I do not approve completely and for the most part	27.2	31.3	30.5	29.9	17.1	15.6	19.7	24.7	27.6	32.5	28.5	23.1	16.5	19.8
I know nothing about the RF President's work	2.4	2.0	2.3	1.9	0.3	2.3	1.6	0.6	2.0	2.9	1.8	0.8	6.6	1.5
It is difficult to answer	13.1	12.5	13.9	14.8	12.4	10.9	10.5	16.9	11.6	10.3	12.1	12.3	9.0	12.2
<b>Assessment of the work of the RF Government</b>														
I approve completely and for the most part	49.6	42.2	39.1	40.6	50.4	54.3	44.4	46.8	42.1	41.0	45.4	47.8	49.6	40.4
I do not approve completely and for the most part	27.8	34.7	34.6	35.3	25.0	22.9	34.6	27.9	33.4	36.3	33.7	28.7	21.9	29.1
I know nothing about the work of the RF Government	5.0	6.1	6.8	4.3	4.9	4.2	6.6	3.5	5.2	6.5	4.7	4.0	9.8	12.0
It is difficult to answer	17.7	17.0	19.5	19.7	19.7	18.5	14.4	21.8	19.3	16.2	16.2	19.4	18.7	18.6
<b>Assessment of the work of the Vologda Oblast Governor</b>														
I approve completely and for the most part	53.0	42.3	43.8	43.6	42.2	43.1	41.3	44.6	45.3	43.5	44.7	36.7	38.1	37.6
I do not approve completely and for the most part	26.3	34.8	32.8	33.8	34.5	35.8	39.9	29.6	31.8	34.1	33.4	41.8	35.1	39.0
I know nothing about the work of the Vologda Oblast Governor	4.7	5.4	5.6	4.6	5.1	4.7	5.2	4.0	4.7	5.3	5.0	3.8	9.5	5.8
It is difficult to answer	15.9	17.5	17.8	18.0	18.2	16.4	13.6	21.8	18.2	17.1	16.9	17.7	17.4	17.6
<b>Assessment of the work of the Head of local administration</b>														
I approve completely and for the most part	44.8	41.4	38.5	40.9	40.7	41.3	41.4	39.3	40.2	37.2	41.6	38.2	35.9	35.4
I do not approve completely and for the most part	30.8	34.8	34.5	34.8	32.9	32.0	37.8	33.9	37.2	40.1	35.6	37.6	33.3	39.5
I know nothing about the work of the Head of local administration	6.0	6.2	7.3	5.3	6.9	6.5	5.8	5.3	4.8	7.1	5.1	4.2	9.3	6.5
It is difficult to answer	18.3	17.6	19.7	19.0	19.6	20.2	15.1	21.5	17.8	15.5	17.7	19.9	21.4	18.7

\* Included in the survey since 2010.

Source: ISED RAS public opinion monitoring.

The data in *Table 7* allows us to draw another conclusion – debatable but, in our opinion, extremely important: **Russians have an objective and sober approach to the mass media. Assessing the media as a source of information about what is happening in the country and the world, they do not miss the fact that the same information can be presented in different ways, and what is presented to the public, may in fact, fail to reflect objective reality, and broadcast only someone’s point of view.**

And if this conclusion is just, then it significantly increases the relevance of the question about how to build an information policy: whether by smoothing the sharp contradictions that exist in the Russian economy and politics, or by giving people the opportunity of forming their own opinions through discussing different perspectives, different experts from different fields (from among the representatives of the authorities, science, business community, etc.).

By and large, this question closely correlates with another question asked in 2011

by the Institute of Sociology: “What does it mean to you to be a patriot?” Judging by the results, the opinion of Russians is quite clear: **“To speak the truth about my country no matter how bitter this truth may be” is much more important than “not to say that my country has flaws” (81% vs. 34%; *Tab. 8*).**

In confirmation of the fact that the people’s mistrust toward the media may be due to how they cover economic issues, we can provide the fact that people value the sufficiency of information about political life (in the country, region, city) higher than that about economic life (as of 2016 – 43–48% vs 36–43%, respectively; *Tab. 9*). In other words, the society states it needs a broader coverage of information about the situation in the Russian economy.

Comparison of the dynamics of approval of and trust in the mass media in different socio-demographic groups shows that there are no significant changes in the proportion of people who believe that the media play a positive role in the life of the country (*Tab. 10*).

Table 8. What does it mean to you to be a patriot of Russia?\*(2016, in % of the number of respondents, excluding those who hesitated to answer)

Answer	I agree	I do not agree
To love my country	97.5	2.5
Seek to improve life in the country, in order to provide it with a decent future	96.0	4.0
To defend my country against any attacks and accusations	91.8	8.2
To be proud of my country	95.3	4.7
To speak the truth about my country, no matter how bitter it is	80.7	19.3
Not to say that my country has flaws	33.5	66.5

\* Data of the study “20 years of reforms in the eyes of Russians” conducted in April 2011 by RAS Institute of Sociology. Available at: [http://sophist.hse.ru/db/oprview.shtml?ID\\_S=2971](http://sophist.hse.ru/db/oprview.shtml?ID_S=2971)

Table 9. In your opinion, do the media today have enough or not enough information? (% of the number of respondents)

Answer		2007	2011	2012	2013	2014	2015	2016	Dynamics +/- 2016 to	
									2015	2007
<b>About political life</b>										
In the country	Enough	50.8	45.6	52.1	42.2	42.5	45.2	48.0	+3	-3
	Not enough	25.0	29.8	24.5	29.4	26.5	25.4	24.1	-1	-1
In the oblast	Enough	49.7	43.9	49.6	40.5	39.9	40.2	42.9	+3	-7
	Not enough	28.4	32.3	27.7	31.8	29.2	31.8	30.8	-1	+2
In your city, town/district	Enough	47.7	41.9	48.8	39.4	37.9	40.3	42.5	+2	-5
	Not enough	30.3	33.5	28.4	33.9	31.7	32.3	33.4	+1	+3
<b>About economic life</b>										
In the country	Enough	47.0	43.0	47.1	40.0	41.3	38.1	39.8	+2	-7
	Not enough	28.5	31.7	28.7	32.5	28.5	32.3	31.6	-1	+3
In the oblast	Enough	46.4	39.9	44.0	37.8	37.9	34.5	36.7	+2	-10
	Not enough	30.4	36.3	32.8	35.4	31.8	36.4	35.7	-1	+5
In your city, town/district	Enough	45.7	38.8	42.3	36.3	37.1	35.1	35.8	+1	-10
	Not enough	31.5	35.8	34.2	37.2	33.7	36.5	39.1	+3	+8

Source: ISED T RAS public opinion monitoring.

Table 10. Proportion of respondents who believe that the mass media play a positive role in the life of the country, in different socio-demographic groups (% of the number of respondents)\*

Population group	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Dynamics +/- 2016 to	
																2015	2002
<b>Sex</b>																	
Men	59.0	63.1	60.3	58.8	60.1	62.1	66.0	68.2	60.6	50.5	52.7	52.8	58.0	56.9	56.5	0	-3
Women	54.7	60.6	59.8	57.1	65.0	61.5	62.1	66.9	59.8	53.6	57.6	54.2	57.4	56.7	58.8	+2	+4
<b>Age</b>																	
Under 30	67.4	71.3	66.8	63.2	70.6	64.4	68.2	68.7	64.7	55.7	56.7	53.2	56.2	58.0	54.7	-3	-13
30-55	51.9	60.2	60.8	57.3	61.0	61.2	63.4	67.8	59.3	51.7	56.4	55.5	58.5	57.7	57.8	0	+6
Over 55	54.2	54.7	52.2	54.6	59.2	60.3	60.6	66.0	57.6	50.0	52.7	51.0	57.4	54.7	59.4	+5	+5
<b>Education</b>																	
Secondary and incomplete secondary	55.9	63.7	58.3	55.7	61.4	60.6	60.8	63.1	57.8	47.9	50.0	49.7	51.9	51.5	55.3	+4	-1
Secondary vocational	57.6	63.0	61.6	57.1	59.7	61.2	65.6	70.3	59.2	52.9	57.6	54.4	58.4	56.6	60.1	+4	+3
Higher and incomplete higher	55.9	57.7	60.0	61.3	67.5	63.9	65.5	69.7	63.4	55.5	58.2	57.3	63.3	62.3	58.3	-4	+2
<b>Income groups</b>																	
20% of the poorest people	47.9	61.6	57.5	48.5	48.5	48.3	54.9	57.1	52.9	44.1	45.4	45.1	43.9	33.1	49.2	+16	+1
60% of the people with median income	55.6	61.5	61.9	58.8	63.8	59.8	65.6	69.8	59.9	53.7	57.4	56.1	60.7	60.5	57.7	-3	+2
20% of the most prosperous people	63.2	63.0	63.1	74.1	74.7	80.0	67.7	76.3	69.4	59.6	63.6	64.0	72.3	73.6	70.2	-3	+7
<b>Territories</b>																	
Vologda	57.9	73.9	62.6	58.2	74.5	63.5	62.0	69.6	68.3	54.1	63.1	53.9	61.9	67.2	55.0	-12	-3
Cherepovets	51.6	52.0	72.6	71.0	73.4	75.4	70.8	79.4	72.9	62.4	64.8	69.3	69.7	71.4	68.9	-3	+17
Districts	58.4	60.6	52.8	51.5	52.3	54.3	61.2	60.6	49.9	46.2	47.1	44.7	48.7	42.5	52.9	+10	-6
Oblast	56.5	61.6	60.0	57.9	62.8	61.8	63.8	67.5	60.1	52.2	55.4	53.6	57.7	56.8	57.8	+1	+1

\* Included in the survey since 2002.

Source: ISED T RAS public opinion monitoring.

However, the trust in the mass media is declining, and this is particularly noticeable in the group of people over 55 years of age (in 2000–2016 – by 9 p.p., from 32 to 23%), among people with secondary and incomplete secondary education (by

14 p.p., from 34 to 20%), among 20% of the poorest (by 12 p.p., from 29 to 17%), among the residents of districts (by 18 p.p., from 35 to 17%) – in short, among the socially vulnerable categories of the population (*Tab. 11*).

Table 11. Proportion of respondents who trust the mass media, in various socio-demographic groups (% of the number of respondents)

Population group	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Dynamics +/- 2016 to	
																		2015	2000
<b>Sex</b>																			
Men	33.4	31.0	22.1	31.6	27.5	32.1	30.0	25.6	34.3	27.8	27.6	25.4	28.9	27.7	24.4	25.4	23.7	-2	-10
Women	33.4	28.6	21.3	32.0	27.2	29.0	31.8	29.1	36.0	29.4	30.5	31.2	30.0	32.1	30.8	27.5	27.3	0	-6
<b>Age</b>																			
Under 30	36.6	31.5	26.5	37.2	30.0	36.9	35.7	28.2	36.1	30.5	28.5	31.4	31.4	30.5	25.9	27.2	28.2	+1	-8
30-55	32.6	29.3	18.8	28.9	27.1	30.4	28.9	29.4	34.8	28.7	28.1	27.6	28.2	29.2	26.9	26.5	26.4	0	-6
Over 55	31.9	28.0	22.8	33.1	25.0	24.9	30.5	23.6	34.9	27.0	31.5	28.0	30.0	31.3	30.9	26.3	23.3	-3	-9
<b>Education</b>																			
Secondary and incomplete secondary	34.2	28.8	18.9	29.0	24.6	29.6	25.4	24.5	29.5	25.9	23.9	26.6	24.7	24.5	25.7	20.3	20.3	0	-14
Secondary vocational	33.0	29.1	21.2	34.0	27.8	28.6	29.8	27.4	37.5	28.3	31.2	27.6	30.6	32.8	26.7	27.7	27.1	-1	-6
Higher and incomplete higher	33.8	31.5	25.0	32.4	30.0	33.6	38.6	31.2	39.9	32.0	32.5	32.2	32.9	33.7	32.0	32.7	29.9	-3	-4
<b>Income groups</b>																			
20% of the poorest people	29.0	30.7	15.1	28.5	19.9	30.2	18.8	23.6	27.2	21.0	18.9	23.5	19.6	20.3	17.8	12.2	17.0	+5	-12
60% of the people with median income	35.1	28.3	22.5	36.1	29.9	30.7	31.3	29.3	38.5	29.6	30.9	29.9	31.4	33.7	28.9	28.0	26.4	-2	-9
20% of the most prosperous people	35.1	34.2	26.2	32.3	33.1	34.2	45.9	34.0	40.6	35.8	34.7	34.4	32.2	32.3	33.0	40.1	32.0	-8	-3
<b>Territories</b>																			
Vologda	41.0	31.0	27.8	42.5	26.7	33.0	42.6	24.5	35.4	31.9	34.7	33.8	32.2	27.8	28.6	26.9	30.9	+4	-10
Cherepovets	24.3	18.9	21.8	27.2	25.5	30.1	33.7	38.7	42.6	41.0	35.6	35.2	34.2	37.2	36.9	43.6	36.5	-7	+12
Districts	34.5	34.5	18.7	29.3	28.5	29.3	24.4	23.3	31.4	21.2	23.4	22.9	26.0	27.4	22.7	16.9	16.5	0	-18
Oblast	33.4	29.6	21.6	31.8	27.3	30.4	31.0	27.5	35.2	28.7	29.2	28.7	29.5	30.1	28.0	26.6	25.7	-1	-8
Source: ISED T RAS public opinion monitoring.																			

Thus, according to the results of the analysis of assessments of public opinion (noted by ISED T RAS and IS RAS) not only at the level of the Vologda Oblast, but also nationwide: “not positive but real” – this should be the motto of modern mass media. And this is especially relevant at the regional level, which (on the background of erratically developing world events) was somehow forgotten. Nevertheless, before and after the events connected with the Ukrainian and Syrian conflicts, people have lived and are living in a specific region and specific municipality. Their main concern is not war, or Meldonium, which, perhaps, are the number one topic for discussion, but only during the “kitchen table talk”. In reality, people care about how to take their children to kindergarten, how long the prices in stores will be increasing, etc. **“There is one constant key driver of public opinion: it is not the events in the Kremlin, or a political campaign, or a war in Syria, Libya, or the Fukushima nuclear disaster, or the events in neighboring countries – all this is secondary. The key driver is called “prices”, since each person not only depends on them, but deals with it in everyday life” [19].** And one should bear this in mind when embarking on the task of consolidating the society and government.

Consistently low level of social tension (according to ISED T RAS data, it was 19–21% in 2007–2016) largely resulting from the

effects of the mass media on the public consciousness is a good cause. But its reverse side is the decline of trust in the media, one of the main means of communication between the state and society.

No matter how strong the ideological “nutrition” of society has been after the events of the “Crimean spring”, economic issues start to prevail. What was the unifying basis of the Russian society in 2014 and what was theoretically supposed to serve as the basis for its further development for many years, is coming to naught. This is noted by experts [18], and this is indicated by the results of sociological studies. So, after an upsurge of consolidation sentiment in the society in 2014, in 2016 there was a decrease in the proportion of people who believe that “today there is more harmony and unity than dissent and disunity in the country” (by 7 p.p., from 29 to 22%); there was a decrease in the proportion of those who are “willing to unite for the implementation of common ideas and interests” (by 12 p.p., from 55 to 38%; *Tab. 12*).

Just as ignorance of the law is no excuse, “peaceful ignorance” does not exempt from the hardships of life. And, given the downward trend of trust in the “fourth estate” among the population, one should think: what next? Of course, we are not talking about the need to escalate the psychological situation and regularly report the failures of the Russian economy. The idea is to cover the situation



Table 12. Indicators characterizing the dynamics of social consolidation in society (% of the number of respondents)\*

Answer	2011	2013	2014	2015	2016	Dynamics +/- 2015 to	
						2015	2011
Proportion of people who believe that “today there is more harmony and unity than dissent and disunity in the country”	14.2	14.1	28.9	22.0	21.6	0	+8
Proportion of people who are “willing to unite for the common actions if their ideas and interests coincide”	47.1	43	54.6	50.6	38.3	-12	+4
* Included in the survey since 2011. Source: ISEDТ RAS public opinion monitoring.							

in the country and the regions objectively, reliably and comprehensively, giving people a choice of different points of view, including those connected with the recovery from the economic crisis (especially since there are suggestions from the experts in this regard [5, 8, 25]). The idea is to pay attention not only to long-term economic projects that bring millions of US dollars to Russia (or, to be more specific, to domestic corporations), but also to highlight the real problems in those areas with which people come into contact in everyday life – health, education, etc.

In June 2016 at the New Era of Journalism: Farewell to Mainstream international media forum Russian President Vladimir Putin clearly stated the purpose of modern mass media: “In the modern world, with information technologies developing so rapidly, your most important job remains to achieve information integrity and truthfulness, and as I said earlier, unbiased reporting. These are the most important things.... Information should be objective in every respect and not be subjected to any repressive action or tampered

with” [35]. We cannot doubt the strategic vision of the head of state, and, perhaps, the mission of the “fourth estate” outlined by the President is the main condition for the prevention of social shocks and provision of national security.

Thus, at present, when events at the global level are developing with turbulence and fluctuation of the spiritual and moral foundations of civilizations, in order to ensure national security it is vital to maintain adequate social perception of reality among the general public. It is especially important to do in Russia, as it is one of the main participants of geopolitical competition and the hybrid warfare, which involves most countries of the world. In implementing this task, the key role belongs to the media, because, in our opinion, is the main mechanism of interaction between authorities and society. Here we speak not only about communicating to the public the objective information about the development of political and economic events, but also about maintaining spiritual, moral, and

ideological core – the foundation of our national identity and a strategic advantage of Russia in the geopolitical struggle. The distortion of the objective social reality, as shown by the results of the study, carries comprehensive consequences including those

in the economic sphere. And while the ruling elites do not see or just ignore this aspect of modern life, it is difficult to talk about positive strategic plans of Russia (primarily in ensuring effective interaction between government and society).

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Received November 21, 2016.



# SOCIAL DEVELOPMENT

DOI: 10.15838/esc.2017.1.49.6

UDC 316.4; LBC 60.524

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## Civil Online Examination of the Work of Regional Management Systems in the Context of Socio-Cultural Modernization Processes in the Region\*



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\* The article is prepared with financial support of the Russian Science Foundation grant no. 15-18-30077 "Civil examination of vertical power structure reformation in the context of socio-cultural modernization processes in the region: from monitoring of state to forecast design". Project supervisor – Doctor of Sociology, Professor A.V. Tikhonov.

**For citation:** Tikhonov A.V., Bogdanov V.S., Guseinova K.E. Civil online examination of the work of regional management systems in the context of socio-cultural modernization processes in the region. *Economic and Social Changes: Facts, Trends, Forecast*, 2017, vol. 10, no. 1, pp. 101-123. DOI: 10.15838/esc.2017.1.49.6

**Abstract.** The study is part of a hybrid methodology that combines field and remote methods for collecting primary sociological data. The goal of the study is to verify and show the capabilities of expert online survey in studying the issues of reforming the power and management hierarchy in conjunction with the data from official sources, representative field survey, content analysis of the regional media and online studying of network communities in regions with different levels of socio-cultural modernization, which are used as a whole in the study under a Russian Science Foundation grant. The paper presents summarized results of the initial stage (in four out of twelve regions of the Russian Federation) of this study aimed to obtain representative data on the work of government and management authorities in the context of socio-cultural modernization in individual regions, to identify relations that affect the functionality of regional administration systems, which determine the nature and level of their development, and the ability of regional power and management vertical to effectively solve socio-economic problems. The authors pay attention to the question of methodological verification of expert opinions in the framework of comparing the data of socio-economic and socio-political ratings; the question is raised concerning the necessity of development and introduction of technology of communicative feedback between government and management authorities and the public. The main source of empirical data used in the article is the expert online survey conducted with the participation of the authors in 2015, one more source is the data on socio-economic and socio-political ratings of development of Russian regions in this period. The work, as part of a general research under the RSF grant, taking into account the published preliminary data, continued in the remaining eight regions in 2016–2017. The generalized scientific results are planned to be presented at the final international conference in October 2017.

**Key words:** regional government systems, socio-cultural modernization in regions expert online survey.

### Introduction

The problem set by the authors in the framework of the research under the Russian Science Foundation grant “Civil examination of vertical power structure reformation in the context of socio-cultural modernization processes in the region: from monitoring of state to forecast design” is part of the global discourse in geopolitics and geo-economics regarding the collapse of the neoliberal globalization project (in the spirit of F. Fukuyama [18]) and the search for new ways

of world order organization based on new regionalization of countries and peoples, new global balance of socio-political forces, which became especially evident after the victory of D. Trump at the presidential election in the United States. I. Wallerstein [3], a well-known sociologist considers that the Russian semi-periphery economy should move towards merging with the core of the world system (USA, EU, Japan), while British Academy academician David Line [8] holds the opposite view. In particular, he claims that

the most viable would be building regional integration such as the Eurasian Economic Union in cooperation with SCO and BRICS. The author state what has already become a strategy of Russia's development in recent years, although it should be noted that first publications of this kind appeared back in 2000. Today these prospects of geopolitical development must be treated with caution. Against the background of current global events, Russians continue heated discussions concerning the specificity of transformation processes in the Russian society. First of all, works by S. Kirdina ("institutional matrices" [21]), O.E. Bessonova (on "distribution economy" [2]), S.G. Kordonskii (on "class structure of the post-Soviet Russia" [7]), M.F. Chernysh ("class institutions, mobility and social justice" [19]). They also include the article by O.I. Shkaratan, V.V. Radaev (on "etacratic Russian society" [16]), Yu.S. Pivovarov and A.I. Fursov (on "the Russians' attitude to public and private property" [15]). However, A.I. Lipkin disagrees, claiming that in order to assess transformation processes in modern Russia it is reasonable to use the theory of interpenetration of two models of social organization: "writ", based on a centralized mechanism of population mobilization to overcoming external and internal threats, and "contractual", based on the principles of "social contract" by Hobbes and Locke [13]. In fact, in theoretical terms, the views of all authors are quite interesting; nevertheless, it is important to learn how

to match the scale of theorification and the possibility of empirical verification of certain hypotheses. The greatest potential in this context belongs to anthroposocietal approach in general sociology proved by N.I. Lapin, which considers a human is considered as social subject whose activities are comparable to the actions of social institutions [10]. This subject does not only internalize social conventions and values, but also affects their components according to current needs and interests amid continuous increase (due to scientific and technological progress) in resource availability of both group and individual activity. This approach helps better understand and, most important, empirically examine real and potential trends of Russian society transformation in the historically given circumstances (see "Socio-cultural evolution in Russia and its regions" [10]). The logic of such transformation is revealed in the analysis of theoretically identified inversion pairs of the ongoing processes such as: crisis (recession) – recovery, extensive – intensive (development), confrontation – concord, mobility – stability, control – turbulence, etc. According to this logic, the vertical power structure itself is a real compromise between "writ" and "contractual" models of social organization, between the so-called vertical and horizontal organization and self-organization. Any reforms are also compromises between instrumental results and the social stability of the society, starting with the ruling elite. If the reforms are unilateral they will inevitably give

rise to counter-reforms, which inadvertently takes our country's development back to the old "Manichean" circles: from the Reds to the Whites, from the leftists to the rightists, from antiquity to innovation and back. In this regard, the mechanisms of coordination—mismatch of positions of the opposing parties should be considered in depth and brought to constructive solutions. This issue was raised in the works of P. Sorokin [17], A. Akhiezer [1] and is being developed nowadays by A.P. Davydov [5] as a problem of social and cultural transformation through formation of "middle" socio-mental groups. The hypothesis is as follows: the existence in our society of constantly opposing camps of pro- and anti-reform factions is a consequence of historically developed socio-cultural split, to which we are accustomed to and traditionally try to solve new problems in an old-fashioned way: by destroying the opponents, naïve to believe that the good and just society will soon come, as soon as we kill the last opponent. The fact that the state of mentality inevitably leads to tragic disasters has been repeatedly mentioned in the works of Russian scientists (A. Yanov, I. Klyamkin [1], I. Yakovenko, I. Kondakov, V. Mezhuev, I. Ionov, V. Fedotova and A.P. Davydov). The esteemed authors have never associated the solution of the emerging acute opposition problems, starting from the time of struggle of the Westernizers and Slavophiles, with the changes in the vertical power structure functioning. Perhaps this is why the problem

of future formation of "middle" culture in Russia is part of protracted cultural debate and does not reach the empirical stage. The unit of measurement used in the conceptual framework of the present study is groups of respondents connected by different relations towards one and the same subject – to the actions of a specific power structure aimed at considering the content of the objective both as a problem of governance and a problem of coordinating their actions with conflicting interests of actors with joint life and activities. The authors call this unit 'socio-mental triplex' (lat. triplex – triplicity, triple). Mentality (lat. mentalis – mental) is referred to as a complex of the way thinking, moral attitudes and emotional moods, which defines the way of making decisions in the presence of alternatives. It is known that people can differ from each other in many social indicators (sex, age, education, social status) but the differences in mentality often force them to opposite sides. Sociologists know that the behavior in particular circumstances is determined by the theorem of W. Thomas (Thomas Theorem) [22] which, however, does not consider that social reality is not directly explicated by our consciousness, but indirectly, through agreement or disagreement with the others. The logic of "either—or" forms a kind of "static thinking dictatorship" (A.P. Davydov [5]), "fixes" our thinking on one of the opposite sides; the logic of development is reflected in the establishment (opening) of new meanings through creative

search for alternative positions in the conditional middle. The present research project helps recalibrate this very important and interesting debate to sociological dimensions and technology of socio-forecast design. It is a step, though very small, forward not only in management sociology, but in socio-humanitarian knowledge and cognition in general.

When speaking about a specific project objective, the most important is diagnostics of vertical power structure operability in specific historical conditions and forecast of recovery process manageability based on explication of the structure and content of assessment of governing body performance from the point of view of various population groups and experts. Diagnostics is literally understood as a procedure for determining the degree of support from people and experts of a vertical power structure's ability to successfully implement its functions. Hence its name – “civil” or, which is the same, social. Various population groups are reviewed not only in ranked electoral terms (sex, age, education, etc.), but also from the standpoint of place and role of social groups on the scale of socio-cultural modernization [11].

In the context of the stated objective a number of sub-objectives are implemented:

1. Conceptual and methodological – to test the diagnostics ability of the population's assessment of a vertical power structure based on the use of a full dispositional scale: proponents – “median segment” – opponents.

2. Analytical – to determine the socio-semantic content of the relations between governance bodies and administration on the one hand, and the population on the other, depending on the nature of social and political problems solved in the country and its regions.

3. Research – to determine the degree of social sensitivity of different population groups to the authorities and management bodies' overcoming of external and internal threats to survival and development of the country and its regions. This is possible by results of sociological measurements obtained at the previous pre-project stage of the research.

4. Expert – based on social diagnostics of pros and cons of functioning of a vertical power structure, to conduct expert analysis starting from the level of “development” of separate management systems and finishing with the prospects for radical reformation of the sector considering the regions' socio-cultural characteristics.

5. Methodological – the use of cognitive opportunities (for monitoring the vertical power structure) of a statistical model of population reproduction exchange balance (A.V. Zhavoronkov), a new measurement tool of the level and quality of population's sensitivity concerning the work of management and administration bodies (A.V. Tikhonov's “triplex analysis”), as well as methods of combining field and distance methods of collecting initial data (V.S. Bogdanov).



This article deals with the implementation of the fourth level of sub-objectives of the overall study – on expert knowledge acquisition.

**On the methodology of the overall study and online expert evaluation as part of it**

The IS RAS Center for Management Sociology and Social Technology, develops and widely uses the methodology of management issues distance research thus testing knowledge-oriented procedures which help acquire initial (background) information about the activities of management units of all levels of vertical power structure functioning on a contactless (network) basis. This work currently continues in the framework of the Russian Science Foundation research grant no. 15-18-30077. The present study involves the whole methodological set hybrid methods:

- population survey
- expert online-survey
- online media content analysis,
- social networks analysis
- texts and documents analysis
- electronic respondent method (a modernized method of content analysis, the study websites and electronic documents).

The authors expect that these methods and techniques will help obtain the desired results in accordance with the set purposes and objectives of the research project, identify and analyze the attitude of different population groups and experts to the current state and prospects of domestic management

system development at its various levels and evaluate the potential of reforming the vertical power structure in response to external and internal challenges and threats.

*The purpose for the expert online-survey, the results of which are presented in the article, is to acquire additional data on current social and economic conditions in the regions, as well as on the extent and nature of their management system development, their ability to ensure the territory's modernization and development.*

The research sets the following objectives of the online-survey:

- *scientific*, which implies theoretical and methodological justification of acquiring and applying expert knowledge in the framework of comprehensive diagnostic research of current issues of the vertical power structure functioning, including regional and local levels of governance;
  - *methodological*: justification, development and testing of methods of online data collection, processing and analysis of expert information suitable for the explanation of the necessary and sufficient socio-cultural conditions of optimal management system organization;
  - *practical*: acquisition of the missing data on the state and prospects of regions' modernization (industrial and informational) development, their use for further development and adjustment of management strategies, development of appropriate communication technology.



### **Method of initial information collection**

In order to obtain expert evaluation on the issues of dynamic social and cultural management processes in the regions, the authors selected the method online expert survey, which is a synthesis of expert survey of officials and representatives of professional groups with the availability of interactive services for collection and processing of initial information.

The electronic online questionnaire of the expert survey was developed on the basis of a working questionnaire draft, consolidated by experts with other tools (mass survey, media analysis, social network analysis), as well as on gathering benchmark information in the framework of the overall study, and consisted of the following semantic structural units:

1. The appeal of the research group (announcement of the study: goals, objectives, expected results, experts' motivation).
2. Instructions for completing online questionnaires.
3. Introduction to the information card of a particular region, compiled on the basis of official Rosstat data and portals of regional governments.
4. A few general issues about the situation in the region.
5. The situation in the city (settlement) where you live.
6. Evaluation of the governance system in the region.
7. Information about yourself.

The web-architecture of the expert questionnaire was developed with the assistance of a specialized online service – distance research support and development designer SURVEYMONKEY.NET, in which the main research performers could track online the process of expert questionnaire completion and their entrance to the public database; and take action on controlling the engagement of the necessary experts from specific regions and population groups.

Prior to the launch of the electronic announcement of the online survey, the pilot study was conducted, which was attended by 10 people from different regions (“snowball” sampling – the experts were selected on the basis of personal contacts, of the research coordinators) with Internet skills and the understanding of the essence of governance.

The respondents evaluated the form and content of the letter of appeal, determined the dynamic electronic questionnaire functioning: access and visual perception, interface, content and structure.

As a result of distance pilot survey the authors conducted residual work to optimize and streamline the design, structure, form and content of the questionnaire. Thus, the process of the development and testing of the online questionnaire included specific technical, methodical and instrumental procedures, during which an interim version of the electronic questionnaire was developed: the layout of the online expert survey; the data

model, the correlation between the entities; preparation of user-friendly interfaces of the e-questionnaire in terms of completion effectiveness and acquiring the most valid data.

*Preliminary results and evaluation of instrument validity*

As a result of applying the method of online expert survey combined with the measures of effective control through telecommunication of the database formation and experts' engagement in the process of completing electronic questionnaires, valid data have been collected which included 206 expert questionnaires with 240 viewing of the online questionnaire and 50 experts from each region. In general, database on 325 experts has been compiled and processed: 63.5% (206 experts) gave qualitative answers to open questions.

The validity of the obtained data is confirmed by professional and managerial characteristics of the experts' competence.

95% of experts indicated that they use Internet every day. In turn, this eliminated doubts about the technical difficulties and barriers which could arise when completing the questionnaires and adversely affect their quality.

**Selection of pilot regions**

The first stage of the research was carried out in 4 pilot territories out of 12 selected according to N.I. Lapin's regional socio-cultural modernization rating [10] (*Tab. 1*).

200 expert questionnaires were collected in these regions according to the 10 quota groups with the total of 50 interviews in one constituent entity of the Russian Federation. The following quota groups have been distinguished:

1. Directors and deputy directors of consulting agencies, agencies for strategic development, independent institutions of regional development, municipal units and similar advisory and management organizations.

Table 1. Constituent entities of the Russian Federation (regions) which participated in the research (in points)

№	Region	Status of a region	Federal District	Economic region	Geographical zone	Level of socio-cultural modernization (in points)*
1.	Moscow Oblast	Oblast	Central	Central	Temperate	6
2.	Republic of Bashkortostan	Republic	Volga	Ural	Temperate	3
3.	Belgorod Oblast	Oblast	Central	Central Black Earth	Temperate	2
4.	Republic of Kalmykia	Republic	Southern	Volga	South	1

\* For more detail on the system of evaluation of the regional socio-cultural modernization system see: Lapin N.I., Belyaeva L.A. *Programma i tipovoi instrumentarii "Sotsiokulturnyi portret regiona Rossii"* (Modifikatsiya – 2010) [Program and standard tools "Socio-cultural portrait of the region" (Modification – 2010)]. Moscow: IF RAN, 2010. 111 p.

2. Representatives of public organizations.

3. Directors and deputy directors of research organizations.

4. Administration of universities and other educational institutions.

5. Management of industrial organizations (large enterprises and plants).

6. Representatives of business and construction (director, deputy director).

7. Representatives of commerce (owners of shops and salons, etc.).

8. Political leaders (MPs, politicians).

9. Representatives of the environmental community (experts, heads of environmental industries and organizations).

10. Representatives and officers of regional and local government (deputy heads, heads of departments, heads of divisions).

In September – November, 2015 work has been performed on the formation and validation of a unique database (DB) of regional expert-managers (325 contacts have been collected) with the following grounds for its development:

– *the experts' geographical origin* according to the selection of 4 pilot regions: republics of Bashkortostan and Kalmykia, Belgorod and Moscow oblasts;

– *the experts' spheres of activity* in specific areas of production and non-production activity;

– *the experts' status characteristics*, implying either a senior position in an organization/enterprise, or employment as

an expert/specialist in a particular sphere (environmentalists, politicians, MPs, management consultants).

Recruiting was done by regional coordinators through personal connections with particular people, as well as through the search and establishment of communication using the contacts from public sources (official websites of companies and organizations, telephone directories).

As a result, 207 questionnaires were collected, data from which were verified by the selected expert selection criteria (geographical origin, sphere of activity and status characteristics) and a good informational content of the experts' responses in open questions.

The generalized results of the online expert survey and will be reviewed further. The authors not turn to the description of the socio-status image of the experts the procedure for verification of some estimates through their comparison with socio-economic and socio-political regional ratings.

#### **The expert's socio-status image**

The first thing to mention is the validity of the obtained data. It is confirmed by the recorded professional and managerial characteristics of experts' competence. The majority of respondents have management experience – 84%, of which 44% are or were managers of an enterprise, organization, company. 21% of respondents have experience in working in regional and municipal governments. 26% hold or held senior

positions in public authorities and local self-government, 48% acted as mid- and lower-level managers in production.

Most experts refer to the 71% of those who are today top, mid- or lower-level managers (28% and 43%), almost 70% of them consider their management experience as generally successful (*Tab. 2 and 3*).

In general, a large number of experts have higher education and an academic degree: 77.1% – higher education, 18.9% – Doctors of Philosophy, 5.8% – Doctors of Science. These indicators certainly ensure balanced expert assessments in accordance with their skill level.

Speaking of sector profile, the appeal to participate in the research was more willingly responded by the representatives of regional science, education and culture (39%). The

shares of those heads and specialists of production and non-production organizations are almost equal (26%), as well as employees of institutions and companies responsible for the maintenance and development of regional infrastructure (25%). Regulatory and administrative authorities, as well as law enforcement authorities are presented to a lesser extent – 14%.

It is interesting to note that the expert groups are practically equal in terms of gender – 54% are men and 46% – women. Both have a fairly high level of social activity (59.4%) – engagement in public activity (political, charity, religious, etc.). Moreover, 72% of respondents have specific suggestions for regional authorities in terms of improving the regional management system or changing it radically.

Table 2. Level of experts' liability, %

Liability level	Number
Top manager	<b>28</b>
Mid- and lower-level manager	<b>43</b>
Practitioners	28
Total	100

Table 3. Expert evaluation of personal leadership experience according to the liability level, %

Liability level	The expert evaluates his/her management experience, %					
	Successful	Rather successful than unsuccessful	Rather unsuccessful than successful	Unsuccessful	No experience	No answer
Top manager	33	67	-	-	-	-
Mid- and lower-level manager	22	65	-	-	-	12
Practitioners	7	28	2	2	55	6
<b>Total of 100%</b>	<b>21</b>	<b>56</b>	1	1	15	6

A vast majority of experts (95%) mentioned their high level of involvement in the processes of informatization, including daily use of Internet access. In turn, this eliminated doubts about the technical difficulties and barriers which could arise when completing the questionnaires and adversely affect their quality.

#### **Generalized scientific and methodological results of the online expert survey of regional management system development**

The authors showed basic socio-demographic and managerial characteristics of the experts, and hope that they can now refer to the validity of the received data. Based on this, they make meaningful conclusions about the performance of government and management authorities in the context of sociocultural modernization in regions, particularly in terms of style, type and level of regional management system development, as well as their ability to solve the problems of territory's modernization in the context of objectives of socio-cultural development.

Considering the assessment of management styles (collegial, authoritarian, clan-based and liberal types have been considered), it has been confirmed that vertical power structure formation is rigorous – the dependence of regional authorities on the centre, which is called “de rigore juris” subordination, on Federal authorities. The Belgorod Oblast (68%), the Republic of Bashkortostan (37%) and the Moscow Oblast (31%) are to a greater submitted to big capital. The Republic of Kalmykia does

not demonstrate such trend due to very low business activity in the region: about 50% of experts note that regional authorities do not rely on big business; 11% were undecided.

Regarding the involvement of the population in the processes of regional governance, only in the Belgorod Oblast 1/3 of experts note that municipal authorities consider the opinion of urban (28%) and rural (40%) population. In other regions, this practice is either not observed or is not very common.

Next, the experts were invited to evaluate the work of management staff in their regions compared to the pre-crisis levels in 2013. As a result, the authors found out that the system of regional management has not changed much, the government still dominates the management, the real control is on the fringes of attention. The authors' data (*Tab. 4 and 5*) obtained on the basis of experts' assessments of execution of traditional management functions confirm the low level of management system development in general. Their activities are not aimed at arraying actual management functions in solving socially significant issues and preparing preliminary forecasts for reducing the uncertainty in such decisions, but at reporting the results to a higher level in the power structure and planning and control the activity of their institutions. On this basis, it should be noted that the quality of regional management system performance is also low, at least taking into account the fact that the experts consider the needs and demands

Table 4. Distribution of evaluations of traditional management functions performance in regions  
(in average points from the average value on a 95% interval;  
 $n_{\text{respondents}} = 207$ , where 1 – “poor”, 2 – “satisfactory”, 3 – “good”)

Option	N	Average
Reporting on the results to superior authorities	177	2.3842
Execution control from superior authorities	179	2.2905
Decision-making management	181	2.1215
Planning in all management levels	178	2.1067
Decision execution discipline	183	2.0820
Expert research for studying problem situation	174	2.0057
Making preliminary forecasts for reducing uncertainty	171	1.9181
Reporting the results to the population	193	1.8342

Table 5. Distribution of evaluations of regional management system performance  
quality (in average points from the average value on a 95% interval;  
 $n_{\text{respondents}} = 207$ , where 1 – “poor”, 2 – “satisfactory”, 3 – “good”)

Option	N	Average
Ability to report to superior authorities	178	2.6629
Administration competence	189	2.2646
Administration's strategic thinking	186	2.2419
Flexibility, ability to adapt to the changing environment	183	2.1749
Ability to convince and mobilize people to solving common objectives	187	2.0267
Ability to find nonstandard solutions in crisis situations	177	1.8249
Priority of people's needs and demands in any situation	189	1.7407

of ordinary people in the activities of local government and management authorities the least important. A more objective comparison of regions by selected criteria of functionality and quality of regional management system performance is presented later in a set of 12 regions selected in the framework of the overall study.

The degree of development of regional management systems from the point of view of solving social issues in the regions is fixed through the authorities' ability to solve basic local problems.

When considering integrated assessments of issues, the authors relate to the correlation between the most negative indicators and the futility of their addressing by the authorities. Thus, the situation with addressing the most important issues of regional residents' life support and functioning is the least favorable. These are health and medical care, the issue of labor and employment (*Tab. 6*). They are aggravated by lack of rational systematic management and future development of territories. The experts most negatively assess the process of solving issues compared to others.



Table 6. Integrated expert assessment regarding issues and activities of authorities in 4 pilot regions (in average points from the average value on a 95% interval;  $n_{\text{respondents}} = 207$ , where 1 – “critical”, 2 – “satisfactory”, 3 – “good”)

Region	Issue of labor and employment	Population's financial means	Issue of population's health	Issue of population's socialization	Infrastructure support in a region	Horizontal social relations between population groups	Vertical social relations between population groups	Issue of territory development prospects
Republic of Bashkortostan	1.7400	1.9400	1.5714	1.8600	1.9592	2.0208	1.9600	1.9574
Republic of Kalmykia	1.9818	2.0370	1.6364	2.0364	1.7347	2.2037	2.1091	1.7647
Belgorod Oblast	2.0200	2.0000	1.8000	2.0600	2.1556	1.8936	2.1400	2.0851
Moscow Oblast	2.0385	2.2115	1.6731	1.9615	2.1111	1.9388	1.9615	2.1136
Total	1.9469	2.0485	1.6667	1.9807	1.9840	2.0202	2.0435	1.9735

A more detailed differentiation of issues in terms of correlation of their state with regional identity confirms the authors' conclusion about Bashkortostan and Kalmykia being underdeveloped regions among the pilot areas under review. Health issues are the most critical in Bashkortostan and Kalmykia, as evidenced by expert opinions of these republics. The expert also give lowest points to the authorities for the maintenance of the regional health system. The same situation can be observed in labor market and stable employment management. The authorities of the Moscow and Belgorod oblasts received the most satisfactory evaluations in terms of addressing the issues. In fact, these data reflect the development prospects of modern management systems in the regions under review, where regional business is more or less developed and the authorities establish satisfactory communication channels with the population.


In current conditions, which are not favorable enough for a modernization breakthrough as an optimal tool of social and cultural development of territories, the experts have been asked to assess their potential level of technical and technological (industrial and information) modernization relying on the scale of socio-cultural modernization developed by N.I. Lapin and L.A. Belyaeva. The integral assessment of the modernization level is an aggregate indicator of many factors for making a socio-cultural image of a specific region, which, in turn, is based on the *10 major problem blocks* (1. Region as a socio-cultural community. 2. Population and settlements. 3. Population's social well-being. 4. Population's cultural potential and capital. 5. Labor motivation and economic activity. 6. Standard of living, quality of living. 7. Social stratification and mobility. 8. Facts of innovation activity. 9. Public order and administrative offences. 10. State

and municipal management) and the *quality of 4 modernization components (technical and technological* – transition to a new technological structure/structures; **socio-economic** – change in the proportions of the main sectors of the economy as “immersed in the society” and adapting to its rules and functions without losing its particular characteristics; **socio-cultural** – includes a set of social and cultural changes; **institutional and regulatory** – changes in regulatory institutions, i.e. formal and informal rules of action for individuals and organizations in economic, political and public sphere) [12, p. 5]. But the authors focused on the first component. It has been researched for a long time in terms of integration and measurement of modernization processes by a Chinese scientist He Chuanqi, who proposed a general theory of modernization as a civilizational

process [20] and together with the Chinese Research Center developed a unique tool for studying the indices of two modernization stages – industrial and informational (including the integrated index of both stages based on international statistics). Since N.I. Lapin adapted this scale to studying the conditions of the Russian sociality, the authors tried to compare the aggregate ranking index of socio-cultural modernization of regions with expert estimates.

As a result, an interesting correlation has been revealed. The regions in the range of 2–6 points on the Lapin’s scale have more sustainable and well-organized management system. Experts from these regions note a high level of industrial and early information modernization (*Tab. 7*). *A region with critical values – 1 point – has the most deformed management system; expert evaluations*

Table 7. Level of technical and technological (industrial and informational) modernization of a region according to the expert survey. Level of modernization development of a region by integral indicators of the research of the regions’ socio-cultural characteristics

Level of the region’s modernization development by integral indicators of the research of the regions’ socio-cultural characteristics (N.I. Lapin)	Level of technical and technological (industrial and informational) modernization of a region according to the expert survey (in average points from the average value on a 95% interval; $n_{\text{respondents}} = 207$ , from the 1st to the 6th level)					
	1. We are at the very beginning of the industrial modernization	2. We are somewhere in the middle of industrial modernization	3. We are at the stage of industrial maturity	4. We are, along with the industrial modernization, at the initial stage of informational modernization	5. We are somewhere in the middle of informational modernization	6. We are at the stage of developed informational modernization
Moscow Oblast (6 points)			3.0698			
Republic of Bashkortostan (3 points)			3.1633			
Belgorod Oblast (2 points)			3.5217			
Republic of Kalmykia (1 point)		2.5435				

*indicate a low level of industrialization and informatization – there is no place for any kind of modernization..*

The authors continued the research and studied in detail what changes the experts expect in terms of restructuring management systems, improving the functional qualities of all components of the vertical power structure. Its functionality or dysfunctionality will greatly affect the way modernization processes are configured. However, as it turned out, regional authorities have no regard for structural and content changes neither in the short, nor in the long term. This idea is supported by own estimates: for example, 60% of heads of federal, regional and local regulatory and administrative authorities believe that the situation in the system of regional administration in the next 5 years, given the upcoming election, will not change. As they say, hope for the best, but prepare for the worst.

But would it not be better to think about what should be done to reduce the emerging manifestations of social tension and potential conflict in advance? What should be changes today in the relations of power and management in order to at least reach the initial stage of socio-cultural and socio-managerial modernization in regions? These questions still remain rhetorical.

**Methodological verification of expert opinions in the framework of their comparison with data of socio-economic and socio-political ratings**

In order to ensure “experiment integrity” and determine the validity of the obtained data the authors performed a procedure of verification of some aggregate expert assessments by comparing them with data from public sources – socio-economic ratings of regions, which provides an opportunity to talk about the similarity or difference of expert estimates with other indicators of socio-cultural and economic activities of the regions. All in all, seven ratings of different analyst companies have been selected which, in the authors’ opinion, reflect the socio-economic and socio-administrative situation in the regions: the rating of the Ministry of Economic Development on the socio-economic development of constituent entities of the Russian Federation, the governors rating (Civil Society Development Foundation – CSDF), the UN human development index rating (HDI), the territory fiscal capacity rating (RIA rating, the Ministry of Finance of the Russian Federation), the quality of life rating (RIA rating) and the management efficiency rating in constituent entities of the Russian Federation in 2015, according to the Agency for Political and Economic Communications rating (APEC).

The first rating which the authors turned to is the official monitoring of regional performance evaluation according to the Ministry of Economic Development. It is interesting to note that by the end of 2014–2015, the Moscow Oblast is among the leading regions in terms of balanced development, but

the Republic of Bashkortostan lost its leading position and moved to the “inner circle” with some differences in sufficiently high values of the indexed indicators in general [14, p. 67], which, in fact, resonates with the expert evaluations of the activity of the Bashkiria authorities in solving the region’s socially important issues. The Republic of Kalmykia is now among the “outsiders”. In general, the indicators of regional management system development are aligned with the official rating of the Ministry of Economic Development; however, official data did not help locate the position of the Belgorod Oblast. It holds leading positions in terms of management system development.

Next, the authors used the governors rating according to CSDF which, according to its developers, has a high composite structure, based on data from the research of Public Opinion Foundation Georating, as well as on the characteristics of the economic situation in the region according to data from the Federal State Statistics Service, indices of media effectiveness calculated by the National Monitoring Service and on expert assessments and indicators of social well-being of the Russian regions<sup>1</sup>.

Speaking of the governors’ position in ranking, the positions of three regions in 2015 are *very high* (on the developers’ gradation rating): the Belgorod Oblast (3rd place),

<sup>1</sup> Governors’ efficiency rating for 2015. Issue 12. *Official CSDF website*. Available at: <http://civilfund.ru/mat/95> (Accessed: 28.08.2016).

the Moscow Oblast (19–20), Bashkortostan (21–23). Oddly enough, the Kalmykia governor’s rating is considered *high* in contrast with the low rating of the level of regional modernization (1 point – low index, N.I. Lapin), though the expert’s statement clearly explains the situation in the region: “The current governor is trying to overcome the republic’s economic crisis created by the previous governor. He managed to establish communication with all opposition forces except for those owned by the previous governor. This contributes to the increase in the rating. However, the region’s economy is weak and the resources it produces are not enough for a breakthrough. There is still distrust in the governor’s team mostly consisting of old staff. The previous governor’s team drags the current government through the mud and smear campaigns, including for their own mistakes. Finally, suspicions of corruption have become traditional, which are almost impossible to avoid in modern society. That is why the growth dynamics is very slow”. This opinion reflects a set of socio-cultural, economic and socio-political factors which prevent the governor and the region from building an adequate management system and making a modernization breakthrough.

In general, the governors’ rating is followed by almost 2/3 of the experts (72%) who identical evaluations, equivalent to the indicators. This correlation is remains in the distribution by constituent entity: 92% in the Belgorod Obkloast, 85% in Kalmykia, 78% in

the Moscow Oblast, 74% in Bashkortostan. It is interesting to note that 96% of those interested in the rating commented on the current positions and their dynamics with not just a one-word answer such as “a good man, manager” or “a bad governor”, but with meaningful detailed comments assessing the situation in the socio-economic and socio-political state in the region, as well as in the context of the implementation of the governor’s managerial skills and his team’s activities. As an example, the authors provide the statements from the Belgorod Oblast: “The Governor of the Oblast is the guarantor of the region’s social stability in the mass consciousness of Belgorod citizens. Over the past 10–15 years the Oblast’s population associates the region’s socio-economic development with the governor’s effectiveness. Ye. Savchenko has an excellent reputation both within the region and beyond, which produces the feeling of pride and creates a high level of territorial identity among Belgorod citizens”. There is also a quote from Bashkortostan: “The rating has improved due to works on the improvement of information transparency of the region’s head, as well as due to election at the appropriate level. The region also earned the right to host the SCO and BRICS summits and some sports and cultural events on an international level. There are some improvements in the economy, but they are of a more selective nature. The deteriorating economic situation prevents the republic’s head from becoming

one of the top ten heads of regions. The most severe issues are connected with the decline in activity of machine-building and chemical enterprises”.

As can be seen, such statements require special decoding so that it is possible to study in detail the problem structure of regional system organization and consider them when developing the integrated indicators of monitoring studies.

To verify expert assessments the authors used comparative data from HDI rating which has been published in the framework of the UN Development Program in annual reports on human development since 1990. The basic criteria for calculating HDI of a particular territory under study are comparing and measuring the standard of living, education and longevity. According to data of the Analytical Center under the Government of the Russian Federation presented in the Report on human development in the Russian Federation for 2015 [4], the leading positions in the integrated indicators are taken by the Belgorod Oblast (0.939; 11th position) followed by Bashkortostan (0.902; 20th position), the Moscow Oblast (0.892; 29th position) and Kalmykia being the last (0,760; 75th position). The authors asked the experts a correlated question which does not only reflect the problematic state of human resources in the region, but also describes the possible future development based on the existing potential of an individual: “Does the region possess sufficient resources,



primarily human potential, for accelerated development?” As a result, data similar to the rating results have been obtained. Thus, the regional capacity is estimated as the most sufficient in the Belgorod Oblast (60%). The second position, just like in the ranking, is held by Bashkortostan (56%), and the third and fourth, respectively, the Moscow Oblast (54%) and Kalmykia (only 25%). The authors make a conclusion, based on the studies of socio-cultural situation in the region by N.I. Lapin and L.A. Belyaeva, that the regions require a transition from the former state of the individual’s total subordination to the socio-cultural environment, particularly government, to a modern relatively free liberal interaction of an individual with the environment. This will require a long evolution of the structure of the population’s basic values “from the domination of basic values to an increase in the influence of liberal values (*authors’ note: in the context of phenomenology of consciousness and human behavior in the system of relations between the authorities and the society, we would most likely speak about the need for a dominant of moderately-conservative values*); at the level of behavioral orientations – the evolution from paternalism to activism of individuals when solving vital problems” [9, p. 13].

As for the rating of donors and recipients on the budget supply of constituent entities of the Russian Federation, then the estimates are more comparable and similar. However, based on the obtained data it can be concluded that

experts have not yet detected the rapid trend of the regions’ public debt downfall because regional budgets seems to be growing amid import substitution, but inflation consumes all incomes. According to the Ministry of Finance, the total state debt of the RF constituent entities (budget and commercial loans) has increased by 11% and as of January 1st, 2016 amounted to 2.318 trillion rubles<sup>2</sup>, which is 229 billion rubles more than the year before. For comparison: in 2014 the national debt increased by 20%, in 2013 – by 28.6%, in 2012 – by 15%<sup>3</sup>. Among the analyzed regions, the “leader” in the amount of national debt is the Belgorod Oblast (106%), the second place is occupied by Kalmykia (64%), the third – by the Moscow Oblast (33%), the minimum amount of debt is in Bashkortostan (24%) (*Tab. 8*). The expert evaluations generally coincide with the trends recorded by RIA Rating. The greatest amount of debt is recorded in Kalmykia with minimum budget capacity (36.2%). The evaluations in the Belgorod Oblast are a little higher since the region is improving its economic performance; its budget capacity is 2 times higher despite the fact that both regions are subsidized in terms of the agricultural sector support. The minimum amount of debt is in

<sup>2</sup> Regions more and more often live in debt: RIA Rating briefing note. *Official website of RIA Rating Agency*. Available at: [http://www.riarating.ru/regions\\_rankings/20160225/630011011.htm](http://www.riarating.ru/regions_rankings/20160225/630011011.htm) (Accessed: 12.08.2016)

<sup>3</sup> Quality of Life Rating among Russian regions – 2015. *Official website of RIA Rating Agency*. Available at: [http://www.riarating.ru/regions\\_rankings/20160225/630011011.htm](http://www.riarating.ru/regions_rankings/20160225/630011011.htm) (Accessed: 20.08.2016)



Table 8. RIA Rating of Russian regions by level of debt load (based on data from the Ministry of Finance of the Russian Federation) – end of 2014\*. Data from expert survey

Rating of Russian regions by level of debt load – end of 2014					
Position in the rating among 85 regions/ RF constituent entity	Ratio of region's state debt as of January 1st, 2015 and region's budget tax ad non-tax revenues in 2014, %	Ratio of the region's state debt As of January 1 <sup>st</sup> , 2014 to region's budget tax ad non-tax revenues in 2013, %	State debt change in 2014, %	Share of tax and non-tax returns in total budget revenues in, %	Expert evaluations of state debt (1 – high, 2 – average, 3 – low) (average of n=207), points)
Republic of Bashkortostan	24.7	21.1	24	75.2	2.4324
Moscow Oblast	33.4	31.2	23	84.6	2.1667
Republic of Kalmykia	64.3	51.1	36	36.2	1.7209
Belgorod Oblast	106.1	110.3	-2	63.5	1.9429

\* Quality of Life Rating among Russian regions – 2015. *Official website of RIA Rating Agency*. Available at: [http://www.riarating.ru/regions\\_rankings/20160225/630011011.htm](http://www.riarating.ru/regions_rankings/20160225/630011011.htm) (Accessed: 20.08.2016).

the Moscow Oblast and Bashkortostan. It should be noted that although the budget debt of Bashkortostan in percentage terms is lower than that of other regions, it is much higher in absolute terms (in rubles) (24631 million) than in Kalmykia, – 11 times (2057 million); as a result, many analysts put Bashkortostan from the group of donors to the group of recipients.

After using RIA Rating of the population's quality of life, the authors realized that they cannot yet make a comparison because the integrated index of the research which consists of 30 issues does not include the scale of demographic indicator made by the RIA Rating Agency. However, the issue of demographic growth and its dynamics is reviewed in more detail in the mass survey since this problem is the most sensitive and requires major quantitative data from people who feel all the seriousness of the situation affecting the demographic constants.

The authors are satisfied with the fact that they have been able to compare their research with another important rating which was reviewed and which is directly connected with the central discourse of the authors' research, namely, with the issues of governance efficiency in Russian regions. APEC which developed a system of indices, distinguishes the political-administrative block as a separate component of the integral indicator<sup>4</sup>.

Along with this block, the social and financial-economic blocks have been reviewed, as well as work of the regional bureaucracy. Based on mathematical methods of analysis, estimates of efficiency have been made (where 1 is as a positive maximum). As a result, evaluations of effectiveness by direction of the political-administrative

<sup>4</sup> Governance efficiency rating in Russia regions in 2015. *Official website of Agency for Political and Economic Communication*. Available at: [http://www.apecom.ru/projects/item.php?SECTION\\_ID=91&ELEMENT\\_ID=2362](http://www.apecom.ru/projects/item.php?SECTION_ID=91&ELEMENT_ID=2362) (Accessed: 27.08.2016)

block indicate that the most favorable political and administrative climate is in the Belgorod (0.79; 5th position) and Moscow oblasts (0.703; 10th position). Below, with an average indicator, are Bashkortostan (0.649; 17th position), and Kalmykia, with minimum score – holding the last position (0.542; 66th position).

Speaking of the present research, in order to have an objective image of regional administration performance, the authors asked the experts to evaluate the authorities' activities in terms of solution of 30 most important social issues. The comparison was held in comparison with 2013 (was stated in the question), i.e. taking into account crisis phenomena which occurred during this period.

A positive observation is that the authors had an opportunity to conduct the

examination precisely on the background of crisis conditions and obtain the most accurate results, with minimum errors, on the regional power structure units functioning. With an overall consideration of the obtained data it can be stated that the regions' evaluations produced by the experts are quite similar to APEC final rankings. Thus, in the Moscow (1.88) and Belgorod oblasts (1.87) administration performance is assessed as rather positive (or without any change) compared to 2013, and in the republics of Kalmykia and Bashkortostan business the situation is clearly becoming worse (*Tab. 9*). If we turn to integrated data on the activities of the authorities in dealing with 30 social issues most important for the region, the effectiveness in this regard in the two republics will also be the lowest (*Tab. 10*), and in the Belgorod and Moscow

Table 9. Evaluation of regional administration performance compared to 2013  
(in average points from the average value on a 95% confidence interval;  
 $n_{\text{respondents}} = 207$ ; 1 – improved, 2 – remained unchanged, 3 – deteriorated)

Region	Average	N
Moscow Oblast	1.8837	43
Belgorod Oblast	1.8723	47
Republic of Kalmykia	2.0769	52
Republic of Bashkortostan	2.0238	42
Total	1.9674	184

Table 10. Integrated indicators of authorities' activities in 4 pilot regions  
in 2015 (in average points from the average value on a 95% confidence interval;  
 $n_{\text{respondents}} = 207$ ; 1 – worse, 2 – satisfactory, 3 – better than in 2013).

Region	Average	N
Moscow Oblast	1.8679	53
Belgorod Oblast	1.9796	49
Republic of Kalmykia	1.9111	45
Republic of Bashkortostan	2.2326	43
Total	1.9895	190

oblasts, respectively, higher. In general, after reviewing all the selected regions the authors conclude that addressing these issues at the regional level of the vertical power structure is not implemented in a proper way, at least the situation is not getting better but remains at the same level. This raises the question about the quality of local management systems.

A more detailed differentiation of problem solving by the authorities in relation to regional identity the authors conclusion about Bashkortostan and Kalmykia being the most critical regions from the point of view of local management system organization and functioning is confirmed. These regions, as well as other regions under review, demonstrate a very negative situation regarding the solution of socially important issues such as population's health, labor market management, employment stability. In fact, a delay in their solution has already deformed the resource base of socio-cultural and socio-economic modernization and now leads to further alienation of power from the population and, as a result, to the escalation of social tensions.

**On the prospects of using data of online examination for increasing the level of governance system development in regions**

As has already been shown, the authors compared various methods of obtaining knowledge about the problems of

management in the regions, the nature and level of management system development for fully and quickly assessing the level of regional management system development amid general and local problems of territory's modernization development. In this context, the most effective, in the authors' opinion, channel for receiving the missing data and information about the state and prospects of modernization (industrial and information) development of regions is the channel of online examination, which, of course, still needs to be improved by clarifying the criteria for the selection of experts through accounting mechanisms and introduction of expert opinions in management decisions at different levels of vertical power structure functioning.

The authors demonstrate their readiness to move to action: to pilot tests of new data collection and processing methods; technologies of improving management structures in Russian regions; to move, together with expert structures, towards science-based management taking into account the influence of socio-cultural factors and peculiarities of each region's development; to developing feedback technology and forming socially active subjectivity (of groups of social action), as well as to developing new social management technologies based on logical-cognitive research programs.

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Received November 16, 2016.



DOI: 10.15838/esc.2017.1.49.7

UDC 331.5, LBC 65.244(2Rus)

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## The Potential of Women in the Labor Market of the Region\*



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\* This article was supported by RSF grant No. 16-18-00078 “Mechanisms for overcoming mental barriers of inclusion of socially vulnerable categories of the population for the purpose of promoting modernization processes in the regional community (2016–2018)”.

**For citation:** Shabunova A.A., Popov A.V., Solov'eva T.S. The potential of women in the labor market of the region. *Economic and Social Changes: Facts, Trends, Forecast*, 2017, vol.10, no.1, pp. 124–144. DOI: 10.15838/esc.2017.1.49.7



**Abstract.** Participating in labor activity and the situation on the labor market are among the most important aspects of research into the empowerment of women; this research has a significant impact on the implementation of labor potential, and, consequently, on the overall economic development of the territory. However, as global and Russian practice shows, women in the labor market represent a more vulnerable category than men and often face discrimination in relation to wages, career position, employment, etc. Authors of scientific papers usually acknowledge that female population has higher levels of human capital, but they do not go deep into the analysis of its qualitative characteristics. In this context, we performed a study of the labor potential of women in the regional labor market (on the basis of the monitoring data on the quality status of the labor potential in the Vologda Oblast). Our analysis has shown that the values of the majority of basic components of labor potential quality in women are higher than those in men (with the exception of the health index). In addition, the level of implementation of the accumulated potential in women is also higher than the same indicator in men. We substantiate this phenomenon by the existence of gender differences in the attitude toward labor. Compared to men, women tend to have terminal values that are more developed, this is manifested in women's greater desire to realize themselves in the labor market. As a result, they find employment within their specialty more often, they are focused on getting a stable job that would allow them to utilize their knowledge, abilities and skills to the fullest extent. Despite all this, labor remuneration for women is lower than that for men. One reason for such differentiation lies in gender discrimination in a latent form, which is due to the stereotypes of the position and behavior of women in society. In conclusion, we propose a number of areas to address gender inequality in the labor market.

**Key words:** labor potential, labor market, gender, region, inequality, segregation, discrimination, women.

The status of women in the Russian labor market has significant differences from that of men. This is largely due to the reproductive role of women and the fact that they have to combine work and family responsibilities (according to expert estimates, they spend 2.16 times more time on household chores than men and only 30% less time – on paid employment [5, p. 57]), which leads to the formation of specific features of their employment and the emergence of gender asymmetry in the sphere of social and labor relations.

In different periods of Russian history, the role of women in the economic process had its own features. If in the ancient Slavic society they influenced the life of the tribes and took an active part in the life of the community, then a Christian culture was dominated by the idea of the subordinate position of women relative to men. Their activities were reduced to raising children and maintaining a household. The consolidation of the roles of women in managing households was reflected in the "Domostroi". A patriarchal-conservative concept was dominant in Russia

until the mid-nineteenth century, when the society began to raise the issues associated with the role and rights of women. So, in 1862 in Saint Petersburg, the first women's labor association "Society of women's work" was established. Further, emancipation only intensified, reaching its peak with the establishment of Soviet power. The rights of men and women were equal, though gender-role stereotypes continued to exist.

After the Great Patriotic War in Soviet Russia, an unusually high level of economic activity among the female population was observed under the influence of communist ideology of universal equality, development of the labor law, the fact that the government assumed part of child-rearing obligations and other factors. In 1960, the value of the index in the USSR was 77% (38% in the U.S., 48% in Japan, 45% in France), and by 1980 it reached 88% [39, p. 47]. In the period of market reforms, the level of participation of Russian women in the labor force decreased (in 1992 – 61%; in 1998 – 48%) and at present it is comparable to the level of developed European countries (60% in 2014 vs. 61% in Norway, 60% in Switzerland, 55% in the Netherlands, etc. [1]). On the one hand, it could be due to a conscious choice in favor of homemaking [17, p. 18]. However, this phenomenon was not widespread due to the fact that in most families one breadwinner – the husband – could not provide the necessary level of consumption and well-being [25, p. 9]. On the other hand, it was

due to the fact that employers find women less attractive as employees than men, in terms of competition for jobs in connection with existing stereotypes of status (in public consciousness) and behavior (in the minds of women themselves).

In the modern world, competition in the labor market sets the same high standards before both men and women. It is no coincidence that domestic and foreign scientific literature, despite all the differences in the socio-cultural context of gender studies, [11, p. 181] pays special attention to similar issues. One of the key issues is the discrimination of women in the labor market. G. Becker stood at the origins of the studies in this area. In his opinion, the nature of discrimination lies in the individual preferences of economic agents who, for one reason or another, do not want to get in contact with women [34]. These ideas were developed in the works of M. Spence, and K. Arrow and formed the core of the theory of "statistical discrimination", which is based on information asymmetry in the labor market [33, 42]. Among domestic researchers of this topic it is necessary to mention M.G. Ermakova, I.E. Kalabakhina, A.L. Mazin, E.A. Mosakova, L.S. Rzhantsyna and others, who pay great attention to the issues of covert discrimination. So, E.A. Mosakova, using the data of the analysis of the of employers' advertisements, highlights discrimination against women related to their sex, age and place of residence throughout their entire

working life [20]. It should be noted that as a result, women become one of the vulnerable categories of the population, because they are employed in low-paid positions and receive significantly lower wages than men. Covert discrimination existing in society, according to M.G. Ermakova, leads to the formation of horizontal and vertical segregation in the labor market [9, p. 46].

The problem of segregation as one of the main forms of discrimination is discussed in the works of R. Anker, B. Bergman, F. Blau, etc. In accordance with B. Bergman's model, as a result of occupational segregation, there is a wage gap between men and women. It occurs when supply exceeds demand for labor force in traditional sectors of female employment [35]. According to F. Blau, if a woman obtains professional training that does not take into account the specifics of the company, and, accordingly, she is given a low-paid position, then most likely she will resign from the job. However, if the employer will invest in her training, then there is a chance that the woman will continue her career [36]. The works of Russian researchers indicate that women, for various reasons, are much less likely to become entrepreneurs [5]. In addition, the gap in the level of poverty between men and women allows us to speak about the feminization of poverty [3].

A large body of research is devoted to the study of gender stereotypes. So, the phenomenon of "women's work" and the formation of stereotyped vision of women

in the labor market were reflected in the works of T. Adler, J. Jacobs, J. Parsons, E.R. Yarskaya-Smirnova, E.A. Zdravomyslova, N.M. Rimashevskaya, etc. In particular, by pursuing unreasonable policy, the state itself creates stereotypes about low remuneration of women's work [32]. S.Yu. Roshchin notes that position stereotypes emerge when the employer treats women as a less useful part of labor force, but this triggers the mechanism of substitution: the woman is offered a less paid job [23, 25]. According to research findings, the modern Russian family has retained a traditional division of responsibilities. At the same time, although women have a high level of education and employment, they are economically dependent on men, who have higher income [4, p. 52].

Various aspects of the influence of socio-demographic factors on women's employment were considered in the works of K. Brewster, D. Ribar, E.M. Vorob'ev, T.S. Karabchuk, M.A. Nagernyak etc. While the main focus was on issues such as the ability to combine the status of the mother, housewife and worker. The authors state if a woman has a child under the age of three, this situation significantly reduces her employment opportunities, which increase as the children grow older [15, p. 43]. Moreover, of significant importance is the opinion of the husband on the feasibility of his wife entering the labor market [38].

Another area of gender studies is the study of the differences between men and women in returns on the investment in human capital.

In this regard, it is necessary to note the works of G. Becker, S. Polachek, E.V. Bazueva, S.V. Grinenko, R.I. Kapelyushnikov, A.L. Lukyanova, S.Yu. Roshchin and others. It is necessary to point out that the researchers came to opposite conclusions. For instance, R.I. Kapelyushnikov and A.L. Lukyanova revealed that the rates of return from education of women were one and a half times higher than those of men (7.5% vs 5%, respectively) [14, p. 74-75]. S.Yu. Roshchin and E.V. Bazueva, by contrast, received the results indicating a lower return to human capital in women [2, 24].

However, we consider it important to carry out an in-depth study of qualitative characteristics of women and their subjective understanding of professional prospects in order to overcome barriers that hinder the most complete implementation of available knowledge, skills and abilities in labor activity, since these aspects have a direct impact on the use of labor potential.

One of the most authoritative assessments of human potential in the context of gender is the human development index (HDI), published in annual reports in the framework of the UN Development Program. As recorded in the report for 2015, in all regions of the world, the HDI for women was lower than the HDI for men. The largest gap in the values of the index was observed in South Asia and Arab states: the gender development index (the ration of the HDI for women to the HDI for men) was 0.801

and 0.849 respectively. In Europe, there are several countries (14), in which the level of the considered index for women exceeds that for men. Russia (gender development index is 1.019 [8, p. 220]) is on this list (along with Estonia, Poland, Lithuania, Belarus, etc.).

Relatively high HDI values for Russian women compared to those for men depend, in the first place, on the differences in the level of health. According to official statistics, as of 2015, the gap in life expectancy reached an average of 10.8 years (76.7 years in women vs 65.9 years in men) [29]. An important role was played by an educational component. In 2014, expected years of schooling for women was 0.8 years higher than for men (15.1 years vs. 14.3 years) [8, p. 220]. It is no coincidence that Russian women involved in economic life have a higher level of education in general. On the one hand, the percentage of women with higher and incomplete higher education was 37%, men – 28%. Although, in fairness, we note that the popularity of obtaining university education is characteristic of the representatives of both gender groups. On the other hand, women more often than men obtain vocational education diplomas (81% against 74% for men in 2015). [29]. However, despite the fact that women have higher levels of health and education, the problem of realization of the accumulated potential in the labor market is more acute for them.

Due to the fact that the efficiency of labor potential largely depends on territorial specifics, the issues of studying it in the

framework of the regional labor market are particularly relevant. In this regard, the present paper presents an analysis of the labor potential of women in the regional labor market on the example of the Vologda Oblast. The choice of the category of “labor potential”, which is understood as a “generalized characteristic of measure and quality of the set of abilities in socially useful activities, which determine the abilities of an individual, groups of people and the total working population concerning their participation in work” [18, p. 14], is due to the many years of established research methodology based on the measurement of qualitative characteristics of the population by monitoring a qualitative condition of labor potential of Vologda Oblast population, carried out by the Institute of Socio-Economic Development of Territories of RAS (ISEDT RAS)<sup>1</sup>.

In accordance with the used approach, the integrated indicator of labor potential quality is the index of social capacity, which is a multi-level system. The basis of the “tree” of properties there are eight basic elements

subject to direct measurement: physical and mental health, cognitive and creative potential, communication skills, cultural and moral level, need for achievement [12]. As a result of processing primary information, each of these components receives a numerical score in the form of indices from zero to one.

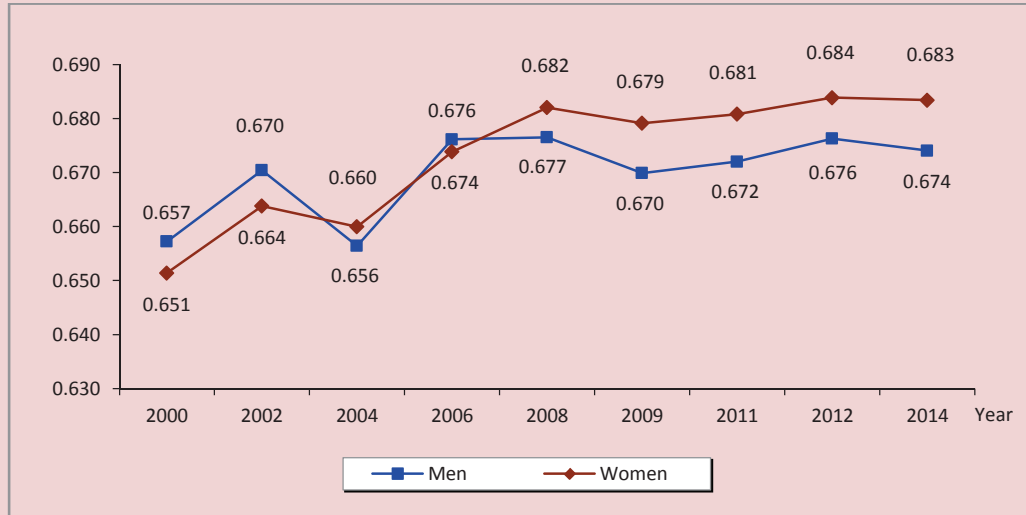
As shown by the monitoring data, the dynamics of the quality of labor potential of women in the Vologda Oblast from 2000 to 2014 demonstrated a steady upward trend (*Fig. 1*). The index of social capacity during the period under consideration increased from 0.651 to 0.683. And if in 2000 the value of the index for women was markedly lower than that for men (0.651 against 0.657), then since 2007, the situation reverses. Such changes may be associated with the increase in the levels of education, improvement of health, enhancement of creativity, etc.

Among the basic quality characteristics of women's labor potential in 2014 the most developed components were as follows: moral level (0.796), communication skills (0.756), mental health (0.754), and the least developed components included creative potential (0.569), cognitive potential (0.638) and the need for achievement (0.659; *Tab. 1*). It largely coincides with the distribution obtained in men. However, if we compare the absolute values of both indicators, it becomes evident that women have a more developed intellectual capacity, cultural and moral level and a stronger need for achievement. Since the beginning of the 2000s, gender gap in the

<sup>1</sup> The monitoring of a qualitative condition of labor potential of the Vologda Oblast population is conducted by the Institute of Socio-Economic Development of Territories of RAS since 1997. The object of the study is the working age population of the Vologda Oblast. The surveys are carried out every two years (until 2009 they were carried out annually) in August–September in the cities of Vologda and Cherepovets and in eight districts (Babaevsky, Velikoustyugsky, Vozhegodsky, Gryazovetsky, Kirillovsky, Nikolsky, Tarnogsky and Sheksninsky). Sampling method: zoning with the proportional location of observation units. Type of sample: quota by sex and age. The sample size is 1,500 people, sampling error does not exceed 3%.



Figure 1. Dynamics of the index of social capacity in the gender aspect



Source: data of the monitoring of the quality status of labor potential in the Vologda Oblast, ISEDT RAS, 2000–2014.

Table 1. Dynamics of labor potential quality in the Vologda Oblast, broken down by gender

Labor potential quality	2000		Gap	2014		Gap
	Men	Women		Men	Women	
Physical health	0.700	0.659	0.041	0.766	0.743	0.023
Mental health	0.731	0.659	0.072	0.790	0.754	0.036
Cognitive potential	0.629	0.643	0.014	0.610	0.638	0.028
Creativity	0.581	0.586	0.005	0.560	0.569	0.009
Communication skills	0.730	0.728	0.002	0.761	0.756	0.005
Cultural level	0.623	0.621	0.002	0.669	0.688	0.019
Moral level	0.750	0.790	0.040	0.767	0.796	0.029
Need for achievement	0.618	0.623	0.005	0.638	0.659	0.021
<i>Social capacity</i>	<i>0.657</i>	<i>0.651</i>	<i>0.006</i>	<i>0.674</i>	<i>0.683</i>	<i>0.009</i>

Source: data of the monitoring of the quality status of labor potential in the Vologda Oblast, ISEDT RAS, 2000–2014.

intellectual component of labor potential continues to increase, and this indicates the greater adaptability of the female part of society to the challenges of innovation economy.

As for men, they assess their health higher than women (communication skills are developed approximately equally). This is partly due to the fact that health-preservation behavior is more typical of women [6, 20]:



they pay more attention to their health and respond faster to painful condition and seek the advice of a specialist, often exaggerating the number and severity of their problems.

In 2000–2014, an increase was observed in the values of most of the basic indices of labor potential quality of women. As in men, the only exception was the cognitive and creative components. This trend is likely to indicate a decline in the demand for intellectual capacity in the region's economy and, as a consequence, the degradation of relevant characteristics of the population. Thus, during this time, the proportion of young people (16 to 24 years of age) who are not engaged in creative activities increased significantly (Tab. 2).

If in 2000 among the Vologda residents 16–17 and 18–24 years of age the figure was only 38 and 31%, respectively, then in 2014 the values of the indicator increased to 47% in both groups. Since young people at this age usually continue their education (including higher professional education), we can assume that current educational programs have a negative impact on their intellectual potential. A similar situation is observed in other age groups (30–54 years), which confirms the conclusion made previously.

The way in which people use their qualitative characteristics in the labor market has certain peculiarities in the gender aspect<sup>2</sup>. Figure 2 shows that women, spending more efforts doing their job than men use to the

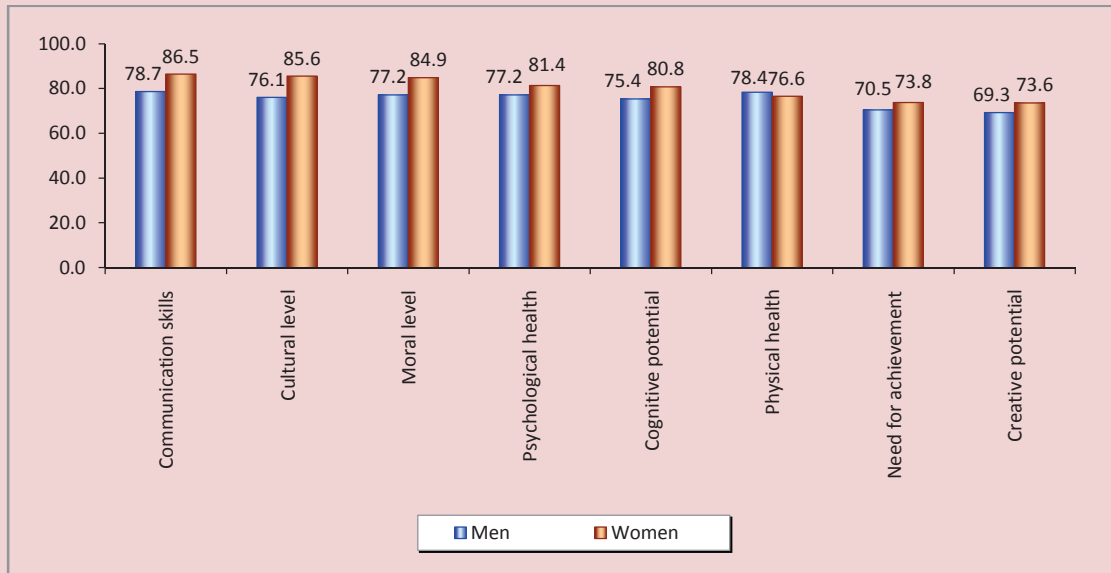
Table 2. Distribution of answers to the question: "To what extent are you currently engaged in creative (innovative, inventive, etc.) activities?", broken down by age groups, %

Answer option	Age, years									
	16-17	18-24	25-29	30-49	50-54	16-17	18-24	25-29	30-49	50-54
	2000					2014				
I constantly invent, write, compose, etc. something – it's my lifestyle	15.2	9.4	4.8	5.5	7.6	5.2	9.6	8.2	5.7	3.4
I invent something when I have a practical need to do something and there is no ready-made solutions	15.2	24.9	20.8	25.1	22.7	24.1	19.7	21.9	17.4	14.8
I invent, compose, etc., when I get the task from the administration	31.5	35.1	28.8	18.5	15.9	24.1	23.2	23.7	21.7	17.9
I never do anything, I do what I was taught before, or what others tell me, what I can read in books, reference books, etc.	38.0	30.6	45.6	50.9	53.8	46.6	47.4	46.1	55.2	63.9

Source: data of the monitoring of the quality status of labor potential in the Vologda Oblast, ISED T RAS, 2000–2014.

<sup>2</sup> The indicator "implementation of labor potential" reflects the level at which working population use their qualities and skills in specific work activity. The methodology developed at ISED T RAS is based on a set of questions "How much do you commit yourself to work? To what extent do you use your qualities and skills?" [30].

Figure 2. Level of implementation of employment potential of Vologda Oblast population, broken down by gender, 2014, %



Source: data of the monitoring of the quality status of labor potential in the Vologda Oblast, ISEDT RAS, 2000–2014

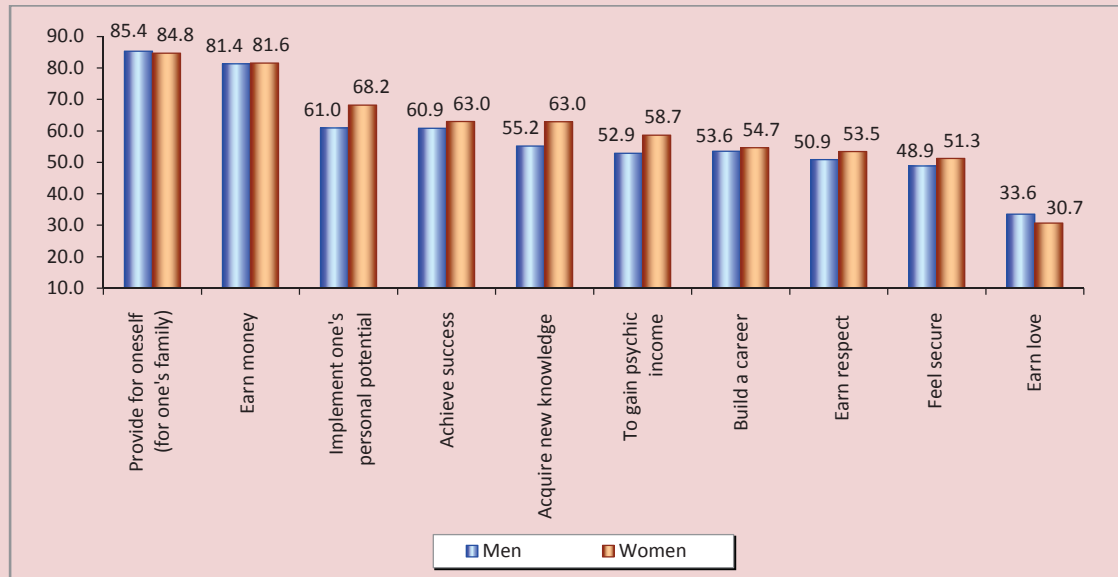
fullest extent their communication skills (87%), cultural (86%) and moral (85%) level, and to the smallest extent – their creativity (74%) and need for achievement (74%). Compared to men, women implement physical health opportunities to a lesser extent.

This hierarchy in relation to gender peculiarities of the use of personal qualitative characteristics in labor activity can be explained by the specifics of employment. According to Vologdastat, in 2014, the majority of women worked in wholesale and retail trade (21%), education (16%), manufacturing industries (13%) and health care and in social services sector (12%) [28],

i.e. in those sectors of the economy dominated by professions of the “man-man” type that requires communication and interaction with other people.

However, in 2014 compared to 2002, the structure of women’s employment by types of economic activity has changed significantly in the direction of increasing their representation in areas such as “financial activity” (in 4.8 times); “operations with real estate, rent and provision of services” (in 2.4 times); “public administration and military security; social insurance” (by 67%); “hotels and restaurants” (by 60%); and decreasing their representation in areas such as “provision of other housing and communal, social and personal services”

Figure 3. Distribution of answers to the question: "You consider your work primarily as a way to..." (answer: "agree" and "completely agree"), 2014, %



Source: data of the monitoring of the quality status of labor potential in the Vologda Oblast, ISEDT RAS, 2000–2014.

(by 56%); "manufacturing; mining" (by 38%); "agriculture, hunting and forestry; fishing, fish farming" (by 34%) [28]. Such changes positively affected the status of women in society: according to the surveys conducted by ISEDT RAS<sup>3</sup>, over the last ten years, more than 20% of female residents of the Vologda Oblast noted an increase in their social status.

A relatively high level of labor potential implementation by women is determined

<sup>3</sup> The public opinion survey "Socio-cultural portrait of the Vologda Oblast" was conducted by ISEDT RAS in 2015. The volume of the sample is 1,500 people aged 18 and older. The representativeness of the sample was ensured by the observance of proportions between inhabitants of different types of settlements (rural settlements, small, medium and large cities); age and gender structure of the adult population of the oblast. Sampling error does not exceed 3%.

by gender differences in relation to work (Fig. 3). Although the vast majority of the population, regardless of gender, sees the work primarily as a source of livelihood, women, unlike men, are more interested how to realize their personal potential (68% vs. 61%), to gain new knowledge (63% vs. 55%), to achieve moral satisfaction (63% vs. 55%), etc. This phenomenon observed by many researchers is due to the fact that men are always given the opportunity to prove their worth, so that they do not feel strong need for self-actualization, striving to fulfill their traditional functions (role of breadwinner in the family) [13, p. 103].

Terminal values (expressed in the value of labor as the most important values in people's life [16, p. 39]) developed in women have affected their social attitudes (*Tab. 3*). Women more than men are willing to grow morally and improve themselves (19% vs. 13%), to work for the benefit of other people (18 and 13%), to acquire new knowledge and skills (18 and 12%), to study, when necessary, a foreign language (16 and 9%) and so on. Experts associate such features with the change of life orientations of women in new economic conditions [31].

According to the monitoring conducted by ISEDT RAS, when choosing a job, women are more focused on getting not high, but guaranteed and stable income at a state enterprise (39% vs. 27% in men). The lack of confidence in the future serves as a

deterrent from employment in commercial organizations and from starting their own business (24% and 6% in women versus 32% and 8% in men).

Despite the high quality of labor potential and its realization, the level of remuneration for women is significantly lower than that for men (*Tab. 4*). As of 2015, the ratio of wages of women to wages of men in the Vologda Oblast amounted to 58%. This result corresponds to the 83rd position among 85 constituent entities of the Russian Federation.

Studies show that the gender gap in wages is mainly due to vertical (work-related) and horizontal (sectoral and occupational) segregation in the labor market [22, p. 243; 26]. The presence of scientific papers that show higher productivity of men in various branches [37], and their relative parity [41]

Table 3. Distribution of answers to the question: "How much are you willing to..?" (answer "I am willing to the fullest extent"), %

Answer option	2014		Average value
	Men	Women	
To build partnerships in the workplace	17.6	18.1	17.8
To develop my personal potential	14.7	19.3	17.1
To grow and improve myself	12.9	18.9	16.0
To do good to people through my work	13.2	18.5	15.9
Learn new knowledge and skills throughout my life	12.8	18.2	15.5
To work for the good of the country	12.0	15.5	13.8
To study, if necessary, a foreign language	8.8	16.3	12.6
To organize my own business, family business	10.3	11.1	10.7
To improve my professional qualification with the help of my own means	8.4	8.4	8.4
To move to another area of the country with more attractive working conditions	7.4	9.8	8.6

Source: data of the monitoring of the quality status of labor potential in the Vologda Oblast, ISEDT RAS, 2000–2014.

Table 4. Average accrued wages of employees, 2015

RF constituent entity	Wage, rub.			Ratio of women's wages to men's wages	
	All population	Men	Women	%	Rank
Russian Federation	35397	42573	29235	68,7	-
five best subjects according to wages ratio					
Republic of Ingushetia	18305	17941	18497	103,1	1
Republic of Crimea	22610	22768	22491	98,8	2
Chechen Republic	17879	18519	17540	94,7	3
Altai Republic	19142	19841	18725	94,4	4
Sevastopol	21559	22540	20749	92,1	5
five worst subjects according to wages ratio					
Arkhangelsk Oblast	38892	48867	28941	59,2	81
Sakhalin Oblast	64462	82012	47939	58,5	82
<b>Vologda Oblast</b>	<b>29567</b>	<b>38385</b>	<b>22401</b>	<b>58,4</b>	<b>83</b>
Astrakhan Oblast	25334	33274	19207	57,7	84
Tuva Republic	30779	44677	23200	51,9	85
Source: data on the wages of employees by personnel categories and professional groups of workers. Rosstat, 2015.					

does not allow us to make an unambiguous conclusion about the superiority of one sex over the other in this aspect. The contribution of discriminatory practices in the general differentiation of wages of men and women (when the level of their remuneration is different for one and the same work) in Russia, according to various estimates, reaches 18% and more [10, p. 282; 21, p. 38; 25, p. 10].

Russian legislation (also thanks to the ratification of international treaties) prohibits gender discrimination in virtually all spheres of society. However, the lack of an effective mechanism for protecting women in the labor market leads to a wide distribution of latent discrimination [7, p. 58]. According

to the public opinion poll conducted by ISED T RAS in 2013<sup>4</sup>, 11% of women get an impression that their rights are infringed upon employment, and 5% – at termination of employment (30 and 39%, respectively, found it difficult to answer). Moreover, every one in five women (20%) knows about similar cases that occurred with other women, while men did not face similar situations at all.

The research conducted in the Vologda Oblast show that in 2014 more than half of women (53%) were confident that they would

<sup>4</sup> The volume of the sample is 1,500 people aged 18 and older. The representativeness of the sample was ensured by the observance of proportions between inhabitants of different types of settlements and age and gender structure of the adult population of the oblast. Sampling error does not exceed 3%.

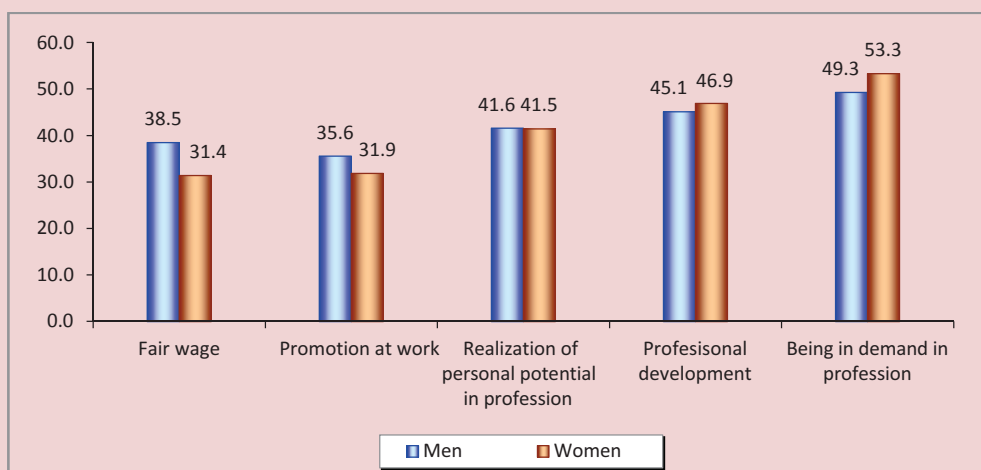
be in demand in the profession, 47% thought they would improve their professional skills, while 42% expected to realize themselves in the labor market, and this is comparable with the results obtained in the group of men (Fig. 4). However, the proportion of women who note the opportunity to obtain a decent wage and get a promotion, is only one third, which is slightly lower than the proportion of men (32 and 31% vs. 36 and 39%, respectively).

Women more often than men find a job within their obtained specialty (57% in 2004 vs. 53% in 2014, respectively; Fig. 5). Among the main reasons for work outside their specialty female residents of Vologda note the change in professional interests (27%), lack of demand in the labor market (25%), and dissatisfaction with working conditions offered by the employer (17%).

According to the data on employment prospects in the next 5 years obtained in the course of the monitoring, the majority of women see themselves working primarily in the Vologda Oblast (92%). According to their self-assessment, in 15 years the number of women in this category will decline to 83% (men – from 93 to 86%) because many of them will be employed in other settlements of the oblast and the country as a whole. This result allows us to make a cautious conclusion about a greater willingness of women to mobility. However, statistics show that in 2010–2015 migration loss of working age female population was 10 times higher than that in men (-5,747 people against -574 people) [28].

As for the distribution of people employed in the economy by groups of occupations at

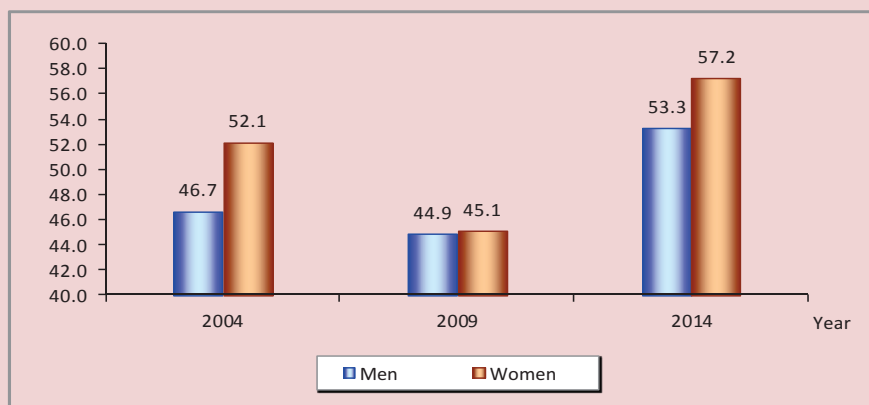
Figure 4. Distribution of answers to the question: "How do you assess your professional prospects?" %



Source: data of the monitoring of the quality status of labor potential in the Vologda Oblast, ISEDT RAS, 2000–2014.



Figure 5. Dynamics of employment of the Vologda Oblast population within the specialty obtained in an educational institution of professional education, %



Source: data of the monitoring of the quality status of labor potential in the Vologda Oblast, ISEDT RAS, 2000–2014.

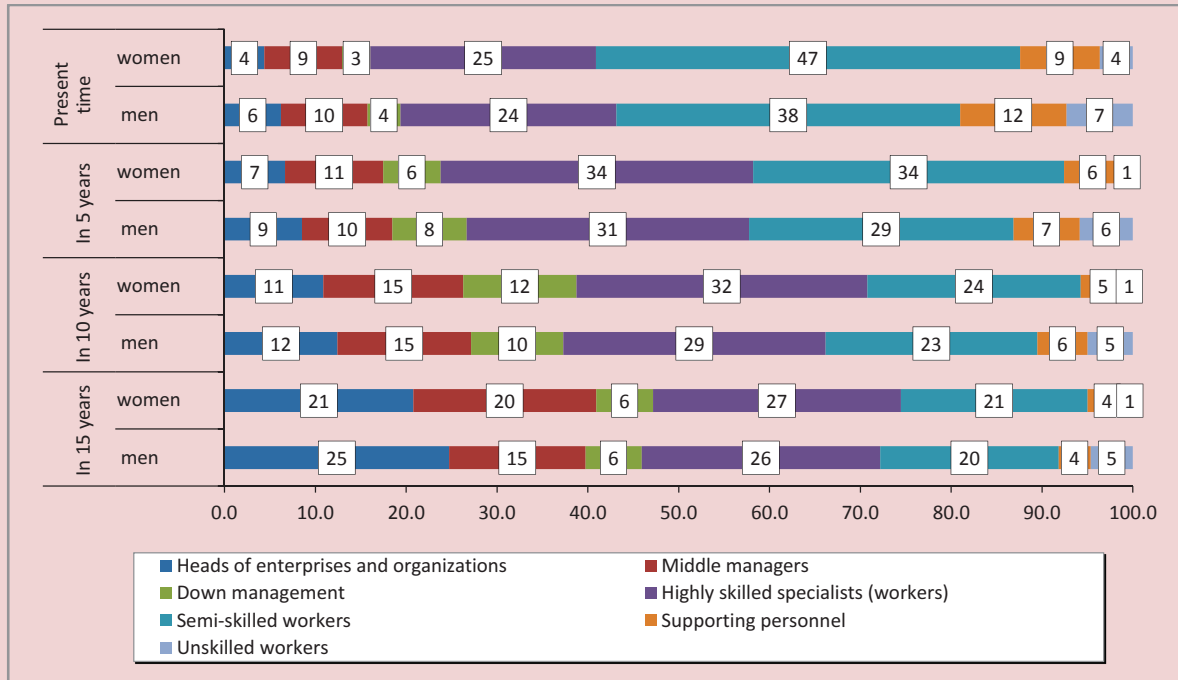
their main place of employment, then at the present time, women who are chief executives at enterprises and their structural divisions continue to represent a small portion (4%), and about half are medium-skilled specialists (workers) (Fig. 6). However, in the long term the share of women who think they will obtain leadership positions, according to self-assessments of the population, will increase substantially, although it will not surpass the level of men (21% vs. 25%). However, men's career ambitions traditionally surpass women's both in Russia and abroad [40].

Thus, our analysis shows that the quality of women's labor potential in the Vologda Oblast has not only reached the level of men, but exceeded it. They are characterized by higher values of cultural, moral, cognitive and creative components of labor potential quality and also greater need for achievement.

Moreover, the gap in intellectual aspect during the period under review has increased significantly, which allowed us to conclude that women are more ready to face the challenges of innovation economy. However, the downward trend in the indices of knowledge and creativity was observed in both sexes, and this indicates the absence of demand for these components in the regional economy.

Terminal values developed in women enable them to realize their employment potential more fully, which also positively affects their social attitudes. Despite this, the amount their wages are significantly lower than those of men. The gender gap in remuneration arises not only due to segregation in the labor market, but also in connection with the prevalence of discriminatory practices in the field of labor

Figure 6. Distribution of answers to the question: "What position do you hold at work now and what position do you think you will hold in 5/10/15 years?", 2014, %



Source: data of the monitoring of the quality status of labor potential in the Vologda Oblast, ISEDT RAS, 2000–2014.

and employment. And women are more optimistic if with regard to career prospects, the possibility of obtaining a decent wage seems to them less real. In light of this, in order to achieve gender equality in the labor market, it is first necessary to create conditions for positive upward mobility and decent wages for women. According to a study made by the McKinsey Global Institute, global gender inequality can lead to additional increase in global GDP by 2025 by 11–26% [43].

In our opinion, the existing barriers can be overcome if the following measures are implemented:

1. The results of sociological research should be taken into consideration when the comprehensive assessment of the status of women in the labor market is formed; in particular, at the development of appropriate measures in the system of state administration, due to the fact that these methods help obtain important information about the qualitative aspects of labor potential and its realization.

2. It is necessary to develop a set of measures (to prepare a strategic document or an action plan) for the creation of conditions to increase the efficiency of upward mobility for women taking into account gender specifics prevailing in the regional labor market.

3. It is necessary to carry out activities to create a positive image of women in the labor market, to inform women about their rights and opportunities and use this knowledge in case of violation of their rights.

4. It is necessary to support the development of open information space in relation to the socio-economic status of women, also broken down by socio-demographic groups.

In conclusion, we would like to note that women represent a rather heterogeneous socio-demographic group in the labor market. In its composition there are many categories for which employment problems are most severe. So, the statistics of the Department of Labor and Employment of the Vologda Oblast shows that the employment of women on maternity leave until the child reaches the age of three is extremely difficult. In 2012–2013 of the 78 women who applied to public institutions of the employment service of the region for assistance in finding a suitable job, only one found a job. This fact must be taken into account in further work to examine the potential of women in the labor market in order to develop targeted measures for overcoming the barriers to

the most complete implementation of the available knowledge, skills and abilities in the labor market. In particular, it is necessary to pay attention to the successful practices of implementation of social innovation. For instance, since 2012 in Moscow, a project “Mama works” is functioning and it implements a broad range of activities that help mothers become successful professionals that are in demand in the labor market. Such activities include:

- psychological support;
- educational programs and trainings;
- additional education;
- job search;
- assistance in opening the business;
- creating their own jobs, etc.

The project implementation has a positive effect on financial well-being of families. More than 1,000 mothers who have had the opportunity to work and have an income (average salary is 10–15 thousand rubles) without negative effects on the upbringing of children now do not need an allowance for the temporarily unemployed. The project cooperates with universities and centers of further education, providing places on preferential terms for young mothers. In August 2014, the project received a presidential grant from the Institute for Civil Society; the grant was allocated for the development of an educational project within 11 months. The business project of the workshop “Mamy sami” (Moms themselves) was the winner of the contest

“Social entrepreneur – 2014”, which helped obtain an interest-free loan from the regional development fund “Our Future” at the opening of sewing production [27].

It is possible to find a solution to the above problems only with the active participation of all interested parties: government, business and society. At the state level, addressing gender inequality would promote economic growth and development of innovation. At the

level of the business community, combating discriminatory practices and the introduction of innovative forms of employment will help increase productivity due to a more complete use of available labor potential. And finally, at the level of society, changing the existing stereotypes that prevent women’s self-fulfillment will lead to improved standards of living in households and will help reduce social tension.

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Received September 28, 2016.

## Municipal-Private Partnership in Education: Infrastructural Aspect



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**Abstract.** The article considers the specifics of implementation of municipal-private partnership projects in the education system of the Russian Federation. The authors use the following research methods: document analysis, expert interviews (heads of local authorities, entrepreneurs from the Moscow Oblast). The goal of this article is to study specific features of public-private partnership in education, to carry out comparative analysis of the estimates that the heads of local authorities and the business community have with regard to these issues, to define the conditions for their effective interaction and its limiting factors. Attracting private investment in the development of the education system is limited by a narrow pragmatic focus of the government on the use of financial resources of business in municipal administration practice. Judging by the results of studies, the heads of local authorities understand the

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**For citation:** Frolova E.V., Rogach O.V. Municipal-private partnership in education: infrastructural aspect. *Economic and Social Changes: Facts, Trends, Forecast*, 2017, vol. 10, no. 1, pp. 145-160. DOI: 10.15838/esc.2017.1.49.8

social partnership of business and government as gratuitous help from socially responsible companies who are willing to invest funds in the development of a municipality. The results of the survey of experts show contradictions between the orientation of the heads of local authorities on the implementation of municipal-private partnership projects and the rare practice of their implementation. The article presents an analysis of perspective organizational models for municipal-private partnership in education. The authors identify factors that constrain effective interaction between the business and government in the development of educational system: lack of local budget finances, imperfection of the legislative base, low level of information support provided to municipal-private partnership projects, lack of trust on the part of business representatives in the actions of the authorities, insufficient elaboration of mechanisms for motivating and promoting private investment. The article substantiates the necessity of forming a conceptually new and consistent municipal policy for transition from administrative enforcement of the business to make charitable contributions and gratuitous donation of funds for the infrastructure development of the educational complex to the targeted investment and mutually beneficial cooperation. The authors propose several directions for support of municipal-private partnership mechanisms in education.

**Key words:** municipal-private partnership, social infrastructure, local government, education system, municipal entities.

**Introduction.** The trends and challenges of contemporary reality expressed in the change in conceptual ideas about the role, objectives and content of education in the modern world have resulted in a significant transformation of the education basis management in Russia. Nowadays the most important are trends and patterns of education development which carry the potential of social solidarity and consolidation which involves an increase in public participation in education management. The leading mechanism which ensures the necessary transformation of social relations existing in the Russian educational system is the mechanism of social partnership

which in new conditions is aimed at ensuring constructive alignment of interests of actors of the educational space.

Modern scientific literature on the establishment of “power-society” partnership relations in education is focused on state-public education management and as a result, on public-private partnership. Analysis of theoretical and applied aspects of public-private partnership application in various spheres of social development helps interpret this concept as cooperation on a contractual basis of state authorities and representatives of business units in order to improve the quality of services provided to

the population. A simple transposition of this term into contemporary education and state management practice does not seem appropriate since the peculiarities of public administration implies the presence of both various community groups as an active subject of partnership relations (parents, teachers, etc.) and business units. This provision is noticeable in piecemeal attempts to promote social demand for education.

However, without considering such an important aspect of public-private partnership in education in terms of scientific research, the scientific community cannot provide a comprehensive idea about the relation of social partnership mechanism and the quality of modern education. This is explained by the fact that the principles of democratization and public opinion monitoring which form the basis of modern education management necessitate the Russian society to introduce social innovations designed to integrate the practices of social process management and self-administration technologies. Moreover, an important role positive sustainable development of education in Russia belongs to the quality of managerial influence of municipal authorities which defines the organizational efficiency of activity of the subjects of educational sphere [11].

That is why municipal-private partnership in education should be the subject of separate applied research. The importance of this issue

is confirmed by significant differences in municipal and government practice of building partnership relations, which does not permit consideration of public-private and municipal-private partnership as identical in content. This is not only the issue of the differences in the scope and forms of realization, but also about the necessity of establishing partnership by municipal authorities in several ways: with the business community for attracting investment, with government authorities (at the regional and federal level), with the public (target groups and public organizations). The use of the mechanism of municipal-private partnership in municipal education management is hampered by substantial scarcity of financial, material and other resources of municipal authorities, including authority resources.

In addition, in the authors' opinion, municipal-private partnership is a narrower category compared to social partnership. This is due to the fact that in social partnership the subjects of constructive cooperation based on association of potentials may be all active actors of the educational sphere: except for traditional actors including scientific community, public organizations and movements, and if necessary, the media. However, in modern practice of education management the efforts made by these actors are vague and ambiguous, which primarily concerns the forms of social partnership which

the public takes part in (parent communities, supervisory and management boards, various formal and informal social associations which help educational institutions meet their direct obligations). As for public-private partnership, the situation is the opposite, namely, the number of partner actors (they include, as a rule, government and business) is reducing and, as a consequence, the issues of interaction are narrow-targeted. Municipal-private partnership has a strong economic effect of its application and a financial value for the development of municipal educational complex. Special attention should be given to the fact that these differences are not formalized characteristics of these categories; however, for addressing the objective set in the present study article, the authors suggests to separate the concepts of municipal-private and social partnership.

To characterize the aforementioned ideas in more detail, the following conclusions have been made:

- the major actors of municipal-private partnership are the government (municipal authorities) and the private sector (business structures);
- municipal-private partnership seems the most cost-effective form of interaction of subjects for implementing perspective municipal education development projects, with no similar alternatives in modern management practices;

- the beneficiaries of municipal-private partnership are municipal authorities with, according to the contract, deferred income and other benefits reflected in the socio-economic development of a municipal territory, as well as in developing human, intellectual and educational potential of the territory (in the past decade, this figure has been steadily increasing its importance); and business structures which can gain income from municipal property transferred to them by the authorities on a trust property management basis, as well as indirect benefits from reducing the tax burden, etc.

Based on the abovementioned, the authors suggest considering municipal-private partnership in education from the perspective of building constructive interaction with municipal authorities and the business community through consolidation of socio-economic resources on a long-term mutually beneficial basis in order to solve the problems of municipal educational complex development. In the context of this interpretation of municipal-private partnership public or private management is not an adequate alternative as they neutralize the social and economic effect which can be achieved by bringing together efforts and capacity of government and society.

**Methodology and methods.** Analysis of management of municipal unit social infrastructure development in contemporary



Russia is conducted in the works of A.Yu. Bochkarev [1], O.O. Skryabin [12], J.E. Perevozkina [9], S.P. Fedulov [13].

The role of public-private partnership as a way of establishing interaction between the state and private business, used in the development of social infrastructure is described in works of A.A. Grabar [5], V.G. Varnavskii, A.V. Klimenko [2]. The need for introducing a mechanism of municipal-private partnership into local governments is justified by A.E. Lapin and I.F. Aliullov [7]. Special attention to issues of consolidated efforts of society and government on solving the issues of education is presented in works of E.V. Piskunova [10] and T.P. Griboedova [4]. The effect of the mechanism of public-private partnership in education, its nature and general development trends are described by V.A. Malygin, A.V. Skorobogatov, T.V. Kramin [3], I. Dan'ko [6] etc.

The problematic aspects of using the mechanism of municipal-private partnership when addressing the issues municipal educational complexes functioning and development are revealed in work of N.V. Medvedeva [8]. The practice of public-private partnership project implementation in foreign experience is considered in works of M. Simons [17], N. Papanastasiou [18], W.D. Robertson [19]; the role of public-private partnership in improving educational programs for teachers is identified in the work

of F.W. Tate and E. Malancharuvil-Berkes [20].

However, in scientific literature, the issues revealing the specific character of municipal-private partnership development factors have not been studied completely. The importance of these processes for socio-economic development of the Russian society in general and education, in particular, requires a more detailed research of constraints, limiting factors in municipal-private partnership development, as well as development of recommendations for improving its efficiency, and optimization of business and government interaction. The purpose for this article is to study the specific characteristics of municipal-private partnership in the social sphere, to conduct comparative analysis of evaluations of local authorities and business community managers concerning the issues of municipal-private partnerships in education, the definition of limiting factors and conditions for their effective cooperation during the implementation of infrastructure projects.

The informational basis includes the results of sociological research conducted by the All-Russian Council of Local Self-Government (with our participation) through distributing questionnaires on the Internet. The first study was conducted in 2013, the sampling included experts (leaders of local municipal authorities). The research topic –

“Investment potential of a municipal unit” (N=718). One of the research objectives was analysis of issues of social infrastructure development in various types of municipal entities of the Russian Federation, determination of the limiting factors and the social infrastructure modernization potential. In March–April 2016 the study “Human resources of local self-government” was conducted (N=582) which reviews the state of personnel capacity in municipal units, as well as a number of issues characterizing the socio-economic factors in local self-government development.

Moreover, in 2015 an expert survey was conducted with participation of entrepreneurs in the Moscow Oblast (N=64) aimed at identifying the specific characteristics of implementation of municipal-private partnership projects and assessing its feasibility and limitations.

After assessing the current state of municipal management of education, the authors suggest that a significant disadvantage of managerial influence of municipal authorities is disagreement in the positions of the authorities and the public (especially businesses) about the nature and specific character of municipal-private partnership in education. In their research, the authors proceeded from the fact that the most promising area of implementing the practice

of municipal-private partnership in education is the infrastructure of municipal educational complex. Moreover, it is undeniable that the degree and quality of providing the territories with the appropriate infrastructure creates favorable conditions for socio-economic development of municipal units. Before proceeding to the presentation of the research results, the authors define the research position concerning the correlation of the concepts “education” and “social infrastructure”: in particular, in the context of this article infrastructure of an educational network and social infrastructure can be considered as two equivalent concepts as they imply the study of social profile of the territory’s infrastructure development with a focus on the educational potential of municipal territories.

**Research results.** According to expert evaluations, the current level of infrastructure support of the vast majority of municipal units is not high enough, which is usually associated with their weak financial and economic basis. Financial resources of local authorities only help maintain the current level of social infrastructure without supporting the process of its development. In this situation, municipal units are not able to fully finance the implementation of all social obligations of the state, which results in the violation of constitutional rights for the residents’ equal access to social benefits and services.

Analysis of the budgetary system of the Russian Federation does not help identify clear principles of tax revenue division between budgets of different levels. The structure of federal taxes is mainly determined by the profitability factor since they include tax payments which provide the largest amounts of revenues. Analysis of statutory regulations of budget legislation and helps make a conclusion about the artificial subsidization of both Russian constituent entities and municipal units. Exemption from the major share of tax revenues in favor of superior budgets and their return in the form of inter-budgetary transfers maintains high level of power centralization, dependence of local authorities on regional and federal ones [14, p. 163].

According to the research results, 74.9% of heads of local authorities, when assessing the budget capacity of their authorities in 2015 said that the need of a municipal unit for finance exceeded budgeted allocations. The

research results illustrate the deterioration of the economic and financial situation in local self-government. More than half of the experts (58.4%) believe that the revenues of a municipal unit in 2015 declined compared to 2014.

This fact raises a new issue concerning the need to search for additional municipal education resources, in particular by involving actors of the educational sphere for expanding and developing educational infrastructure. In this context of municipal authority functioning the use of the mechanism of municipal-private partnership in education is not only an effective tool for infrastructure development of municipal educational systems, but also a means of overcoming crisis phenomena in the economy of municipal units, thus ensuring positive and sustainable development of the whole territory.

Analysis of issues of implementation of the mechanism of municipal-private partnership in education indicates that the level of actual

Evaluations of educational infrastructure in the Moscow Oblast, Russian Federation

Mark	Municipal district	Urban district	Urban settlement	Rural settlement
"1"	0	0	0	1.8
"2"	0.7	0	0	1.8
"3"	7.4	4.4	21.4	17.1
"4"	69.1	64.8	52.4	62.7
"5"	22.8	30.8	26.2	16.6
	100	100	100	100

Compiled from results of survey of local heads of local authorities.

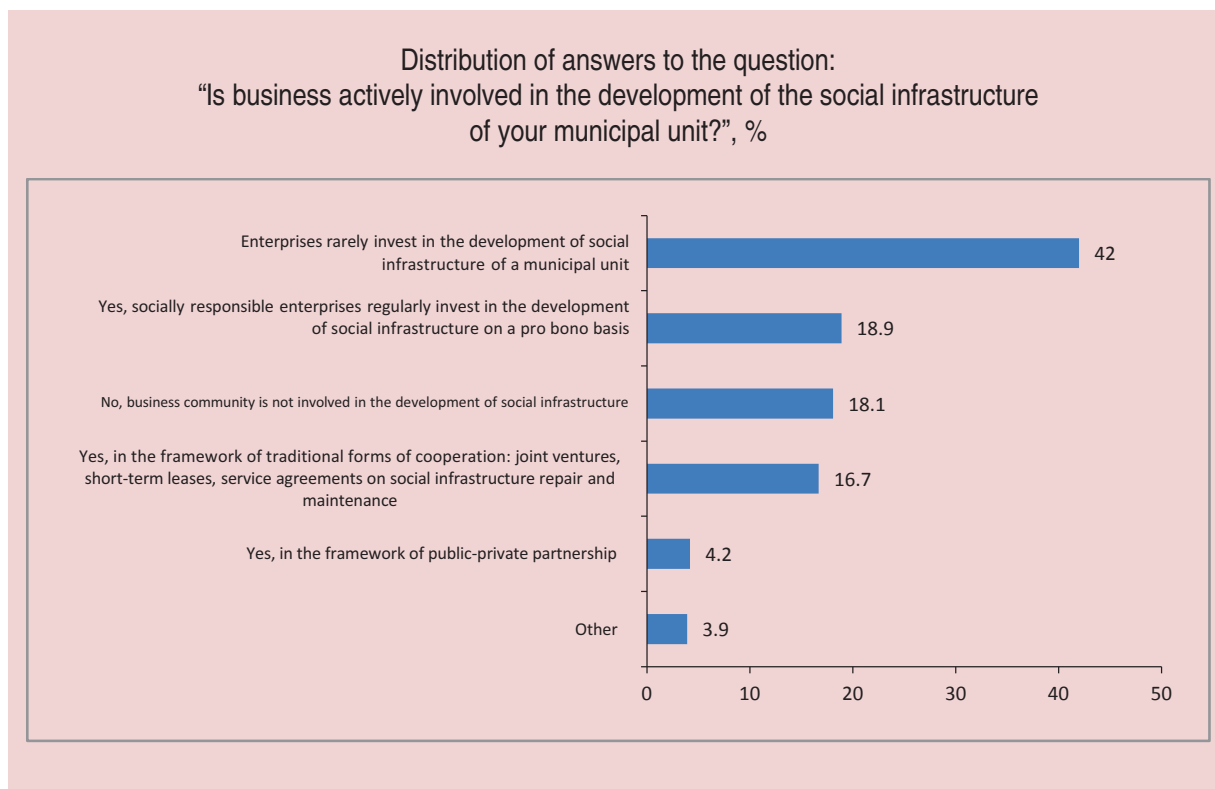
supply of municipal and urban districts of the Moscow Oblast of social infrastructure amenities by a number of indicators significantly below standard requirements (*Table*). Particular difficulties occur in providing municipal units with pre-school educational establishments (70% of municipal units). According to research results, the most severe situation is typical of rural settlements.

The results of population surveys indicate that the most significant issues of secondary education are high prices, unavailability of paid services, and low logistical support of educational institutions. As for preschool education, the evaluations of experts and the public are lower. The most acute problem is shortage of places in kindergartens. According to the Federal State Statistics Service, the number of children registered with preschool educational establishments is 2,849.9. Statistical data also indicate the negative dynamics of the level of support for child preschool educational establishments, which has a disincentive effect on the population's quality of life forming a negative perception and low estimates of the level of social infrastructure development. Thus, in 2014, there were 51 thousand organizations engaged in preschool educational programs, in 2015 – 50.1 thousand [16].

*Municipal-private partnership in the estimates of heads of local authorities.* In order to mitigate the problems of providing

municipal units with educational infrastructure amenities it seems appropriate to attract private partners as the most effective mechanism for addressing this issue as they are focused on constructive cooperation with municipal authorities. The need for private investment is particularly acute at the municipal level. Most of the experts noted that budget efficiency the main effort should be aimed at establishing mutually beneficial cooperation with the business community for developing the territory's social infrastructure and increasing the level and quality of life. However, as shown by the research results, heads of local authorities consider social partnership of business and government as pro bono support from socially responsible companies ready to invest in the development of a municipal unit [15, p. 56]. Answering the question "Is business actively involved in the development of the social infrastructure of your municipal unit?", only 4.2% of respondents chose the answer "Yes, in the framework of public-private partnership" (*Figure*). The rest of the answers illustrated the implementation of traditional forms of interaction with the business community.

It is interesting that the majority of experts (80.6%) believe that the most effective tool for addressing the issues of social infrastructure is municipal-private partnership; however, they rarely use this practice (4.2%). The propagated idea of corporate social



responsibility determines the formation of a sustainable system of partners in cooperation of government and the business community who mainly invest in the development of social infrastructure of the municipal on a pro bono basis.

The authors also review expert evaluation of factors limiting effective collaboration between business and government implemented for the development of social infrastructure of Russian territories. Leaders of local authorities consider that the most significant limitation is municipal budget deficit (76.2 % indicated the importance of this factor) which prevents the government from acting as an effective partner in

implementing joint infrastructure projects. Among financial, economic and regulatory constraints is also lack of motivation from municipal authorities for private investment (70.1% of experts rated this factor as very important). According to experts, tax burden reduction and income tax exemption could be sufficiently effective incentives for attracting businesses to solving social problems of the territory. The most important factors (64.8% and 64.1%, respectively) are inadequate legal framework, lengthy and complex approval procedures.

Judging by the research results, the second level constraints are organizational and informational factors. Thus, 54.3% of experts

believe that the target focus of the projects on large businesses significantly limits the effectiveness of their implementation. According to 37.7% of heads of local authorities, investors' limited access to information affects the implementation of municipal-private partnership. The average significance of this factor is noted by 45.1% of respondents, while 43.9% of heads of local authorities believe that the stereotypes of public-private partnership project unprofitability significantly limit their implementation.

*Municipal-private partnership in the evaluations of entrepreneurs.* To identify possible issues of implementing municipal-private partnership in education (infrastructural aspect) in 2015 the authors conducted a monitoring of opinions of entrepreneurs in the Moscow Oblast (N=64) regarding the feasibility and complexity of municipal project implementation.

The study has showed that 42% of respondents assess the condition of educational institutions as "satisfactory", while 39% of respondents characterize it as "bad". 66% of entrepreneurs believe that the number of educational institutions which serve as city infrastructure assets of the Moscow Oblast is clearly insufficient to adequately ensure the quality of life. It is noteworthy that the respondents' opinions regarding the change in the number of

infrastructure assets (capacity, area, total number, etc.) are different: "rather increased" – 31% of respondents; "rather decreased" – 28%; 9% of respondents were undecided. The situation is similar with respondents rating the overall condition of educational institutions and their material and technical support: according to 44% of respondents, it has improved, while 47% of entrepreneurs note its impairment; 9% of respondents were also undecided.

It is interesting that in the ranking of factors which, in the entrepreneurs' opinion, would contribute to the quantitative growth and optimization of the quality of infrastructure facilities in the Moscow Oblast, the first position is "use of the mechanism of social partnership" – 23%, and "enthusiasm of local authorities" – 19%. In the ranking of factors contributing to the deterioration of social infrastructure, "low efficiency of local authorities" holds the last position (15%), while the first position is taken by "corruption" (32%).

Specifying the personal attitude of entrepreneurs to the use of partnership relations for infrastructure development, the authors established that entrepreneurs are not fully familiar with the peculiarities of municipal-private partnership projects in education. This position is clearly seen in the respondents' answer to the survey question about the possible mechanisms



for joint participation of local authorities and businesses (78% were undecided). The respondents' answers are mostly negative: according to 60% of respondents, private business is not involved in the development of infrastructure in the Moscow Oblast; projects proposed by local authorities are unprofitable and futile (39%); local authorities see the role of business only in financial investment (40%). Although in the current situation 26% of respondents are still undecided about the feasibility of municipal-private partnership development in education, 43% of entrepreneurs note that it is necessary to join efforts of local authorities and businesses for developing the social infrastructure. Moreover, 58% of respondents are willing, even in the current socio-economic conditions, to be actively involved in municipal-private partnership projects on social infrastructure development as they consider it the most effective tool in addressing educational problems of a municipal unit (31%).

Thus, answering the question about the forms of stimulating the participation of private businesses in creating and maintaining good condition of infrastructure facilities in education, the most desirable means (27%) is "local tax benefits".

**Discussion.** Cooperation of authorities and the business community is characterized by a wide range of interaction practices: from

attracting finance from organizations on a pro bono basis to implementing public-private partnership projects. Between these poles there are forms of interaction such as short-term contracts on the implementation of a certain kind of works, provision of public services, service agreements on social infrastructure repair and maintenance, joint ventures (share of private capital as a shareholder in a public enterprise). However, as evidenced by global practice, large-scale public-private partnership projects is the most effective form of cooperation ensuring the implementation of strategic goals of social infrastructure modernization.

The authors analyzed the current practices of public-private partnership in education and identified three most common models.

First, investment contracts between municipal authorities and businesses which regulate partners' investment risks and responsibilities, determine the form and ratio of their participation in investment activities. In this case, municipal authorities make an agreement in the form of a municipal contract implying certain obligations on the part of a municipal unit regarding the entrepreneurs, and on the part of business units – co-financing of projects aimed at meeting the needs of municipal educational complex.

Second, leasing municipal property to entrepreneurs for solving socially significant objectives of municipal socio-economic

development. This form of municipal-private partnership in education most often causes public discontent, which is explained by public unawareness of specific features of implementing this model and, as a rule, negative media coverage of examples of “exclusion” of educational establishments to “the property” of individuals.

The third model generated on the basis of concession agreements, projects of municipal-private partnership is the most effective in addressing social development objectives of a municipal unit. The example is a joint project of the Perm city Administration with the non-operated building reconstruction investor for accommodating private pre-school establishments. Following the implementation of the 25-year concession agreement, it is planned to create additional pre-school education establishments with the provision of a certain number of places under the municipal contract. Return on investment is ensured through provision of the population by an educational establishment with a set of educational services [8].

The following practices are of special importance:

1. Construction of infrastructure facilities with support of a municipal unit in terms of legitimating their educational activities, which partly reflects the specific character of the second model, however, does not cause “social discontent”.

2. Support for a municipal unit in building relations between educational establishments and businesses based on the “patronage” principles.

The research results illustrate certain contradictions in the modern practices of interaction between business and government. On the one hand, the representatives of the business community express their willingness to participate in the implementation of municipal-private partnership projects, and, on the other hand, heads of local authorities note lack of private investment, rare cases of implementation of these projects. At the same time, both representatives of business and authorities believe that only joint efforts can contribute to the development of regional social infrastructure, defining municipal-private partnership as the most effective tool for addressing educational issues of a municipal unit.

The research results show that the main reasons for this contradiction is the implementation of traditional practices of using financial resources of business entities, non-repayable transfers of funds of socially responsible enterprises for the needs of municipal education. The government’s consumer attitude to business, limited-pragmatic focus on the use of its resources in the development of social infrastructure become unviable amid market economy. It is necessary to not only make business socially

responsible, but also expand the forms and boundaries of mutually beneficial cooperation of government and private capital. Only in this case active participation of the latter will give a positive result.

The authors subject the following points to public debate:

- municipal-private partnerships in education should be considered from the standpoint of organization of constructive interaction with municipal authorities and the public by consolidating on a long-term and mutually beneficial basis the resources of the society and the government in order to solve the issues of municipal educational complex development;

- in the framework of the mechanism of municipal-private partnership in education, the forms of public participation and ways of its attraction to solving the issues of development of municipal educational complexes have not yet been developed, which greatly limits the potential of social capital of municipal units;

- the main spheres of support for the mechanisms of public-private partnership in education include: provision of a wide access of potential investors to information; overcoming the stereotypes of unprofitable municipal-private partnership projects; consulting support for private investors; training of specific category of municipal employees (development of skills in preparing

and managing municipal-private partnership projects).

**Conclusions.** The results of the expert survey show contradictions between the focus of heads of local authorities on the implementation of municipal-private partnership projects and rare practice of their implementation. The vast majority of leaders believe that such projects are the most effective form of cooperation between businesses and government aimed at social infrastructure modernization, while only 4.2% indicate that such projects are being implemented in their municipal unit. The most convenient form of interaction is exploitation of the concept of social corporate responsibility; in almost every fifth municipal unit educational establishments regularly receive funds on a pro bono basis for social infrastructure development.

The research results help make the following conclusions concerning specific features of implementation of municipal-private partnership projects in modern Russian conditions:

1. The current practice of using the mechanism of municipal-private partnership in education does not meet the needs of infrastructure development of municipal educational complexes of the majority of municipal units in the Russian Federation.

2. The barriers to the use of this mechanism in practice of municipal

management are local budget deficit, inadequate legal framework, unawareness of target public groups of the features of municipal-private partnership projects in education; business representatives' distrust of the actions of the authorities; disagreement of potential partners with the role, which,

according to them, is attributed to them by municipal authorities.

3. Despite the current situation, the entrepreneurs express their willingness to participate in municipal-private partnership in case of changes in the existing forms of stimulation.

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Received August 24, 2016.



## Impact of Modern Pro-Family Demographic Policy on Birth Rate Intensity in the Northern Regions of Russia\*



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**Abstract.** The paper presents findings of a research, the goal of which was to evaluate the effectiveness of state measures aimed to promote the birth rate in Russia and its northern regions, their impact on the increase of birth rate intensity in 2007–2015. The relevance of choosing these territories for the study is determined by the high migration outflow of the population of reproductive age in most regions of the North, aggravating the growing adverse effects that the changes in the age structure have on fertility, the changes are due to the country’s demographic history. Scientific novelty of the study consists in the

\* This research was supported by the Russian Foundation for the Humanities (project number 15-02-00355 “Impact of federal and regional measures of demographic policy on the reproductive attitudes of the population and fertility prospects”) and in the framework of the research “Demographic and labor drivers of sustainable development of the northern regions of Russia” (grant number AAAA-A16-116021210329-2).

**For citation:** Shishkina M.A., Popova L.A. Impact of Modern Pro-Family Demographic Policy on Birth Rate Intensity in the Northern Regions of Russia. *Economic and Social Changes: Facts, Trends, Forecast*, 2017, vol. 10, no. 1, pp. 161-177. DOI: 10.15838/esc.2017.1.49.9

fact that it determines the total demographic effect of current measures of pro-family policy, evaluates the results of enhancing its activities and makes a contribution to scientific studies on identifying the impact of the behavioral component of fertility on the formation of the final number of children in the family in terms of government incentives provided to families. This goal was achieved with the use of the method of standardization by age-specific birth rates for 2006. The authors have found out that in all of the territories the intensity of the birth rate increased most significantly in the women of middle and older reproductive age, but there exist regional specifics and differences in the nature of the transformation of the age-specific birth rate pattern. A 1.3-fold increase in the total fertility rate that was planned to coincide with the second phase of action of the Demographic Policy Concept of the Russian Federation until 2025 has reached the target indicators before the deadline nationwide and in the majority of Russia's northern regions. In the conditions of implementation of the demographic policy the number of births in Russia's northern regions was bigger by 195.6 thousand people or 18.8% compared to the number that would have been observed if the intensity of birth rate remained at the level of 2006. The article makes an attempt to substantiate the differences in the increase in the birth rate intensity in the context of Russia's northern regions. In the period from 2010 to 2015, when there was a growing negative impact of the age structure factor on the one hand, and the intensification of demographic policy measures on the other, an increase could be observed in the contribution of a behavioral component to the formation of the resulting birth rate. The increase in birth rate intensity is associated with the fact that families with children are in need of improving their living conditions, the subjective assessment of these conditions as poor is the factor constraining the number of births in societies where small families prevail.

**Key words:** birth rate intensity, demographic policy, factors promoting birth rate, age structure, reproductive behavior, northern regions of Russia.

The paper considers the northern regions of Russia that include Russia's constituent entities, whose territories belong to the Far North, and the areas equated to them<sup>1</sup> (as it is possible to obtain reliable statistical information for these subjects for the purpose

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<sup>1</sup> In the European North there are five such regions: the Murmansk Oblast, the Republic of Karelia, the Republic of Komi, the Arkhangelsk Oblast, which includes Nenets Autonomous Okrug that is considered separately. Asian North includes eight constituent entities of the Russian Federation: the republics of Tuva and Sakha (Yakutia), Kamchatka Krai, the Magadan and Sakhalin oblasts, Khanty-Mansi, Yamalo-Nenets and Chukotka autonomous okrugs.

of interregional comparisons). The territories under consideration vary significantly by the specifics of the processes of natural population reproduction going on there. Several territories: the republics of Karelia and Komi, the Arkhangelsk and Murmansk oblasts, Kamchatka Krai, the Magadan and Sakhalin oblasts, like the whole country, have been experiencing depopulation since the beginning of the 1990s. As a result of the oncoming favorable trends in fertility and mortality typical for the 2000s, natural

population decline in Kamchatka Krai was replaced by positive natural increase in 2007, in the Republic of Komi and in the Murmansk Oblast this happened in 2011, in the Magadan Oblast, like in Russia as a whole, – in 2013, and in the Sakhalin Oblast – in 2014. In the Republic of Karelia and in the Arkhangelsk Oblast, depopulation still remains: in Karelia – due to the death rate higher than the national average and due to the low birth rate, in the Arkhangelsk Oblast – mainly due to the low birth rate.

In the republics of Tuva and Sakha (Yakutia), Nenets, Yamalo-Nenets, Khanty-Mansi and Chukotka autonomous okrugs in the period of nationwide depopulation and at the present time there is a positive natural increase, which is due to a younger age structure of the population that contributes to a reduced level of crude mortality rate and an increased fertility rate, which is formed, in addition, due to the specifics of reproductive behavior of the indigenous ethnic groups in these regions. On the whole, in the Asian North the average crude fertility rate is higher than in the European North [11, p. 133].

In the theory of demography, the structure of factors, determining total fertility in a specific period, includes: changes in the age structure of reproductive contingents; changes of the calendar (timing) of births (postponement, the implementation of postponed births, tightening up the calendar of births); changes in reproductive attitudes [8, p. 73]. The first factor – the number and age composition of women of childbearing

age determines to a large extent the absolute number of births. These indicators in Russia are strongly and rapidly changing in time due to Russian “demographic waves”, i.e. alternating, successive generations different in their number. The scope of “demographic waves” in the latest half-century of Russian history was as follows: 2.8 million children were born in 1960, 1.8 million in 1969, 2.5 million in 1987, 1.2 million in 1999, 1.5 million in 2005 [6, p. 61-62], 1.9 million in 2015.

The other two fertility factors are determined by the features of reproductive behavior – actions of people and relationships between them arising in connection with child birth or refusal to have children<sup>2</sup>. Reproductive behavior determines the final number of children in a family (individual) and depends on the ability to conceive, desire to have children and the subjective assessment of living conditions impeding or related to its realization [1, p. 254-255; 4, p. 67-68]. A significant effect on fertility is caused by national traditions and reproductive attitudes of the population, which ultimately are reflected in a statistical indicator – the total fertility rate per woman [9, p. 93].

Despite the heterogeneity of the processes of natural reproduction in the northern regions, it is possible to identify circumstances that make relevant a study of the effectiveness of measures to stimulate birth rate in the North of Russia.

<sup>2</sup> Medkov V.M. Demografiya [Demography]. Rostov-on-Don: Feniks, 2002.

They are based primarily on the deterioration of the demographic structure. *First*, migration loss in almost all the northern regions has a negative impact on the structure of the population. Karelia Republic, Nenets and Khanty-Mansi autonomous okrugs are exceptions in this case, because more people arrived in these subjects than left them in 2000–2015. The structure of migration loss from 82 to 95%<sup>3</sup> consists of the population younger than working age and of working age, that permanently and significantly impairs the reproductive potential of the northern territories.

As a result of high migration observed in most of the northern subjects, and as a result of long-term natural population decline typical of the seven regions, the resident population of a number of the northern territories for the period from 2000 to 2015 reduced considerably. The reduction was particularly significant in the Magadan (26.7%), Murmansk (18.6%) oblasts and in the Komi Republic (18.3%) due to both reasons, in the Chukotka Autonomous Okrug (18.0%) – due to significant migration. Khanty-Mansi and Nenets autonomous okrugs were the only subjects where the number of the population had a positive trend in the period under review (it increased by 18.6% and 5.3%, respectively) due to immigration influx and natural increase, as

well as in Yamalo-Nenets Autonomous Okrug (8.8%) and the Republic of Tuva (2.5%) – solely due to natural increase. In conditions of significantly reduced scale of migration loss and preservation of positive natural growth, the population in the Republic of Sakha (Yakutia) in 2000–2015 remained almost unchanged (*Tab. 1*).

The *second* factor in the study of fertility trends in the northern regions of Russia is the increasing deterioration of the structure of the population of childbearing age. If in the first decade of the 2000s the increase in the birth rate was caused by two factors – a favorable age structure and promotion of demographic policy, then in the second decade the main contribution to the birth rate was made by numerically small generations born during the demographic crisis. As a result of the outflow of population from the North and the effect of the demographic wave, by 2015, since the census in 2002, there was a significant reduction in the number of women of reproductive age, particularly from 15 to 29 years of age.

In Russia as a whole, the number of the latter decreased by 18.3%. In the northern regions, the minimum reduction in this age group was observed in the Republic of Sakha (Yakutia) (11.3%), in Khanty-Mansi (15.2%), Nenets (18.1%) and Yamalo-Nenets (18.1%) autonomous okrugs. The decline in young fertile contingents is the highest – much higher than the national average – is observed in the Magadan Oblast (41.6%), the Komi

<sup>3</sup> Calculated with the use of the following source: Socio-demographic characteristic of migrants. *Central Statistics Database*. Available at: <http://www.gks.ru/dbscripts/cbsd/#1>

Table 1. Dynamics of population of Russia's northern regions in 2000–2015, people

Region	2000	2007	2015	Population dynamics in 2000–2015, %
Republic of Karelia	735 462	665 032	632 533	-14.0
Republic of Komi	1 057 873	944 816	864 424	-18.3
Arkhangelsk Oblast	1 390 334	1 266 667	1 183 323	-14.9
Nenets Autonomous Okrug	41 174	41 854	43 373	5.3
Murmansk Oblast	941 062	823 978	766 281	-18.6
Khanty-Mansi Autonomous Okrug	1 359 646	1 475 188	1 612 076	18.6
Yamalo-Nenets Autonomous Okrug	496 292	521 621	539 985	8.8
Republic of Tuva	306 152	302 357	313 777	2.5
Republic of Sakha (Yakutia)	962 507	956 099	956 896	-0.6
Kamchatka Krai	372 308	330 810	317 269	-14.8
Magadan Oblast	201 974	166 902	148 071	-26.7
Sakhalin Oblast	569 234	513 452	488 391	-14.2
Chukotka Autonomous Okrug	61 613	52 913	50 540	-18.0

Republic (41.5%), the Murmansk (39.2%), Arkhangelsk (38.2%), Sakhalin (37.4%) oblasts, the Republic of Karelia (36.6%), and Kamchatka Krai (35.1%).

The northern regions of Russia are the most important strategic and resource territories of the country. Their role in recent years has been increasing again. This was especially evident after the introduction of anti-Russian economic sanctions. A considerable part of the northern regions (the republics of Karelia and Komi, the Arkhangelsk and Murmansk Oblasts, Kamchatka Krai, the Magadan and Sakhalin oblasts) are considered as the subjects of the Russian Federation where the demographic situation requires immediate handling. These factors also increase the importance of assessing the effectiveness of the measures of

demographic policy for solving the problem of preservation and renewal of human resources in the Russian North.

The urgency of demographic issues, the understanding of negative consequences of a decline or stagnation in fertility at a critically low level (labor shortage, aging of the demographic structure, risk of erosion of the national composition of the population in a territory due to a high level of influx of migrants from countries with high fertility, etc.) has led to the fact that since 2003, more and more countries have announced that they will implement the policies aimed at raising fertility [14, p. 47].

In Russia its promotion began in 2006 following the annual Presidential Address to the Federal Assembly and the subsequent issuing of a number of legislative acts and



introducing amendments to the legislation in the field of support of families with children. The main demographic policy measures in the field of fertility include: introduction of birth certificates in the framework of the national project “Health” in 2006; increasing the amount and changing the way of accrual of childcare allowances for children up to 1.5 years of age; increase in the amount of maternity allowance – 100% of the salary is paid in the period of 70 days before and 70 days after childbirth. A particularly important and costly incentive for births (adoptions) of the second and subsequent child was the introduction since January 1, 2007 of the federal parent (family) capital. A decade of experience have made it a widely known measure of demographic policy, therefore, we will only say that its size in 2015–2016 is 453,025 rubles.

In scientific works we can find justification to the rationality of demographic policy aimed primarily at stimulating the birth of a second child, because when deciding on having a second child, “parents evaluate how it will affect their own well-being, as well as that of their first child. In conditions when the family finds many advantages to have only one child, it often makes such a decision” [16, p. 669]. Other scientists also confirm that “the choice to have at least one child is a normative one and, as a rule, does not depend on economic factors. At the same time, when people are subjectively dissatisfied with material living conditions, they reduce

the prospective size of the family, especially if they already have one child” [21, p. 716].

In the second decade of the 2000s there was the strengthening and expansion of the range of demographic policy measures. Since 2011, the regions pay regional maternity (family) capital to families to encourage the birth (adoption) of a third and subsequent child. June 14, 2011 amendments were introduced to the Land Code of the Russian Federation according to which the citizens who have three or more children were entitled to free acquisition of land plots; since 2013, the right to vocational training and advanced vocational training is granted to women on the maternity leave until their child reaches three years of age; under the federal target program “Housing” (2015–2020) a sub-program “Providing housing for young families” is implemented.

From January 01, 2013 for regions with fertility rates below the national average, at the federal level, the support was introduced for needy families after the birth of a third and subsequent child until he/she reaches three years of age, the support amounts to the regional minimum subsistence level for children. This payment is made from the federal budget in the regions with low birth rates with the aim of encouraging and supporting families with three or more children. These regions include the seven northern regions: the republics of Karelia and Komi, the Arkhangelsk, Murmansk, Magadan, Sakhalin oblasts and Kamchatka



Table 2. Size of the regional maternity (family) capital in the northern regions of Russia

Region	Regional maternity (family) capital
Republic of Karelia	105 thousand 500 rub., not subject to indexation
Republic of Komi	150 thousand rub., not subject to indexation
Arkhangelsk Oblast	50 thousand rub., not subject to indexation
Nenets Autonomous Okrug	300 thousand rub., subject to annual indexation
Murmansk Oblast	108 thousand 680 rub., subject to annual indexation
Khanty-Mansi Autonomous Okrug	100 thousand rub., subject to annual indexation
Yamalo-Nenets Autonomous Okrug	350 thousand rub., not subject to indexation
Republic of Tuva	50 thousand rub., not subject to indexation
Republic of Sakha (Yakutia)	100 thousand rub., subject to annual indexation
Kamchatka Krai	For a third child – 119 thousand rub., for a fourth child – 179 thousand, fifth – 238 thousand; sixth and subsequent child – 298 thousand rub., subject to annual indexation
Magadan Oblast	100 thousand rub., subject to annual indexation
Sakhalin Oblast	150 thousand rub., subject to annual indexation
Chukotka Autonomous Okrug	100 thousand rub., subject to annual indexation

Krai. In the Nenets, Yamalo-Nenets and Khanty-Mansi autonomous okrugs the allowance is paid on the same basis as the federal allowance, but it is paid from the funds of regional budgets. In the republics of Tuva and Sakha (Yakutia) and Chukotka Autonomous Okrug the allowance for the third child in low-income families is not paid<sup>4</sup>.

Let us consider in more detail the features of payment of the regional maternity (family) capital, the amount of which varies considerably in different regions (*Tab. 2*).

Basically, the right to receive the regional maternity (family) certificate belongs to families after the birth (adoption) of a third or subsequent child. But there are some exceptions. Thus, in the Republic of Komi,

<sup>4</sup> Information about the monthly allowance for a third child up to three years of age. Available at: [http://www.assessor.ru/notebook/posobija/ejemesyachnoe\\_posobie\\_na\\_tretego\\_rebenka\\_do\\_3\\_let/](http://www.assessor.ru/notebook/posobija/ejemesyachnoe_posobie_na_tretego_rebenka_do_3_let/)

adoptive parents receive another type of allowance and they are not entitled to the regional capital. In the Republic of Tuva, due to the high birth rate, the payment is made only after the birth (adoption) of a fifth or subsequent child. In order to stimulate birth rate and prevent the postponement of the birth of a first child, since January 01, 2015, two northern regions pay the regional maternity capital of 100 thousand rubles after the birth of a first child: in Kamchatka Krai – to the women who gave birth to their first child at the age of 19–24, and in the Magadan Oblast – to the women under 25 years of age who gave birth to or adopted their first child.

The payment of the regional maternity (family) capital in the Arkhangelsk Oblast and Chukotka Autonomous Okrug is not targeted, because it can be spent on any needs of the

recipient. In the Yamalo-Nenets Autonomous Okrug, these funds can be spent on improving housing conditions, medical care to family members (parents and/or children) in medical organizations located on the territory of the Russian Federation and abroad, and on receiving one-time cash payment in the amount of 25 thousand rubles after the birth (adoption) of a third (subsequent) child.

All other northern subjects are united by the fact that families can spend the regional maternity capital on the improvement of housing conditions and education of a child (children), and other areas provided by regional legislation. The widest opportunities for its spending (five and more options) are provided to families in Nenets Autonomous Okrug, the Murmansk Oblast and Yakutia.

Application of the method of standardization according to the age-specific birth rates as of 2006 allowed us to evaluate the effectiveness of the demographic policy pursued in 2007–2015 in Russia and its northern regions. The method consists in calculating the hypothetical number of births at a real age structure, but at age-related factors taken for the standard [7, 15]. In the present study these are the coefficients for 2006, the year prior to the beginning of the activation of demographic policy to stimulate the birth rate. The difference between the actual and hypothetical number of births shows the extent to which the intensity of childbearing has changed in comparison with the 2006 level.

The use of this technique helps reveal that demographic policy measures implemented in 2007–2015 influenced the increase in the intensity of childbearing in Russia as a whole and in its northern regions, but the degree of this influence was different (*Tab. 3*).

According to calculations, the maximum total demographic effect due to increasing the intensity of childbearing promoted by current demographic policy is observed in the Republic of Tuva (the number of births increased by 30.2% in the period 2007–2015), the Republic of Komi (by 20.2%), Nenets (20.2%), Khanty-Mansi (19.7%) and Yamalo-Nenets (18.9%) autonomous okrugs. The increase in the intensity of childbearing in the northern regions of the Far Eastern Federal District was lower, and in Chukotka Autonomous Okrug it was significantly lower than in other northern regions.

The increase in the intensity of childbearing in most northern regions is more pronounced in rural areas, “where is the opportunity to use maternity capital to improve housing conditions is more real” [5, p. 102], and the allowance for a third child in the amount of the subsistence level for children paid to low-income families is support in conditions of a low standard of living and high unemployment. In Chukotka, Nenets and Khanty-Mansi autonomous okrugs, the Murmansk and Sakhalin oblasts, as well as in Russia as a whole, the increase in the intensity of childbearing in urban and rural areas was almost identical.

Table 3. Standardization of birth rates in Russia and in its northern regions by age-specific fertility rates, 2006, 2007–2015

Region	Hypothetical number of births (HNB), people	Real number of births (RNB), people	RNB – HNB, people	$\frac{RNB - HNB}{RNB} \times 100$ (%)
Russian Federation	13 114 218	16 352 501	3 238 283	19.8
Republic of Karelia	56 637	69 519	12 882	18.5
Republic of Komi	85 681	107 412	21 731	20.2
Arkhangelsk Oblast	113 222	136 672	23 450	17.2
Nenets Autonomous Okrug	5 042	6 316	1 274	20.2
Murmansk Oblast	67 745	81 961	14 216	17.3
Khanty-Mansi Autonomous Okrug	184 366	229 528	45 162	19.7
Yamalo-Nenets Autonomous Okrug	61 964	76 407	14 443	18.9
Republic of Tuva	50 370	72 214	21 844	30.2
Republic of Sakha (Yakutia)	122 482	146 169	23 687	16.2
Kamchatka Krai	31 520	36 601	5 081	13.9
Magadan Oblast	14 388	16 580	2 192	13.2
Sakhalin Oblast	47 074	56 504	9 430	16.7
Chukotka Autonomous Okrug	6 252	6 429	177	2.8
Northern regions, total	846 743	1 042 312	195 569	18.8

The most insignificant total effect of demographic measures on stimulating the birth rate is observed in Chukotka Autonomous Okrug; *on the one hand*, it is possible to explain this fact by the negative context of socio-economic development of the okrug. In the ranking of Russia's regions by socio-economic situation Chukotka Autonomous Okrug is consistently at the bottom: in 2010 – 72nd position out of 83, in 2011 – 68th; in 2012 – 75th, in 2013 – 76th, in 2014 – 77th, in 2015 – 67th<sup>5</sup>. Despite the fact that by level of per capita monetary income Chukotka Autonomous Okrug ranks above the national average, the purchasing

<sup>5</sup> Ranking of constituent entities of the Russian Federation according to their socio-economic status in 2011–2015. Available at: [http://vid1.rian.ru/ig/ratings/rating\\_regions](http://vid1.rian.ru/ig/ratings/rating_regions)

power of its incomes in 2012 compared to 1990 fell significantly in the okrug, whereas in Russia as a whole it increased [10, p. 61]. Chukotka Autonomous Okrug is also at the bottom of the ranking according to factors such as the level of life expectancy, level of registered unemployment, financial situation, development of small and medium businesses, degree of remoteness from the central part of Russia, complexity of transport communications and also because of harsh climatic conditions. The demand for housing in the autonomous district decreased due to large-scale out-migration and temporary residence of the population in the region, illiquidity of the housing fund, especially in peripheral areas; housing affordability increased, which does not provide for such

a demand of the main area of spending the federal and regional maternity capital as in other regions where the housing problem is more acute.

*On the other hand*, the weak effect of demographic measures in the field of increasing fertility, is obviously due to the fact that the indigenous population of Chukotka AO is shifting toward having few children, which results in the decline of reproductive attitudes, and increase in the role of subjective claims in the evaluation of living conditions as preventing or promoting the realization of reproductive intentions. In our opinion, this also explains a less significant increase in the intensity of childbearing in the rest of the northern regions of Russian Far East.

The Republic of Tuva, which is traditionally at the bottom in the assessments of socio-economic development, ranks even lower than Chukotka AO in the ranking of socio-economic situation among constituent entities of the Russian Federation. However, at the same time, Tuva has a high birth rate and the most successful results in increasing the intensity of childbearing during the promotion of demographic policy (30.2% of additional births). The total fertility rate in this region declined to the level of contracted reproduction only in 1997–2001. That is, compared to other northern regions the birth rate in the republic was low within the shortest period of time: the transition to the intention to have few children in the indigenous population of Tuva was not accelerated even

in the years of unfavorable socio-economic context. And since the beginning of the 2000s the republic, like the country on the whole, has faced an increase in the birth rate. Since 2007, even in urban areas, the birth rate corresponds to a simple, and in some years – to an extended mode of reproduction. The village since 2002 has been dominated by extended reproduction, and in the second decade of the 2000s, with the introduction of regional measures of demographic policy that support only the birth of a very high order, the intensity of childbearing reached maximum values in the region.

In 2011–2015, alongside growing deterioration of the structure of fertile contingents, the increase in the intensity of childbearing in Russia and its northern regions was significantly higher compared to 2007–2010 (*Tab. 4*). Obviously, boosting the demographic policy played an important leveling role by compensating for the losses caused by structural factors.

In the first place, it is noteworthy that among the population of the northern regions of the Far East in 2007–2010, when only the federal demographic policy measures were implemented, the increase in the intensity of childbearing was much less significant than in other northern territories of the country; as for Chukotka AO, the intensity of fertility there was even lower than before the implementation of stimulating measures. Strengthening the demographic policy by regional demographic measures contributed

Table 4. Standardization of birth rates in Russia and its northern regions by age-specific fertility rates 2006, 2007–2010 and 2011–2015

Region	2007–2010		2011–2015	
	RNB – HNB, people	$\frac{RNB - HNB}{RNB} \times 100$ (%)	RNB – HNB, people	$\frac{RNB - HNB}{RNB} \times 100$ (%)
Russian Federation	922 047	13.4	2 316 236	24.4
Republic of Karelia	3 736	12.2	9 146	23.6
Republic of Komi	5 093	10.9	16 638	27.4
Arkhangelsk Oblast	6 829	11.1	16 622	22.1
Nenets Autonomous Okrug	406	14.8	868	24.3
Murmansk Oblast	3 653	10.1	10 563	23.1
Khanty-Mansi Autonomous Okrug	10 689	11.4	34 473	25.4
Yamalo-Nenets Autonomous Okrug	3 193	10.0	11 250	25.4
Republic of Tuva	8 124	25.4	13 720	34.1
Republic of Sakha (Yakutia)	7 135	11.4	16 552	19.8
Kamchatka Krai	941	5.9	4 140	20.0
Magadan Oblast	421	5.7	1 771	19.2
Sakhalin Oblast	2 020	8.2	7 410	23.3
Chukotka Autonomous Okrug	-57	-1.9	234	6.8
Northern regions, total	52 183	11.6	143 387	24.2

to the further growth of the intensity of childbearing. The intensity of childbearing in 2011–2015 increased most significantly compared to the level of 2007–2010 in those subjects where starting from 2013 in addition to the federal and regional maternity capital the allowance for a third child until they reach three years of age was established for low-income families. Here an exception is Nenets Autonomous Okrug, where in 2007–2010 the increase in birth rate was high enough due to its intensity and, consequently, a further increase was not so significant.

The obtained results confirm the findings of similar studies conducted in Russia as a whole and in its other regions. Thus, the calculations made by O.V. Kuchmaeva with

the help of standardization of the special birth rate coefficient in an indirect way taking age-specific fertility rates for 2006 as the standard show that due to the increase in the intensity of childbearing in 2007 the special birth rate coefficient increased by 8%, in 2008 – by 15.1% [5, p. 101]. A.A. Shabunova and O.N. Kalachikova, having evaluated birth rate factors with the help of the index method, point out that the growth in the birth rate registered in the Vologda Oblast in the period from 2006 to 2011 was mostly (by 74%) caused by the increase in the intensity of childbearing [13, p. 378]. At the same time, in our study it was possible to assess the results of boosting the measures of demographic policy.

Table 5. Total fertility rate in Russia and in its northern regions, children

Region	2006	2007	2012	2013	2014	2015	Growth in 2006–2015, fold
Russian Federation	1.31	1.42	1.69	1.71	1.75	1.78	1.4
Republic of Karelia	1.32	1.41	1.71	1.65	1.74	1.77	1.3
Republic of Komi	1.38	1.50	1.88	1.97	2.02	2.00	1.4
Arkhangelsk Oblast	1.37	1.50	1.76	1.80	1.84	1.85	1.4
Nenets Autonomous Okrug	1.71	1.88	2.35	2.31	2.42	2.58	1.5
Murmansk Oblast	1.26	1.32	1.57	1.62	1.65	1.71	1.4
Khanty-Mansi Autonomous Okrug	1.52	1.61	2.02	2.05	2.09	2.07	1.4
Yamalo-Nenets Autonomous Okrug	1.50	1.61	2.05	2.09	2.19	2.19	1.5
Republic of Tuva	2.12	2.69	3.35	3.42	3.49	3.39	1.6
Republic of Sakha (Yakutia)	1.72	1.91	2.17	2.17	2.25	2.19	1.3
Kamchatka Krai	1.42	1.47	1.73	1.77	1.85	1.89	1.3
Magadan Oblast	1.32	1.35	1.65	1.69	1.66	1.66	1.3
Sakhalin Oblast	1.40	1.48	1.71	1.81	1.96	2.02	1.4
Chukotka Autonomous Okrug	1.78	1.83	1.97	1.91	2.04	2.10	1.2

Despite continuous doubts expressed during academic and public discussions concerning the efficiency and necessity of economic measures in demographic policy in the countries with low birth rates, P. McDonald provides strong arguments in favor of the fact that usually the experience of demographic policy has a positive effect in the solution of the task of preserving the birth rate at some level or raising it from very low levels, even within its contracted reproduction mode [18]. Judging by the results of a comprehensive study conducted by RAND Corporation in European countries, “curtailing the policy that supports families in a number of European countries (Poland, East Germany and Spain) contributed to the decline in the birth rate in these countries, whereas in France the implementation of the family policy was one of the priorities of the country

since the adoption of the Family Code (1939), which led to relatively high birth rates” [15].

G. Neyer, on the basis of the findings of the study of the implementation of family policy in different countries, concludes: “Countries that consider their family policies part of the labor market policy and social welfare policy make great progress in maintaining birth rate above extremely low levels” [20]. W. Lutz and K. Milligan also come to the conclusion that “direct financial incentives can be an effective way of increasing the birth rate” [17; 19].

As a result of introduction of additional economic measures of demographic policy, the birth rate has increased in both urban and rural territories. But, with the exception of the Republic of Tuva, the total fertility rate in urban areas of the northern regions is still in the contracted reproduction mode.



In the rural areas of Karelia, Komi Republic and the Arkhangelsk Oblast the birth rate had shifted to the expanded reproduction mode before the demographic policy measures were boosted. Since 2011, the expanded reproduction of the rural population is typical for the Republic of Sakha (Yakutia), since 2012 – for Khanty-Mansi and Chukotka autonomous okrugs and the Sakhalin and Magadan oblasts. In Nenets and Yamalo-Nenets autonomous okrugs and in the Republic Tuva, the intensity of childbearing among the rural population even during the demographic crisis of the 1990s was high, and it significantly surpassed the indicators in other northern regions. However, like in the above mentioned regions, during the period of additional demographic policy measures the total fertility rate in them was significantly higher than the levels previously observed.

Kamchatka Krai managed to make a transition from contracted to simple reproduction in 2013 due to the increase in the intensity of childbearing in its rural areas. As for the Murmansk Oblast, its small rural population of reproductive age never went beyond the narrowed reproduction despite an increase in the birth rate. The differentiation in the “village-city” context began to emerge most significantly in the northern regions of the Northwestern Federal District and in the Republic of Tuva since the promotion of the state demographic policy.

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set the goal to increase the total fertility rate by the beginning of the third phase of its implementation in 1.3 times by 2016 compared to 2006. In Russia as a whole and in its northern regions, with the exception of Chukotka Autonomous Okrug, this task has been completed ahead of schedule (*Tab. 5*).

Immediately after the introduction of the federal maternal (family) capital in the Republic of Tuva, it has experienced a rise in the total fertility rate by 27%. In Russia as a whole, by 2012, it has increased by 29% in comparison with 2006, i.e. in almost 1.3 times. In other northern regions the target indicators were also achieved in 2012, and in Kamchatka Krai and Sakhalin Oblast – in 2013.

In the period of implementing current Russian demographic policy in the republics of Karelia and Komi, the Arkhangelsk, Murmansk, Magadan and Sakhalin Oblasts, Khanty-Mansi and Yamalo-Nenets autonomous okrugs the birth rate increased in almost all age groups. It was declining only in the group of women 15–19 years of age; in the group of those aged 20–24 it showed a multidirectional trend. Moreover, the growth of age-specific birth rates among middle-aged women (30–39 years of age) and older (40–44 years of age) in reproductive age reaches its peak, which indicates the implementation of the births, which would not be implemented without additional incentives. Motherhood for women in older childbearing age is a planned stage of life, the implementation of

which may be affected (and has already been affected) by demographic policy measures [3, p. 613].

The growth of age-specific birth rates in Nenets Autonomous Okrug was more uniform and reached its peak among women 35–39 years of age. In the Republic of Tuva in all age groups the increase in the birth rate was almost identical. In these two regions the growth of the birth rate was observed in the youngest group of childbearing age (15–19 years old); the birth rate increased in the group of women 20–24 years of age more significantly than in other regions. In the Republic of Sakha (Yakutia) the increase in the birth rate was also fairly uniform in all age groups, except the group of those aged 15–19, in which it remained almost at the same level in 2006–2015.

Chukotka Autonomous Okrug has the lowest growth rates of age-specific fertility rates. They were negative in the group of women 15–19 years of age. In the group of those aged 20–24 it decreased more often than increased. In the rest age groups the birth rate dynamics also did not form a stable positive trend: in some years there was a slight increase, in others – a decrease. This can be partly explained by the small size of the population in Chukotka Autonomous Okrug, when any random demographic event affects the level of the indicator. However, in the Nenets Autonomous Okrug under the same circumstances there is a continuous increase. Obviously, the unfavorable socio-

economic situation in Chukotka AO, a low demand for housing in the conditions of out-migration and accelerated transition of the indigenous population to the intention to have few children nullify the effectiveness of the demographic policy, the main aim of which is the improvement of housing conditions.

The maximum growth rate of the total fertility rate in the absolute majority of the northern regions was observed immediately after the demographic policy measures began to be implemented, which indicates the immediate reaction of the population [12, p. 134]. Stagnation and reduction in the dynamics of this indicator was prevented by the development of a new phase of demographic policy since 2011. However, in certain years, most northern regions experienced negative growth of the total fertility rate: in 2011 in the Arkhangelsk Oblast, in 2011 and 2013 in Nenets and Chukotka autonomous okrugs, in 2013 in the Republic of Karelia, in 2014 in the Magadan Oblast, in 2015 in the Republic of Komi, Khanty-Mansi and Yamalo-Nenets autonomous okrugs, the republics of Tuva and Sakha (Yakutia). Due to adverse changes in the age structure in recent years in Russia as a whole and in its northern regions, except for Nenets Autonomous Okrug and the Sakhalin Oblast, a stagnation or reduction in the total fertility rate is observed.

Reproductive behavior of the population is sensitive to costly measures that encourage childbirth, since the low standard of living

observed in families with children remains its limiting factor [2, p. 73]. In order to prevent resistance of the negative dynamics and increase in the depth of the birth rate decline, it is important to maintain the chosen course of demographic policy.

Thus, the effect of the modern demographic policy measures has led to increase in the contribution of behavioral components in the birth rate of the population of Russia's northern regions due to the increase in its intensity. After we calculated the hypothetical number of births in a real age structure and age-related factors for 2006 adopted as the standard, it was possible to identify that in the northern subjects of the Russian Federation, due to the changes in the reproductive behavior of the population the number of children born in 2007–2015 was greater by 195.6 thousand, or by 18.8% than the number of children that would have been born if the intensity of childbearing had remained at the level of 2006. In 2011–2015, when the structure of fertile contingents was deteriorating and demographic policy measures were boosted, the importance of behavioral factors in shaping the birth rate increased. If in 2007–2010 due to the increase

in the intensity of childbearing 11.6% of additional births were implemented, then in 2011–2015 the changes in the reproductive behavior significantly compensated for the elimination of the favorable impact of the structure factor on the birth rate, enhancing its role in the formation of the final birth rate up to 24.2% of additional births.

Due to the fact that the issue concerning the improvement of the living conditions of families with children in the northern regions of Russia remains critical, the intensity of childbearing will still react to stimulating events for a long time, and its surge will occur immediately after the introduction of new measures of family support (especially those that are economically significant). Despite the complexity of this goal, it is necessary to elaborate a paradigm of the demographic policy of the state that simultaneously meets two important objectives: provision of social support to families with children and the formation of a uniform intensity of childbearing in the long term in order to smooth its wave oscillations to a maximum degree. All this can be implemented if demographic policy will, above all, be long-term, sustainable and successive.

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Received January 09, 2017.



# BRANCH-WISE ECONOMY

DOI: 10.15838/esc.2017.1.49.10

UDC 334.012.64, LBC 65.290.31

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## The Current State and Specifics of Small Business Development in Russia



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**Abstract.** The formation of the small business sector is one of the most promising areas of the country's socio-economic development. In this regard, assessing formation dynamics and determining the problems and areas of development of the sector is of particular relevance. The purpose for the research is to analyze the current state and identify the peculiarities of small business development in Russia. To achieve this purpose the following statistical research methods have been used: data summary and grouping, calculation of integrative indicators (absolute, relative values), construction of dynamics series. The author also used general scientific methods such as generalization, induction, analysis and synthesis, etc. Based on statistical data with the use of these methods, the author analyzed tendencies of small businesses development in the context of indicators characterizing the dynamics of a number of small enterprises and their territorial distribution, sectoral structure, employment in the small business sector, enterprise financial and economic activity, their lending, etc. The research has helped conclude that there is a quantitative increase in a number of indicators for this economic sector, but the qualitative development is still not observed. The potential of small business institution is not being fully implemented for the development of territories. The research demonstrates that destructive processes

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**For citation:** Terebova S.V. The current state and specifics of small business development in Russia. *Economic and Social Changes: Facts, Trends, Forecast*, 2017, vol. 10, no. 1, pp. 178-199. DOI: 10.15838/esc.2017.1.49.10



in small business are largely associated with conditions in which companies operate, as well as external factors influencing them. Based on the results of various international and domestic monitoring studies of business and expert organizations, the key factors affecting its development have been distinguished. The study has identified its impact reduction areas, justified the necessity of stabilizing legislation (primarily in the tax area) and macro-economic balance. The research results may be used in the development of balanced state regional policy, as well as in drafting policy documents, planning strategic and operational activities aimed at developing small business in constituent entities of the Russian Federation. The prospects for further research work in this area are in assessing small business innovative potential.

**Key words:** small business, entrepreneurship development, territory.

Small and medium business (SMB) is an integral part of modern economic system without which the economy and society cannot exist and develop<sup>1</sup>. The history of small business formation in Russia (within contemporary history) in comparison with the USA, the EU member states and some other countries is not a continuous process [26]. The beginning of formation of this sector dates back to the late 1980-s and is connected with the emergence of cooperatives and joint ventures. Reforms implemented in Russia, establishment of the basics of market relations

became a condition of small and medium business development and its increased role in the economy. In the early 1990-s, state-owned enterprises were privatized; this process also affected small business. Redistribution of state property contributed to the expansion of entrepreneurship; at the same time, this period was the beginning of the development of “grey” economy in this sector. Heavy taxes prompted entrepreneurs to use “grey” schemes, “black” cash, double-entry bookkeeping, etc. The economic collapse and political turmoil (1991–1993) led to the situation where a significant share of small businesses was refocused on commercial activity (trade). After 1993, there was a certain rise in small business development, the private sector of economy. For the first time, the legal basis of entrepreneurial activity begins to develop: Civil Code, Law “On non-commercial organizations”, etc. are adopted. During 1998–2001 new legislation is adopted introducing tougher requirements to small

<sup>1</sup> The criteria for classification of enterprises in small business are total turnover (profit, income), asset value, equity, average total staff, etc. According to the World Bank, the total number of indicators for classifying enterprises in small business is more than 50. The main criterion for classifying enterprises (organizations) of various types in small business is average total staff employed in the enterprise (organization) during the reporting period. Thus, in Russia, micro-enterprises include enterprises with the total staff of 15 people max, small enterprises – 100 people max, medium enterprises – 2050 people max; in the EU, respectively, – 10 people max; 50 and 250 people max; in the USA – 20 people max, 100 and 500 people max. In China, small and micro-enterprises have –1000 people max, medium enterprises –3000 max.

businesses, resulting in the strengthening of bureaucratic procedures, a more complicated process of business registration. Subsequently, government policy was aimed at expansion of support measures for small business. Since 2005, the Ministry of Economic Development has implemented the state financial support program for small and medium enterprises<sup>2</sup>. During 2005–2016, in the framework of this program about 160 billion rubles were allocated to regional budgets from the federal budget; the number of RF constituent entities participating in the program increased from 55 to 85. According to the results of the annual program audit [18], GDP growth per 1 ruble invested amounted to 39 rubles and was estimated at 607 billion rubles per year [4].

Despite a significant increase in state support for the sector under review, unstable tax policy continues to significantly hamper its development. Its contribution to the overall

economic performance in Russia is less significant than in the EU member states, the USA and some developing countries (*Tab. 1*).

The basis of SMB sector by number of business units are individual entrepreneurs (53.3%) and micro-enterprises (41%) – 94.3% in total. These business units account for 55% of the employed in the sector under review [16]. 52% of turnover (revenue) of business units from sales of goods (works and services) is accounted for small (40%) and medium (12%) enterprises. In economy as a whole, the share of small and medium enterprises in total turnover of enterprises is, according to the Federal State Statistics Service, steadily decreasing. In 2014, it amounted to 20.2%, which is 6.2 percentage points less than in 2005 [16]. SMB accounts for only 5–6% of the total fixed assets and 5% of the total investment in fixed assets nationwide [36].

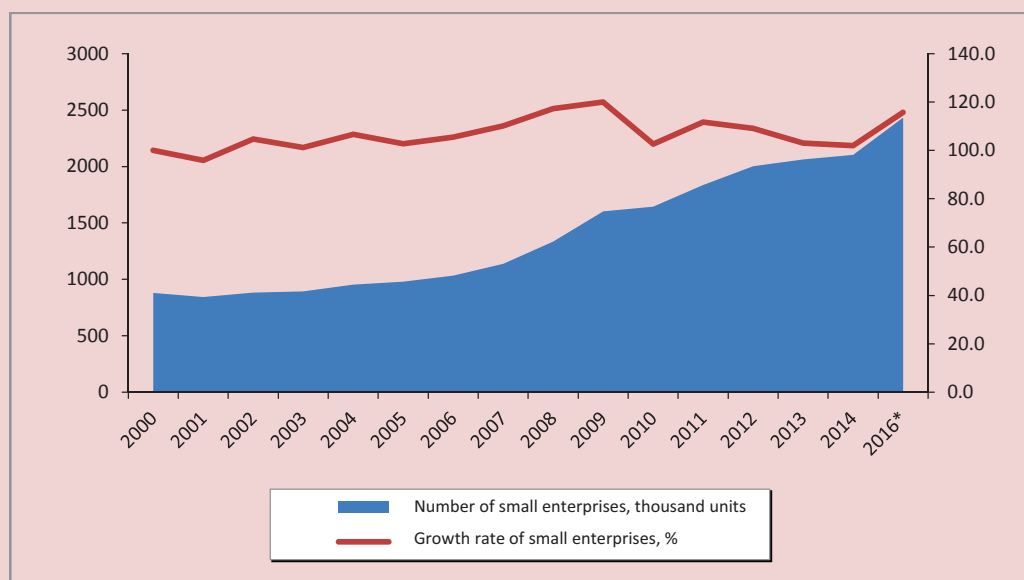
Table 1. Scale of small business development in foreign countries and in Russia [36]

Country	Number of small enterprises (including micro-enterprises), mln units	Ratio of small businesses per 1000 citizens	Number of economically active people, mln people	Number of employed in small business, %
USA	27	86	158.9	61
UK	5.2	81	32.8	50
Germany	2.1	26	41.9	42
France	2.4	38	30.2	47
China	15	11	793.3	69.7
Russia	2.1	14	77	21.4

<sup>2</sup> The procedure for providing regional budgets with funds from the federal budget on a competitive basis in the form of subsidies is established by Government Decision no. 178 “On distribution and provision of regional budgets with subsidies from the federal budget for state support for small and medium business including private farms”, dated February 27th, 2009.

<sup>3</sup> Excluding external part-timers.

Figure 1. Trend in the number of small enterprises (including micro-enterprises) [8, 36]



\* As of 10.09.2016

Source: compiled from data of the Federal State Statistics Service, Federal Tax Service.

In 2005, the share of the employed in SMB<sup>3</sup> increased from 10.7 percentage points and amounted to 23.6% in 2014 [36]. At the same time, labor productivity in the sector, according to the Ministry of Economic Development of the Russian Federation, is 2–3 times below the level of developed countries (the USA, Japan, the EU).

#### **Territorial distribution of small and medium enterprises**

Due to targeted state support, over the past 15 years the number of small enterprises in the country increased more than 2 times (*Fig. 1*). However, it should be noted that the increase was ensured mainly by the segment of micro-

enterprises<sup>4</sup> (they have been recorded in statistical accounting since 2008), while the number of small companies during 2008–2016 decreased (16.7%).

In 2008, among small enterprises medium enterprises were distinguished but their share in the total number of small and medium enterprises was insignificant – 0.3%. Consistent with the logic, the authors add that

<sup>4</sup> According to Federal Law “On small and medium business development in the Russian Federation”, since 2008 micro-enterprises (max 15 employed) were identified among small enterprises (with 16–100 employed), medium enterprises were also assigned to this sector (max 250 employed) (Source: Federal Law no. 209-FZ “On small and medium business development in the Russian Federation”, dated July 24th, 2007. ConsultantPlus).

medium businesses are formed from small because the transition from small to large business should be considered as an evolutionary process. However, small businesses do not have incentives to become medium. With transition to a new level small businesses lose their rights for various incentives (tax benefits, administrative benefits, possibility of obtaining state support, etc.), that is why it is easier for such enterprises to artificially

divide into a few new ones than to move into the category of medium enterprises.

The trend in the number of small businesses reflected in the statistics is influenced by peculiarities of statistical accounting. For example, even if a firm exceeded the limit on the number of employees or amount of income, it is still considered small within the next three years<sup>5</sup>.

Table 2. Top 10 constituent entities of the Russian Federation by basic indicators characterizing small\* business development, 2014\*\*

Share of average number of employees (excluding external part-timers) employed in small business, %		Share of number of small enterprises, %	
Moscow	13.3	Moscow	19.7
Saint-Petersburg	5.8	Saint-Petersburg	8.3
Moscow Oblast	4.4	Moscow Oblast	4.9
Sverdlovsk Oblast	3.5	Sverdlovsk Oblast	3.4
Krasnodar Krai	3.1	Krasnodar Krai	2.8
Republic of Tatarstan	3.1	Republic of Tatarstan	2.7
Republic of Bashkortostan	2.8	Nizhny Novgorod Oblast	2.6
Novosibirsk Oblast	2.7	Samara Oblast	2.5
Rostov Oblast	2.4	Novosibirsk Oblast	2.5
Nizhny Novgorod Oblast	3.2	Chelyabinsk Oblast	2.3
44.3%		51.7%	
Share in the turnover in small business sector, %		Share in investment in fixed assets in small business sector, %	
Moscow	20.5	Krasnodar Krai	5.6
Saint-Petersburg	5.7	Nizhny Novgorod Oblast	4.9
Moscow Oblast	4.9	Moscow Oblast	4.7
Krasnodar Krai	3.8	Voronezh Oblast	4.7
Sverdlovsk Oblast	3.7	Republic of Bashkortostan	3.9
Nizhny Novgorod Oblast	3.2	Rostov Oblast	3.6
Tyumen Oblast	2.8	Altai Krai	3.5
Republic of Tatarstan	2.8	Penza Oblast	3.4
Rostov Oblast	2.7	Novosibirsk Oblast	3.2
Novosibirsk Oblast	2.6	Kemerovo Oblast	2.7
52.7%		40.2%	
* Including micro-enterprises.			
** Calculated on the basis of statistics of the Federal State Statistics Service [36].			

<sup>5</sup> It means that if an enterprise exceeded the limit in 2014, it will lose its status as a small enterprise only in January 1st 2017. Previously, this period amounted to 2 years. The amendment was introduced by Federal Law no. 156-FZ, dated June 29th, 2015.

A significant drawback of small entrepreneurship development in Russia is its high territorial concentration. 52% of small enterprises is concentrated within 10 Russian regions (12% of all regions), the trend towards their concentration in a small number of regions and federal districts remains and is even increased in some regions (*Tab. 2*).

In the context of federal districts (FD) the situation is as follows. The leader is the Central FD, where at the beginning of August 2016 36.6% of the total number of small enterprises of Russia were registered; in the Volga FD – 18.5%; in the North-Western FD – 13.3%; in the Siberian FD – 10.6%; in the Ural FD – 8.2%; in the Southern FD – 6.7%. The share of the Far Eastern FD is 3.7%, the North Caucasian FD – 1.7%, the Crimean FD – 0.7%. It should be taken into account that the size structure of business entities is influenced by sectoral specialization of economies of the regions and districts<sup>6</sup>.

In the framework of federal districts the enterprises are also distributed unevenly. The drivers of the Central FD are the city of

Moscow and the Moscow Oblast, where about a quarter of all small enterprises in Russia is concentrated (24.6%), which is 70% of small businesses in the District. In the Volga FD, the distribution of small businesses is more uniform, although there is a noticeable concentration of more than 50% of all district's small enterprises only in four regions: Tatarstan, Bashkortostan, the Nizhny Novgorod and Samara oblasts. In the North-Western FD, there is also a high concentration of small businesses in the city of Saint-Petersburg (more than 60% of the total number of small enterprises in the District), etc.

Consequently, analysis demonstrates uneven distribution of small enterprises throughout the territory of Russia. This unevenness is increased at the level of constituent entities of the Russian Federation. Thus, at the beginning of 2016, the number of small enterprises per 100 thousand inhabitants ranged from 374.6 units (Saint-Petersburg) to 7.6 units (Chechen Republic) [6].

As a result of territorial concentration, 10 constituent entities concentrate 44.3% of the employed in small business in the country, 52.7% of turnover and 40.2% of investments in fixed assets of the sector (*Tab. 2*). Thus, the dynamics of the small business sector in the country actually depends on its condition in the leading regions.

<sup>6</sup> For example, low percentage of small business concentration in the Ural FD is the result of the District's sectoral composition of the economy, with the 20% concentration of the all-Russian production (production of aluminum, metallurgy, oil and gas, etc.). These industries are capital- and energy intensive, aimed at the result from the scale.

### Sectoral composition of small business

The current sectoral composition of small business is a serious concern. Since the beginning of 2015, enterprises by industry are distributed as follows:

- industry – 10.5% (for comparison: in 2000 – 15.3% [17]);
- construction – 11.9% (14.4%);
- agriculture – 2.7% (1.6%);
- transport and communication – 2.1% (2.6%);
- the remaining 68.1% are industries not related or indirectly related to material production (65.5%).

Thus, there were no significant changes in the distribution of small enterprises by type of activity over the past 15 years: trade and real estate remain the leaders, in total, they amount to more than 50%. The attractiveness of this sector is primarily explained by low costs and high capital turnover. Unlike manufacturing and construction, which are difficult to transfer to “grey” economy, the leading industries of small business can quite easily become “grey”<sup>7</sup>. It is necessary to introduce target measures from authorities and management for small business to “returned” to formal economy and become

<sup>7</sup> On average, the scale of Russian “grey” economy is estimated at 30–40% GDP. For comparison: the share of “grey” economy in the USA and Switzerland is about 9%, in China – 13.5%, in India – 24%. (Source: Karpova N. *Obrechen li malyy biznes v Rossii. Statistika malogo biznesa 2011* [Is small business in Russia doomed? Statistics of small business, 2011]. Available at: <http://b2bzona.org/2012/02/24/small-business-russia-statistics-2011>).

one of the “pillars” of the state. According to expert estimates, only by creating conditions for “releasing” small enterprises, i.e. improving the business environment<sup>8</sup>, it is possible to increase the share of small business in GDP from 19% to 40–50% [14], which corresponds to the indicators of the leading countries.

It should also be noted that VAT tax administration does not stimulate the reduction in structural imbalances in the economy. The main VAT loading falls on competitive productions. Thus, the average VAT tax burden for manufacturing<sup>9</sup> in 2010–2014 was 4%, for mining enterprises – 2.2%, for financing – 0.3%. The profit-making capacity of manufacturing is 1.4 times lower than that of mining, and 3.1 lower than that of financing [10].

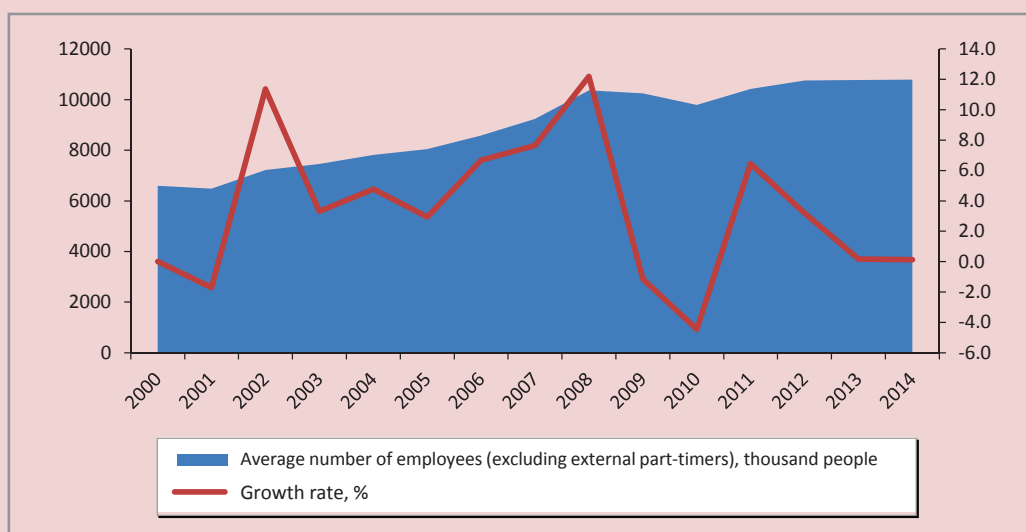
When reviewing the sectoral composition of the SMB sector, it should be noted that as the company expands, its specialization is changing towards more complex activities. Thus, among medium enterprises the share of enterprises operating in the industrial sector is significantly higher than industrywide (28.5% of medium enterprises against 10.5%) [16].

<sup>8</sup> Entrepreneurs operate in certain conditions constituting business environment – an integrated set of various factors affecting the firm’s functioning and require management decisions aimed at eliminating them or adapting to them. The environment of any organization is usually regarded as consisting of two spheres: internal (the structure of the company, including its divisions) and external (the nature and state of market relations, demand, business regulation, economic policy, etc.).

<sup>9</sup> Production of machines, electronic and optical machinery, air-, space- and water crafts, vehicles and construction materials.



Figure 2. Employees dynamics (excluding external part-timers) at small enterprises (including micro-enterprises)\*



\* Compiled from data of the Federal State Statistics Service [36].

### Employment in the SMB sector

During 2000–2014, the number of the employed<sup>10</sup> in small enterprises increased by almost 4.2 million people, while the total number of the employed in the economy grew by 6.5 million. [29] (*Fig. 2*). Consequently, the total employment gain is by more than a half ensured by the increased number of workplaces in small business.

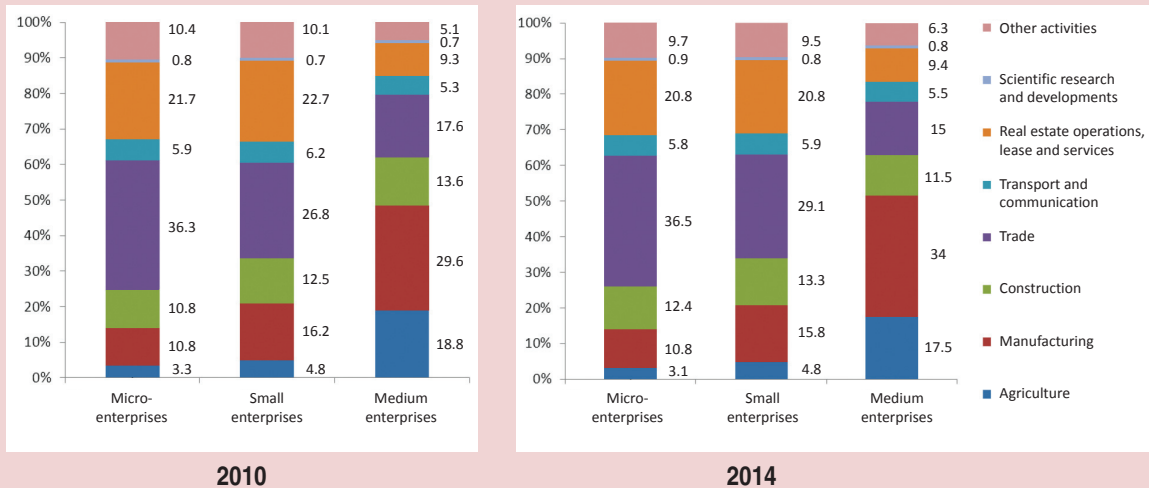
In 2000–2008, the number of employees at small enterprises increased. However, from 2008 to 2010 it decreased by 6%, which is more than 576 thousand. One of the reasons for such a reduction is the financial and economic crisis which began in September

2008 and resulted in the increased prices and reducing demand for companies' products/services. The policy of tax authorities on small businesses did not change [26]. In 2010, after leveling the impacts of the crisis, the number of employed in the SMB sector began to grow, though slower than before the crisis. In 2011, it reached the level of 2008.

The distribution of the employed by industry corresponds to the structure of the sector: the largest number of workers at small and micro-enterprises is concentrated in trade (29.1% and 36.5% respectively) and real estate (20.8%) (*Fig. 3*). The greatest number of the employed at medium enterprises is concentrated in manufacturing (34%).

<sup>10</sup> Excluding external part-timers.

Figure 3. Distribution of the average number of employed in different categories of SMB in 2010 and 2014\*



\* Compiled from data of the Federal State Statistics Service [16].

The average monthly wage of employees in 2014 amounted to 15.7 thousand rubles at micro-enterprises, at small and medium enterprises – 19.2 and 26.1 thousand rubles respectively. At the same time, this figure by full range of organizations in the economy of the Russian Federation amounted to 32 495 rubles [33]. Thus, the average monthly wage of an employee at a small enterprise was only 60% of the national average. In the authors’ opinion, this can be explained by salary payment “in envelopes”, as well as by small turnover of SMBs compared to large businesses.

### Enterprise economic and financial activity

In general, it should be noted that the gradual economic slowdown and consumer demand in particular, which took place in 2012–2013 and significantly exacerbated in 2014 amid the imposed sanctions of a number of countries, affected the financial and economic activity of the SMB sector. It was most seriously undermined by December crisis in the foreign exchange market, which forced the CBR to sharply increase its key rate (up to 17%), which immediately resulted in higher bank loans. The result was a reduction in the volume of SMB lending portfolio by

0.9% in 2014; the reduction continued until the first quarter of 2015 and reached 5.4% in three months. This reflected in the SMB turnover which in 2014, compared to 2013, declined by 4.6%<sup>11</sup> and in 2015 by 8.5% compared to 2014 [6]. In the industry breakdown the main turnover of SMBs is concentrated in trade: 46.4% of medium enterprises, 58.3% of small and 60.5% of micro-enterprises [16].

Investment in fixed capital at small enterprises nationwide considering CPI in 2014 increased by 8.4% compared to 2013, but in 2015 it decreased by 15.6% compared to 2014 [6]. The distribution of investments in fixed assets of different SMB categories by type of economic activity differs markedly from the distribution of the number of different SMB categories, the number of the employed and the turnover by type of economic activity. Thus, the largest volume of investments in 2014 was allocated by micro- and small construction enterprises – 31.7% and 30.6% of total investment by business category [16], real estate transactions – 30.3% and 24%, agriculture – 26.7% and 17.6%. A quarter of investment from medium enterprises is concentrated in real estate (25.6%), in agriculture – 22.6%, in manufacturing – 20.1%, and only 8.8%, 10.4% and 5.9% respectively in trade which creates the major part of turnover and provides employment.

<sup>11</sup> Considering Consumer Price Index (CPI).

Analysis of investment activity of small enterprises shows that the main purpose for investing in fixed assets is replacement of worn out machinery and equipment, increase in production capacity, as well as automation and mechanization of the production process. Only 5% of enterprises<sup>12</sup> invested in the introduction of new production technologies.

The factor limiting investment activity of small businesses is low profitability of their business. Thus, in 2014 the profitability of the sold goods, products (works, services) amounted to 5.4%<sup>10</sup>, which is 2 percentage points more than in 2010 (*Tab. 3*). To improve the profitability of products it is possible to reduce their cost and increase sales. However, investments aimed at cost reduction were made only by 8% of enterprises [16].

The highest value of the indicator of profitability of sales in Russia in 2014 is characteristic of small enterprises operating in fish farming and fishery (26.9%), education (15.8%) and real estate (12.9%).

However, the return on total assets of small enterprises equaled 18% which corresponds to level of 2010 and is by 0.7 percentage points less than in 2012. A significant shortfall between the interest rates on long-term loans

<sup>12</sup> Excluding micro-enterprises.

<sup>13</sup> For comparison: average profitability of large business in the USA amounts to 15% approximately, in the EU this figure is 7–8%, profitability of large business in the USA and in Europe is 25% and 16% respectively. (Source: What is the most profitable business in Russia? Available at: <http://ipopen.ru/biznes-idei/samyj-pribylnyj-biznes-v-rossii.html>).

Table 3. Financial indicators of small businesses operating in the territory of the Russian Federation

Indicator	Year					Changes (6) compared to (2), %
	2010	2011	2012	2013	2014	
1	2	3	4	5	6	
Number of profitable small enterprises, thousand units	416.8	402.6	496	1082.1	1220	B 3 p.
Share of profitable small enterprises in the total number of enterprises, %	79.3	81.3	82.3	80.5	79.7	0.4
Total income earned by small enterprises, billion rubles	868.4	776.8	1256.2	2093.2	2548.6	B 3 p.
Share of unprofitable small enterprises, thousand units	108.6	92.8	106.7	262.8	310.3	B 2.9 p.
Share of unprofitable enterprises in the total number of enterprises, %	20.7	18.7	17.7	19.5	20.3	-0.4
Total loss of small enterprises, billion rubles	332.4	302.6	306	656.2	1337.7	B 4 p.
Profitability of the sold goods, products (works, services), %	3.4	3.7	3.7	5.3	5.4	2
Return on total assets, %	1.8	1.5	2.5	1.1	1.8	0
Current liquidity ratio	109.4	130.4	111.9	295.8	173.3	63.9
Equity to total assets	50.5	49.0	46.4	14.9	28.5	-22
Source: compiled from data of the Federal State Statistics Service [16].						

and the value of return on assets indicates the poor state of small businesses.

During the period under review, the maximum share of unprofitable businesses was recorded in 2010 – 20.7%, in 2011–2012 it decreased to 17.7%, but by 2014, under the influence of adverse macro-economic environment the index returned to the level of 20.3%.

The total loss of small businesses over five years (2010–2014) amounted to 2934.8 billion rubles – the figure increased four times<sup>14</sup>. In 2010–2011, total income exceeded total loss 2.5 times, in 2012 – 4.1 times, in 2014 – 1.9 times. One of the reasons which caused the increase in losses is the

companies' willingness to minimize taxes in difficult economic conditions. In addition, financial loss, even during several years, may be associated with the development of production, but in this case indicators of capital investment, investment in long-term assets and deferred expenses are supposed to grow as well [37].

For the past five years, the value of equity to total assets has demonstrated a negative trend. Changes in the indicator observed during 2012–2014 indicate the weakening financial viability of small businesses, their instability and dependence on external creditors, the reducing guarantee of repayment and the limitation of access to credit resources.

<sup>14</sup> Excluding CPI.

Table 4. Volume of loans granted to resident entities and individual entrepreneurs in 2009-2016, rubles \*, (in current prices)

Year	Volume of loans granted to resident entities and individual entrepreneurs (as of January 1st, next year), mln rubles	Including volume of loans granted to small and medium businesses (excluding individual entrepreneurs), as of January 1st, mln rubles	Share of loans granted to small and medium businesses (excluding individual entrepreneurs) in the total volume of loans granted to resident entities, %
2009	15759273	2622563	16.6
2010	17966469	4039836	22.5
2011	25436234	5301857	20.8
2012	27531130	6115976	22.2
2013	31582836	7073508	22.4
2014	33241362	6615201	19.9
2015	29995671	4773526	15.9
2016	16808251**	2584044**	15.4

\* Based on data on state-owned corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)".  
\*\* Data for August 1st, 2016.  
Source: compiled from data of official website of the Central Bank [21, 22].

Analysis of dynamics of the current liquidity ratio helps make a conclusion that in 2014 it was greater than unity not in all industries<sup>15</sup>. Its average nationwide value for small businesses equaled 173.3%, which is above the 2010 level by 63.9 percentage points, but lower than in 2013 by 122.5 p.p. In 2013, the figure was 295.8%, which was in line with international standards.

Amid average profitability of sales at small enterprises being less than 6%, the growth of capital investments in business only by 8.4% and a 22 percentage point decrease in equity to total assets, one may speak about the

<sup>15</sup> High financial risk of unfunded liabilities is marked in mineral mining (90.3%), electricity, gas and water generation and distribution (89.1%), construction (99.3%). The value was slightly higher than unity in the following types of activity: provision of other public, social and personal services (102.9%), transport and communication (102.3%).

increasing dependence of small enterprises on short-term loans. At the same time, the problem of availability of borrowed financial resources is relevant throughout the whole businesses' lifecycle. More stringent monetary policy during the crisis and the growing uncertainty in the economy restricted access to debt financing for these entities. The Central Bank statistics indicates the slowdown in small business credit (*Tab. 4*).

The cost of SMB loans reduced following the key rate (*Fig. 4*). Thus, after a gradual decline during 2015, in the first half of 2016, the rates for SMB were stable and amounted to 16.2–16.6% for short-term and 15.9–16.4% for medium - and long-term loans (*Fig. 5*). However, the level of interest rates for SMB remains very high due to the fact that the Central Bank lent commercial banks at 12.5%

Figure 4. Dynamics of weighted average interest rates on loans granted to small and medium enterprises in rubles (excluding Sberbank PJSC) in 2015–2016, % [31]

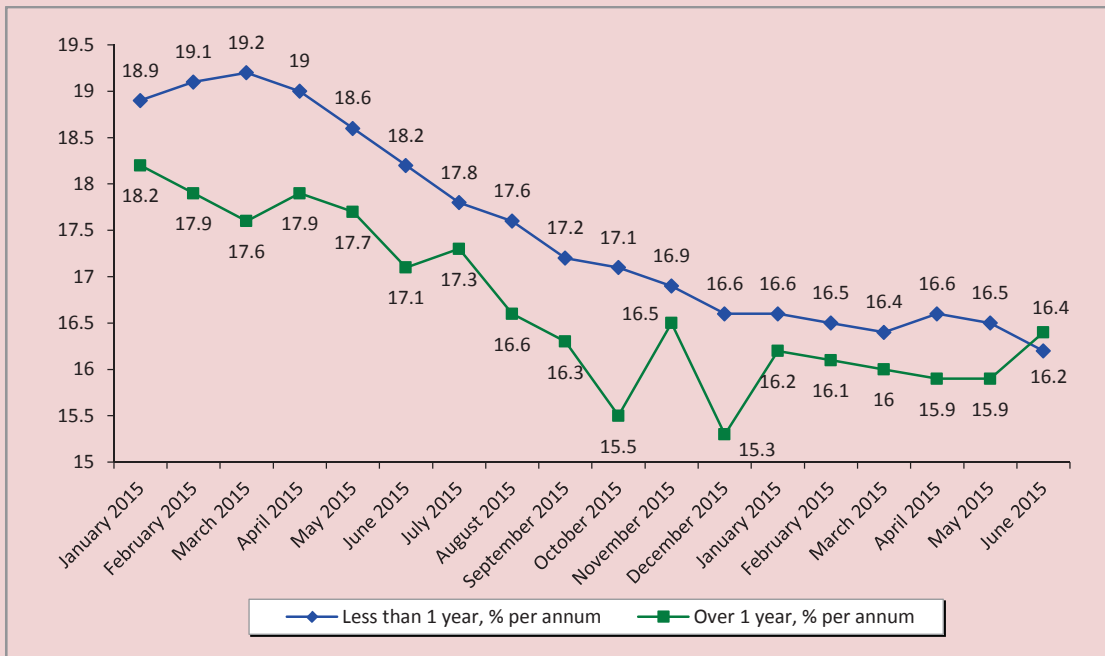
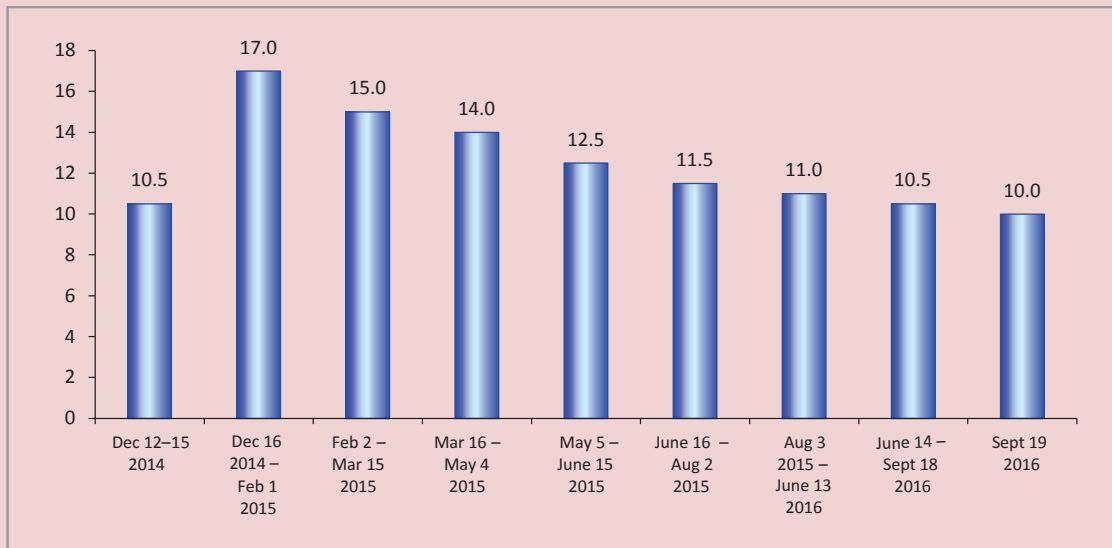


Figure 5. Dynamics of the key rate of the Central Bank of the Russian Federation [25]



Source: compiled from data of SME Bank, the Central Bank of the Russian Federation.



(as of May 2015; starting September 19th, 2016, the rate is reduced to 10% [39]). The latter, adding their bank margin lend business units. For comparison: in the USA the key rate is at 0.25%, in the UK – 0.5%, in Japan – 0.1%, in Norway – 1.25%, in Australia – 2.5% [20, 23].

The factors hindering the expansion of SMB lending are: negative dynamics of the above mentioned indicators characterizing financial and economic activity of small enterprises; mismatch between profitability of projects and interest rates; lack of liquid assets; limited collateral capacity etc., resulting in high credit risks. The reluctance of banking institutions to grant loans to SMBs is explained by the growth of debt on earlier loans [9]. Thus, during 2009–2013 there was an annual decline in debt arrears; however, in 2014 an inverse trend took place. The largest increase in debt arrears was in 2015, when its volume at year-end increased by 69% compared to the beginning of the year<sup>16</sup>.

State financial support and other forms of state stimulation amid insufficient access to credit and other alternative financial resources may compensate for their deficit in the economic segment under review. Government support should be aimed at ensuring equal competitive conditions. Therefore, it is important to use the existing mechanisms without creating new ones [2].

<sup>16</sup> Before inflation.

**The study and generalization of small business development trends** in 2000–2016 helps conclude that there is a quantitative increase in the number of indicators in small business amid absence of qualitative development. Moreover, the increase in the turnover of small businesses and in the number of the employed in this economic sector is caused solely by the increase in the number of business entities and, therefore has no independent value. However, the structure of small business is characterized by low diversification: the basic share is presented by trade and services; the share of manufacturing has declined. In addition, during the period under review, the wages of employees at small enterprises remain low and do not reach the national average level. It should be emphasized that the potential of small business is not being fully utilized for territory development.

As should be noted, major influence of macro-economic factors on financial and economic situation in small business results in the deterioration of the relevant enterprises' indicators. Thus, their performance in 2015 in the regional context can be considered as negative. In 37 regions, the number of registered small businesses<sup>17</sup> has decreased; in 61 regions, there is a decrease in the average number of the employed at small enterprises; turnover<sup>18</sup> decreased in 76

<sup>17</sup> Per 100 thousand residents.

<sup>18</sup> After CPI.

regions; investments in fixed assets<sup>19</sup> declined in 60 regions [6].

Thus, on the one hand, small business is mobile, responsive to changes in functioning conditions; on the other hand, it is dependent on market conditions, dynamics of socio-economic and political conditions – external environmental factors.

### **External factors of small enterprise development**

The influence of external factors on small business development is substantiated and proved in the works of domestic and foreign scientists [1, 3, 5, 15, 30, 35, 38, 40, 41, 42, 44, 48]. The present study [28] also confirms the significant dependence of small business development on environmental factors.

Analysis of external environment of small business development can be carried out based on the results of various international monitorings of entrepreneurship development, indices and monitorings of Russian business associations, as well as data of expert organizations: Global Entrepreneurship Monitor (GEM) [47]; Business Operations [45]; State of Business Environment and Enterprise Performance [43]; Index “OPORA Rossii” [11]; RSPB Business Environment Index [12]; the SME Bank Index of Quality of Conditions for Small and Medium Business [13]; Surveys of SMBs conducted by the

autonomous non-profit organization “National Institute for System Studies of Entrepreneurship” [19], etc.

Although all these studies focus their attention on different aspects of activities, industry groups and SMB operation areas, generalization of results indicates the presence of the following key factors having a negative impact on small business development.

*Instable legislation in SMB taxation.* On the one hand, experts note the simpler taxation for companies, in particular: the number of payments in 2016 compared to 2006 decreased from 12 to 7; the average consumed time (hours per year) – from 168 to 448, and total tax rate as a percentage of profit fell from 60% to 47.1% (*Tab. 5*).

On the other hand, the recent regulatory legal acts have aggravated the financial situation in the sector<sup>20</sup>.

Many entrepreneurs say that business planning is complicated given the unpredictability of changes in measures of

<sup>20</sup> Federal Law no. 243-FZ “On amendments to certain legislative acts on mandatory pension insurance”, dated December 3rd, 2012, starting January 1st, 2013 increased the fixed mandatory pension insurance payment twice (this resulted in a significant reduction in the number of registered sole proprietors in 2013). Federal Law no. 52-FZ “On amendments to Part 1 and 2 of Tax Code of the Russian Federation and certain legal acts”, dated April 2nd, 2014 for organizations which adopted the Simplified Taxation System (STS) and single tax on imputed income, obliges to pay corporate property tax concerning real estate units, tax basis of which is defined as their cadastral value (the introduction will cause potential growth of tax burden for 90% of micro-enterprises in Russia).

<sup>19</sup> After CPI.

Table 5. Change in the procedure of taxation in Russia in 2006, 2016 [46]

Criterion	Russia			Europe and Central Asia	OECD
	2006	2016	Δ 2016 to 2006	2016	
Payments, numbers a year	12	7	-5	19.2	11.1
Time spent on report preparation and submission, tax payment (deduction), hours a year	448	168	-280	232.7	176.6
Total tax rate*, % of income	60	47.1	-12.9	34.8	41.2
Income tax, % of income	-	8.9	-	10.8	14.9
Salary taxes and payments, % of income	-	35.6	-	20.4	24.1
Other taxes, % of income	-	2.6	-	3.1	1.7

\* Total tax rate shows the amount of tax and mandatory deductions which an enterprise is obliged to pay for the second operating year and is expressed as a share of its operating profit.

state fiscal policy even in the short term. Ultimately, this situation leads to the increase in employment in the informal sector of economy. According to Rosstat, from January to June 2013 (after the adoption of Federal law “On amendments to certain legislative acts on mandatory pension insurance”) the number of the employed in the informal sector increased by 13%. All in all, in 2013, the number of the employed in the informal sector accounted for 14.7 million people, which is 19.4% of the total economically active population.

*Another key issue for SMB is difficult access to sources of funding.* Despite a number of financial support program for small and medium enterprises implemented by the Ministry of Economic Development, institutions for development and other establishments the situation remains difficult.

Enterprises identify lack of own financial resources as a key factor limiting investment activity (52% of the surveyed enterprises) [16]; there is also high interest rate on commercial loans (29%) and the complex mechanism for obtaining loans for the implementation of investment projects (16%). It should be noted that this situation is largely a consequence of the general situation on financial markets.

Despite the fact that in recent years measures are being taken, primarily within the framework of the National Entrepreneurial Initiative [24], *the high level of administrative barriers remains*, as evidenced by the “Opora Rissii” research, data from the report of the Entrepreneur Protection Commissioner for the President of the Russian Federation [7].

According to ISEDT RAS surveys, the greatest difficulties of entrepreneurs

Table 6. Distribution of answers to the question  
 “Which of the following spheres of administrative regulation are the most difficult?”,  
 % of respondents (respondents could choose several answers)

Regulation spheres	%
1. Acquisition of licenses and permits	39
2. Inspections	36
3. Acquisition of construction permits	32
4. Issues related to tax payments	32
5. Land, property, etc. rights registration	33
6. Issues related to land, premises, property, etc. lease	31
7. Registration of business (sole proprietor)	5
Source: ISEDТ RAS survey data.	

in administrative regulation of their activities are acquisition of licenses and permits; inspections; acquisition of construction permits; land rights registration and issues related to tax payments (*Tab. 6*).

According to entrepreneurs, the most effective measures of eliminating administrative barriers and improving the situation are: reduction in requirements where possible (38%<sup>21</sup>), development of clear and streamlined procedures and algorithms for interaction of business and administrative and regulatory institutions (35%), transition from the permissive registration procedure to notification procedures (21%), reduction in the number of licensed activities (20%).

The main factors limiting production growth at small enterprises also include: 1) problems in finding markets for products

due to impossibility of competition with large enterprises and difficult access to government contracts and procurement for natural monopolies, difficulty of foreign market entries; 2) economic uncertainty; 3) lack of own financial resources; 4) issues of human resourcing (access to labor resources with required qualifications); 5) issue of availability of land, real estate, etc.

Based on the selected issues of SMB development, the authors distinguish the main areas of sector support:

- improvement of strategic and tactical aspects of small and medium business development management, including objective evaluation of regulatory impact amid adoption of acts on taxation, amid adjustment of regulatory legal acts imposing additional financial burden on SMBs and introduction of mechanisms to guarantee stable conditions for development, etc.;

<sup>21</sup> The respondents could choose several answers.

- development of a system of analysis of small and medium business degree of development and the effectiveness of the applied measures;

- implementation of financial support for SMB, which may have a multiplier effect; it is necessary to continue developing mechanisms such as micro-finance, factoring, leasing;

- reduction in unjustified administrative barriers (it is necessary to develop a system of evaluation of the actual impact of regulatory legal acts on business activity);

- improvement of mechanisms providing small businesses with the necessary resources;

- development of elements of small and medium business infrastructure support;

- improvement of efficiency of the system of public procurement, natural monopolies procurement and companies with participation of the state;

- expansion of support measures of export oriented SMBs;

- encouraging people to engage in entrepreneurship.

The implementation of complex measures in the framework of these areas will help achieve target indicators set in the Strategy of small and medium business development in the Russian Federation for the period up to 2030<sup>22</sup> [32] and, as a result, fully use the potential of small businesses for territory development by increasing its contribution to GDP from 20% to 40%, which will correspond to the level of developed countries.

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Received November 14, 2017.

## Public and Private Sector Entrepreneurship as a Tool of Dynamic Functioning of Tourism Cluster at the Territories of Outstripping Development (Case Study of Primorsky Krai, Russian Federation)



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**For citation:** Baldina Yu.V., Petruk G.V., Lebedinskaya Yu.S. Public and private sector entrepreneurship as a tool of dynamic functioning of tourism cluster at the territories of outstripping development (case study of Primorsky Krai). *Economic and Social Changes: Facts, Trends, Forecast*, 2017, vol. 10, no. 1, pp. 200-217. DOI: 10.15838/esc.2017.1.49.11

**Abstract.** Priority development areas (PDA) may serve as a basis for entrepreneurship development in tourism, creating a more competitive environment for entrepreneurial activities in relation to similar territories in the Pacific Rim. The key principles of these territories are radical deregulation and massive tax incentives. The process of creating priority development areas plays depends on the coordination of all members of the alliance which includes Federal government and business units. The purpose for the present study is to develop a mechanism of tourism cluster functioning in priority development areas through public and private sector entrepreneurship. In the framework of the set purpose the following objectives are fulfilled: the authors analyze the legislation of priority development areas; assess the current state of tourism and tourism infrastructure; develop a mechanism of tourism cluster functioning in priority development areas through one of the forms of public and private sector entrepreneurship – public franchising. During research the authors used methods of economic–statistical and comparative analysis, graphical description. Unlike other researchers, the authors applied an integrated approach to the implementation of the mechanism of state and business structures interaction. The research is based on the legislation on priority development areas functioning, the cluster approach on the example Primorsky Krai tourism. The research results revealed the peculiarities of the cluster approach application for efficient tourism functioning. The authors analyzed tourist potential of Primorsky Krai and identify the specifics of using public and private sector entrepreneurship for the development of priority development areas. The study reveals the differences between public and private sector entrepreneurship, public franchising and public service outsourcing, which is undoubtedly interesting for researchers of this issue. The proposed mechanism of interaction of state and business units with elements of the tourism cluster in the form of public franchising in priority development areas will bring the internal tourism product of Primorski Krai to the international level. The mechanism is based on partnership of the state (the Franchisor) and business (the Franchisee) sector in the tourism cluster, which will ensure the inflow of investments in development of tourist attractions and infrastructure in priority development areas and support small and medium business. This will ultimately lead to the implementation of strategic goals for the development of the Far Eastern territories in the framework of the state program.

**Key words:** priority development areas, tourism cluster, public and private sector entrepreneurship, public franchising.

### **Introduction**

Currently, the Government of the Russian Federation focuses its attention on the development of the Far East, the territory that is strategically important in a military-

political and in an economic aspect. The Far East occupies 36% of Russia's territory and contains a huge amount of various mineral resources; on the other hand, the region is facing increasing depopulation, its economy

is resource-based, and its infrastructure (transport and social) is underdeveloped [17]. The economy of the Far East is directly dependent on the general situation in the country, as well as on the situation in the Asia-Pacific region.

A mechanism for implementing modern developments of business models in the form of priority development areas (PDA) and targeted investment projects has been chosen as one of the strategic priorities of state policy in promoting the development of the Far Eastern region. In accordance with the Federal Law “About the territories of advanced socio-economic development” [13] in the Russian Federation, by order of the President of the Russian Federation, PDA are created in the Far East; PDA have the following key features: radical deregulation and large-scale tax incentives. The status of PDA resident provides a number of advantages, including exemption from profit tax, property tax, and land tax during the first five years, exemption from import and export duties and from VAT. Instead of the 30% insurance contributions, investors pay only 7.6% during the first 10 years and have the right to obtain land and ready-made infrastructure for their business, and they also undergo accelerated procedure of exporter’s VAT refund. An audit of an PDA resident can be carried out only with the consent of the Ministry for Development of the Far East of Russia; “the single window” system was created for investors, as well as the free customs zone, simplified state control,

accelerated and streamlined administrative procedures, including those dealing with obtaining building permits and customs clearance.

Thus, reducing the time a resident spends on administrative procedures, all approvals take place in a simplified form, tax burden has decreased and, as a result, business becomes more efficient. In addition to tax benefits, the state assumes an obligation to create necessary infrastructure. A large number of deregulation mechanisms are introduced, starting from the constraints on the organization of audits of PDA residents and ending with the transfer of all administrative and economic issues to the single body – the management company. It is expected that this measure will help offer more favorable terms to foreign partners, create a more competitive environment for business activity in relation to similar territories in the Asia-Pacific region.

Currently there are 14 sites for PDA and 18 priority investment projects in the Far East. It is assumed that priority development areas can have different specialization, and in some cases some of them can become multifunctional. However, the most promising projects are related to industry and infrastructure, which is not surprising and reflects the real spheres of development for the Far East. The intention of PDA initiators to use these sites to attract tourists is also clearly seen.

Primorsky Krai – one of the backbone regions of the Far East – has a favorable



geographical position and unique recreational resources. Tourism flows in the Asia-Pacific region are generated in this very part of the planet. In one hour distance from Vladivostok there are 400 million potential tourists; this fact creates promising opportunities for tourism. However, a poorly developed infrastructure of the region – insufficient number of modern hotels, worn-down roads, lack of convenient customs conditions, a very small amount of equipped berths for river cruise tourism, lack of ships that can carry passengers and tourists – all this hinders the development of tourism business [8, 14, 16, 19]. In our opinion, it is possible to deal with these problems effectively and promote the development of tourism business in priority development areas with the help of the cluster approach to tourism development, the approach is based on cooperation between business and government.

Thus, the research topic considered in the present paper is relevant because there exists a contradiction between the high socio-economic importance of priority development areas for the successful functioning of the tourism cluster and because the mechanism of interaction between state and business is not fully developed yet.

Polarized development of territories through the formation of clusters is due to the fact that regions, as a rule, have a set of industries and businesses with competitive growth potential [11]. Thus the “poles and points of growth” are formed that

stimulate the growth of other enterprises and industries. Leading branches create the agglomeration effect based on the unification of complementary activities (“zones of influence”) in a certain territory. The clusters that are formed have the best conditions for the formation and development of “growth poles”. Priority development areas in this case may serve as a convenient platform for the development of entrepreneurship in the tourism sector. It should be noted that in the process of creating PDA an important role belongs to the coordination of all members of the alliance that includes federal governmental structures and financial-industrial groups. This confirms the necessity to develop theoretical and methodological framework and a scientifically substantiated mechanism of functioning of the tourism cluster in priority development areas with the help of public-private entrepreneurship, which is the goal of the present paper.

**Theoretical and methodological framework of the research.** Priority development areas have a special regime for the functioning entrepreneurship; the specifics of the areas are described in the works of N.V. Smorodinskaya, A.F. Avdokushin, S.A. Sharapov and others. Theoretical and methodological issues of functioning of the tourism cluster were investigated by O.D. Kol', E.G. Kropinova, A.E. Boiko, A.A. Kizim, A.V. Mitrofanova, O.V. Lysikova and others.

The advantages of the cluster as a symbiosis of cooperation and competition are

shown in a short review of the works of A.G. Guseinov, E.V. Markushina, Yu.B. Mindlin, S.A. Pomitov, E.B. Lenchuk, and G.A. Vlaskin.

Scientific literature comprises many publications on public-private entrepreneurship, both by foreign and Russian researchers such as V.G. Varnavskii, M.V. Vilisov, M.A. Deryabin, J. Bailey, L. Sharinger, S. Linder, and others.

However, due to the fact that the interaction between state and business is complex and multidimensional, there still remain numerous issues that require further development. For example, the issues concerning public-private entrepreneurship instrumental to the successful functioning and development of the tourist cluster have not been studied thoroughly; the same can be said about organizational-economic interaction between state and business structures in the form of state franchise. All this highlights the importance of research in this area. In addition, the mechanism of functioning of PDA has not been elaborated thoroughly, despite the adoption of the law in this sphere [13].

Therefore, a fairly urgent task in modern conditions is to develop a mechanism for organizational-economic interaction between state and business entities for efficient functioning of the tourism cluster in priority development areas.

The methodology and tools of the study are based on the analysis of the tourism

industry in Primorsky Krai. The main methods of research include economic and statistical method, comparative analysis, graphical description. Benefits of the cluster approach, their features, properties, phenomena, analysis and systematization of scientific knowledge, forms of interaction between state and business sectors are identified with the help of theoretical analysis.

#### **Advantages of using the cluster approach in the development of economic sectors of the region**

A content analysis of a number of scientific theoretical and methodological researches of M. Porter, P. Sraff, A. Thompson, J. Schumpeter, G.D. Boush, etc. helps allocate the following advantages of the cluster approach:

1. Concentration of production, location of competitive enterprises producing similar products in a limited area.
2. Concentration of infrastructure. Joint use of production, innovation and social infrastructure in the region. Companies jointly develop the labor market, use specialized services (education, healthcare, information, advisory, transportation and logistics, etc.), and get collaborative benefits from the proximity and development of infrastructure.
3. Orientation toward export. A cluster is always focused on the output of final product designed for export rather than for satisfying the needs of the region. Cluster companies often jointly operate in foreign markets

thus strengthening their capacity and competitiveness.

4. Competition inside the cluster, which is not just a mandatory feature, but a driving force of its development. M. Porter displays a simple dependence: the higher the competition in the cluster, the higher the productivity and, therefore, competitiveness of the cluster as a whole [18].

Balanced influence on the development of these aspects leads to the development of not only the cluster itself, but also the region as a whole.

Clusters also have great innovation potential due to the following reasons:

- since clusters are concentrated within one region, cluster members are able to respond quickly and more adequately to customers' needs;
- access to new technology is easier in the framework of the cluster;
- innovative process involves suppliers, producers and consumers, i.e. all the links of the processing chain;
- costs of research and development are reduced as a result of inter-firm cooperation;
- implementation of innovation is accelerated due to competition within the cluster.

It stands to reason that in the countries leading in the sphere of innovation the policy related to innovation clusters is considered separately in the process of formation of economic policy for a region or country. Successful innovation development in clusters

is promoted by the fact that compliance with specific industry requirements (strengthening the innovation component of the cluster) is achieved by flexible adjustment of the cluster infrastructure, its ability to respond flexibly to the needs of the market of the final product [3].

A key advantage of the cluster based on the territorial concentration as the final producers and the necessary infrastructure that allows to respond flexibly to market needs and thus to ensure high competitiveness of the final product. The intensification of communications in the cluster will lead to the fastest possible adaptation of infrastructure and its elements to its needs.

Cluster as a complex network organization is capable of faster and more accurate adaptation to the conditions of specific markets and specific areas in which it operates.

Due to the above, the cluster approach becomes one of the most in-demand methods in the modern economy that make it possible to consider the region as a whole and its interrelationships; this approach provides the following opportunities:

- cluster helps consider the production in the whole range of its relationships (infrastructure of production and consumption, marketing);
- cluster helps compare regions among themselves on a global scale and determine their competitiveness, and assess the effectiveness of clusters and regions.

### Analysis of the status of resource potential of the tourism industry in Primorsky Krai

Primorsky Krai is one of the most promising regions for the development of domestic and inbound tourism (*Tab. 1*). The geopolitical position of the region determines its orientation toward the Asia-Pacific countries that are continuously increasing their share in global tourist flows.

Primorsky Krai is annually visited by tourists from more than 50 countries, such as China, the Republic of Korea, USA, Japan, North Korea and others. On average, over 80% of the tourists are citizens of China.

The tourist sector of the economy of Primorsky Krai has a strong resource potential. It has over two thousand archaeological and historical monuments. Among them, 875 belong to the era of primitive communal society and the Middle Ages. According to the concentration of cultural and historical sites,

Primorsky Krai occupies a leading position in the Far Eastern Federal District [12].

The territory of Primorsky Krai is unique, which undoubtedly attracts those who enjoy travelling. For example, in the region there are 10 mountain peaks and mountaineering and climbing sites; 160 known caverns (underground niches, grottos, caves), about 40 of which are used for caving. The water sites include 15 rivers of the basin of the Sea of Japan with a total “rafting” length of about 500 km and seven rivers of the basin of the Ussuri River with a total “rafting” length of about 400 km [4, p. 7]. Historians and travelers know about more than 30 waterfalls and more than 3,000 lakes in Primorsky Krai. In addition, the region contains national parks “Zov Tigra” (The Call of the Tiger) (Resolution of the RF Government dated 02 June 2007, No. 708-r) and “Udege Legend” (Resolution of the RF Government dated 09

Table 1. Tourist flow in Primorsky Krai in 2008–2015, people

Indicators	2008	2009	2010	2011	2012	2013	2014	Forecast 2015
Foreign tourists	67179	52952	67771	82414	95440	138900	191000	211152
Absolute variations, +/-		-14227	14819	14643	13026	43460	52100	20152
Growth rates, %		78.82	127.99	121.61	115.81	145.54	137.51	110.55
Domestic tourists	529900	614900	786040	882200	755531	1390000	1639000	1950410
Absolute variations, +/-		85000	171140	96160	-126669	634469	249000	311410
Growth rate, %		116.04	127.83	112.23	85.64	183.98	117.91	119.00
Tourist flow, total	597079	667852	853811	964614	850971	1528900	1830000	2161562
Absolute variations, +/-		70773	185959	110803	-113643	677929	301100	331562
Growth rate, %		111.85	127.84	112.98	88.22	179.67	119.69	118.12

Compiled with the use of: Lebedinskaya Yu.S. O politike Primorskogo kraya v sfere razvitiya turistskogo klastera [About the policy of Primorsky Krai in the sphere of development of the tourism cluster]. *Vestnik Tikhookeanskogo gosudarstvennogo ekonomicheskogo universiteta* [Herald of Pacific State University of Economics], 2013, no. 3 (67), pp. 43-47.

June 2007 № 745-r); thirteen state natural reserves; six state nature reserves, including the waters of the sea and lake Khanka in which the combination of Turgay flora and Poltava flora creates unique nature. Of great interest to vacationers can be the Botanical Garden of the Far Eastern Branch of RAS and the Arboretum of Academician V.L. Komarov mountain-taiga station; health resorts: “Sadgorod”, “Amurskii Zaliv”, “Primorye”, “Okeanskii”, “Lazurnyi”, “Sokol”, “Ekspress”, children’s recreation center “Okean” and many other health resort organizations and tourist centers of the region.

Primorskii Krai has 184 state and community museums and art galleries; more than 2,000 historical and cultural monuments (town planning, architecture, monumental and fine art, archaeology); 9 theatres, 20 cinemas, 2 circuses, an aquarium; over 60 orchestras, concert organizations, cultural centers; more than 300 leisure facilities, 30 major sports facilities, 10 stadiums, 7 specialized exhibition centers [4, 5]. In the framework of the general concept for development of Primorsky Krai the opportunities of the leisure and entertainment sector are expanding. A new impetus to the development of recreational infrastructure was provided by the creation of a tourist-recreational special economic zone on the territory of Russky Island (Resolution of the RF Government dated 31 March 2010 No. 201) and “Primorye” gambling zone on

the territory of Artemovskiy Urban District (Resolution of the RF Government dated 20 August 2009 № 1213-r).

The physical infrastructure of the region is represented by a network of roads and railways, sea and river routes. The region is the largest transport hub in the Far East with almost all types of transport.

Hospitality infrastructure in Primorskii Krai is actively developing: there are about 450 enterprises in this sphere.

Hotel industry in Primorsky Krai in 2014 comprised 242 enterprises [4]. The position of the region in the Far Eastern Federal District (FEFD) on this indicator and its dynamics are presented in *Table 2* [5].

As the table shows, Primorsky Krai occupies a leading position among the FEFD regions by the number of hotels. In 2014, this number increased in 2.5 times in comparison with the level of 2009. The total number of employees in the sector of collective accommodation facilities (CAF) in Primorsky Krai is about six thousand people. Tourist infrastructure is represented by a network of institutions, which include more than 200 recreation centers, 151 hotels, 23 health resort enterprises, about 1,100 catering enterprises, more than 100 transport companies engaged in passenger transport [6]. However, it should be noted that in regional centers the level of hospitality services does not meet international quality standards.

Based on the above, we can conclude that tourism and recreational resources and hotel



Table 2. Number of hotels and similar accommodation facilities in the Far Eastern Federal District, units

Region/oblast	2009	2010	2011	2012	2013	2014
Republic of Sakha (Yakutia)	104	98	109	121	129	137
Kamchatka Krai	36	34	36	38	50	47
<b>Primorsky Krai</b>	<b>94</b>	<b>110</b>	<b>142</b>	<b>151</b>	<b>150</b>	<b>242</b>
Khabarovsk Krai	92	90	98	95	107	180
Amur Oblast	70	76	87	92	97	126
Magadan Oblast	15	14	12	17	18	22
Sakhalin Oblast	59	56	56	58	54	55
Jewish Autonomous Oblast	9	9	8	7	8	9
Chukotka Autonomous Okrug	9	11	14	12	11	9

Compiled with the use of: Agafonova V.A., Baukova N.G., Karpova M.I., Krivoborod L.N., Filonova E.A. *Industriya gostepriimstva v Primorskom krae. 2013: statisticheskii sbornik* [The hospitality industry in Primorsky Krai. 2013: statistical collection]. Moscow: Primorskstat, 2014. 40 p.

industry in Primorskii Krai contribute to the realization of its tourism potential despite the existence of a number of barriers to the development of tourism.

Thus, the transport infrastructure is poorly connected with the tourism industry and involves mainly cargo transportation. Most federal documents regulating the transport development in Primorskii Krai do not set out any goals that would reflect the transport industries promoting the development of regional tourism. The Concept for Transport Development of the Russian Federation provides for international transport corridors (ITC) passing through the territory of Primorsky Krai (*Tab. 3*) and focused on freight traffic rather than on passenger traffic; this fact complicates the entry of foreign citizens via sea routes. Great difficulties arise with the operation of port facilities, especially births, Mostly because of the worn-out concrete structures that do not

meet modern technical requirements and are often unsafe for passengers. The berths are mostly on the public balance sheet and are not involved in economic turnover, so their repair and reconstruction does not receive enough funding from the budgets. This fact hinders the development of passenger and tourist traffic. The visa regime in Primorsky Krai also hampers the inflow of foreign tourists, so for some countries it is necessary to introduce a visa-free regime or to simplify the visa regime.

The state of the transport system in the region is of great importance for the development of tourism.

The analysis showed that the condition of roads and other traffic arteries used for tourism in Primorsky Krai is unsuitable for comfortable transportation of passengers. In addition, there are no proper tourism services provided to tourists as they travel along the tourist route.



Table 3. International transport corridors passing through the territory of Primorsky Krai

Name	Route	Specialization
Trans-Siberian Railway	Berlin – Warsaw – Minsk – Moscow – Yekaterinburg – Vladivostok (Nakhodka)	International transit routes to: Japan, Korea, China (Shanghai), Taiwan, Western Europe, Middle East, Afghanistan
NSR (Northern Sea Route)	Vladivostok – the Arctic – European ports	Through ship traffic for international transit
Primorye-1	Harbin – Suifenhe – Pogranichny – Vladivostok (Nakhodka/Vostochny) – ports in the Asia Pacific region	Promotion of international trade with Heilongjiang Province, with Asia-Pacific countries and with the sea ports of Southern China
	Suifenhe – Pogranichny – Ussuriysk – Vladivostok (Vostochny/Nakhodka)	
Primorye-2	Hunchun – Kamyshevaya – Posyet (Zarubino) – ports in the Asia Pacific region	Promotion of foreign trade relationships with Jilin Province, with Asia-Pacific countries and with the sea ports of Southern China
	Hunchun – Kraskino – Posyet (Zarubino)	
East West	Harbin – Pogranichny – port Vostochny – ports of the western coast of the United States	Promotion of trade of north-eastern provinces of China and the United States
Trans-Korean Main Line	Busan – Rajin – Khasan – Baranovsky – Trans-Siberian Railway	Promotion of foreign trade between South Korea, North Korea and the countries of Western and Eastern Europe
Compiled with the use of: <i>Passport of Primorsky Krai</i> . Available at: <a href="http://www.vladivostok.mid.ru/primorye.html">http://www.vladivostok.mid.ru/primorye.html</a> .		

In general, the situation is difficult with regard to most part of the tourist infrastructure, which is experiencing a decreasing trend. For instance, for the last 10 years the number of cultural and leisure facilities decreased by 125 units, and the number of folklore, music, theater and other groups – by 840 units [7]. Outdated facilities and infrastructure of the majority of health and resort centers is also characterized by the poor state of tourist infrastructure. This negative situation is, first, associated with a sharp reduction in state funding for capital repairs, purchase of medical and household equipment, and second, with the fragmentation of the health and resort system that has no centralized structure

and that is distributed between ministries, departments, public organizations and joint-stock companies, which determines the development of health institutions taking into account the interests and capabilities of the owner.

Thus, the functioning of the tourism cluster in the priority development areas requires implementing a set of measures that will help create well-developed transport and cultural and leisure infrastructure based on the partnership of government and business.

We propose to use the mechanism of interaction between the public and entrepreneurship sector with the help of state franchising as a form of public-private entrepreneurship.

### Analyzing the forms of interaction between the state sector and business sector of the economy

According to the requirements of the market environment the interests of the state and business sectors of the economy should be brought together. This is reflected in the emergence of various forms of interaction (Fig. 1).

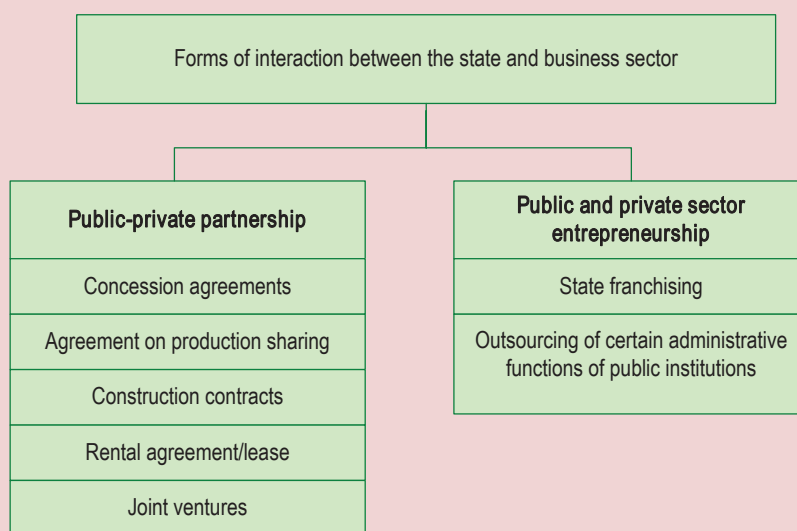
According to this scheme the forms of interaction are divided into two groups: public-private partnership, which includes concession agreements, agreements on production sharing and others, and public

and private sector entrepreneurship, which includes state franchising and outsourcing of certain administrative functions of public institutions.

Table 4 presents the main differences between public-private partnership and public and private sector entrepreneurship.

This table shows that public-private partnership is a form of partnership with big business. Strategic partnerships such as state franchising and outsourcing of public services are aimed at the interaction between state structures and small and medium-sized enterprises [9].

Figure 1. Forms of interaction between the state sector and business sectors in the economy



Source: Baldina Yu.V., Masyuk N.N. Strategicheskoe partnerstvo gosudarstva i biznesa: global'nyi outsorsing i gosudarstvennyi franchaizing [Strategic partnership of the state and business: global outsourcing and franchising of the state]. *Ekonomika i predprinimatel'stvo* [Economics and entrepreneurship], 2014, no. 12(3), pp. 453–456.

Table 4. Differences between public-private partnership projects, outsourcing of public services and state franchising [9]

	PPP (concession)	State franchising	Outsourcing of public services
Partners to the state	Big business	Small and medium-sized private companies	Small and medium-sized private companies
Contract term	From 10 to 40-50 years	3-10 years (with an option to extend)	1-3 years
Transfer of the right of state ownership	For the period of validity of the contract	For the period of validity of the contract	No
Extent of participation of private companies	Management of finished projects, and construction or major conversion	Management of finished infrastructure projects	Management of finished infrastructure projects
Risk management	Jointly by the state and private companies	Jointly by the state and private companies	The state; a private company manages only the risks of profit loss

In order to attract small and medium entrepreneurship in economic sectors particularly significant in socio-economic terms and to use its potential in the strategic partnership between the state and business, in particular, in the priority development areas, it is expedient, in our opinion, to apply public and private sector entrepreneurship as a form of interaction between the public and business sectors.

This form is based on the following aspects: initiative and mutual benefit of cooperation between the state and business sectors; focus on economic sectors that are important in social and economic terms; paternalistic approach of the state toward enterprises; reduction of business and investment risks; orientation of activity of the enterprise on the demands of the public.

Thus, public and private sector entrepreneurship will allow the business

sector (small and medium enterprises) to reduce risks, to get support from the state and to develop their business; it will allow the public sector to increase the share of small and medium entrepreneurship in GDP of the region, to solve the problem of employment, to increase the efficiency of state policy concerning the support and development of small and medium enterprises, to ensure the motivation of entrepreneurial activity in strategically important and socially significant economic sectors.

Public and private sector entrepreneurship involves public sector franchising, which is one of the forms of interaction between the state and business structures to ensure the dynamic functioning of the tourism cluster in a newly established priority development area.

Public sector franchising has the following features: the state structure has an exclusive

right to the product; special features of the product; establishing preferential prices for products and services of the franchisee company; use of business management principles and techniques; support and guarantees of the public sector; involvement of small and medium enterprises in socially and economically significant industries.

Public sector franchising as a form of interaction between the state and business structures will allow them to achieve the following goals: for the public sector and local authorities: to implement a program for supporting the development of the Far Eastern region by creating priority development areas; to create favorable conditions for growth in socially and economically important sectors with the help of small and medium enterprises as driving forces with their resources, in particular, for the development of the tourism industry in Primorsky Krai and in the Far Eastern region; to create new jobs, which in conditions of crisis is of great importance for the region; to provide support to small and medium business; to implement the performance resource in solving the problems of import substitution; to accelerate the growth of entrepreneurial activity in the tourism industry; for small and medium business: to reduce risks and obtain state guarantees when opening a new business (purchase of government franchises); to participate in socially and economically important projects; to make profit at minimal

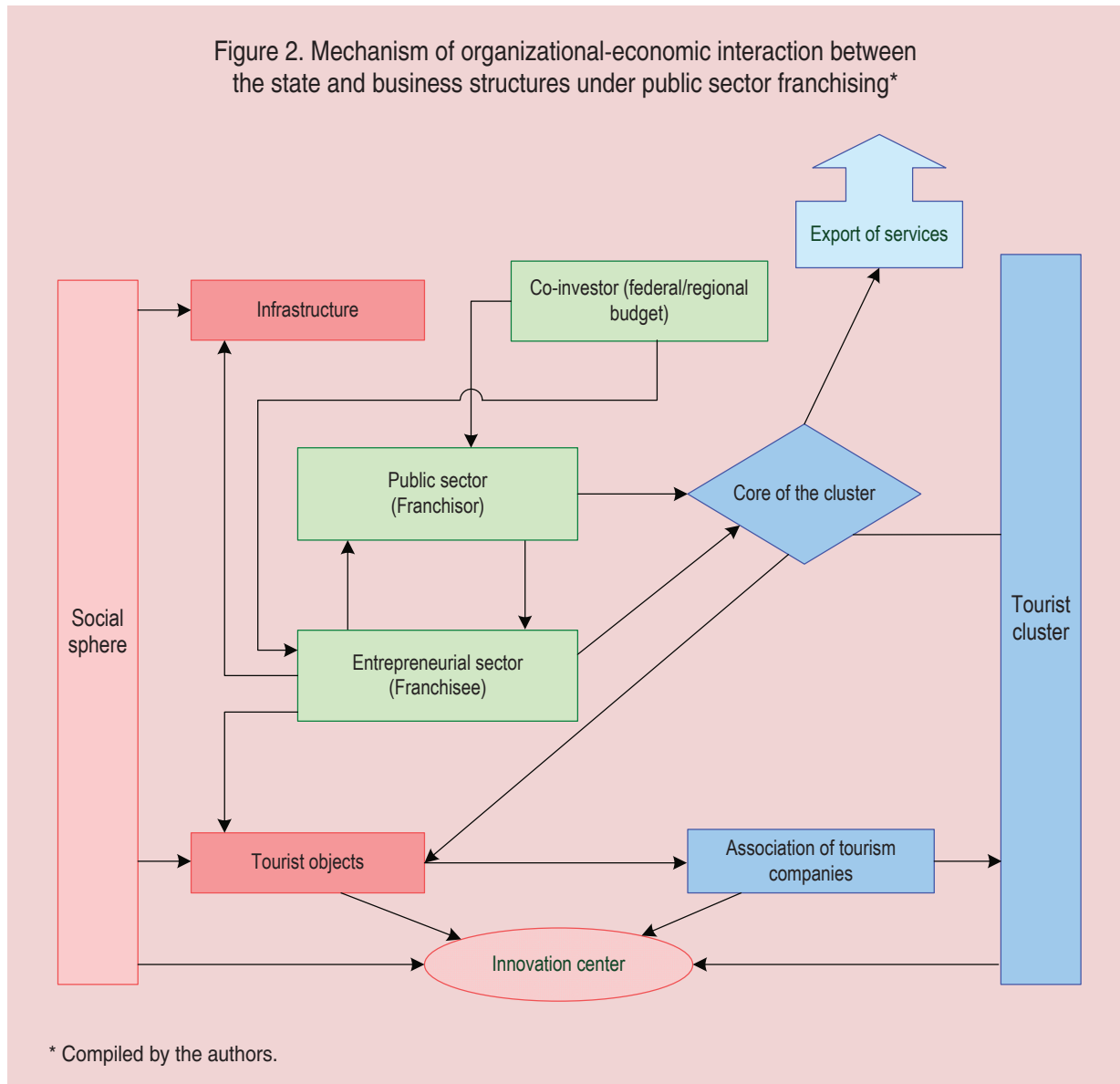
cost; to use opportunities of doing business.

*Figure 2* shows the mechanism of organizational-economic interaction in the sphere of tourism of the state and business structures, under public sector franchise, that enables the tourism cluster to function effectively in the priority development areas in Primorsky Krai and in the Far East.

This mechanism is based on the relationship between public sector entities (franchisor), which provide business sector entities (franchisees) with brand, product, marketing support, etc. of the tour operators in Primorsky Krai. The business sector, in turn, can open new business or to develop existing business without risk and excessive cost. Favorable conditions for investors created in priority development areas are boosting the inflow of investments in the tourism industry. Power structures (regional, federal budget) act as co-investors and a guaranteeing authority.

The connecting link and the basic tool of tourism cluster development for a co-investor is the social sphere, by managing which the measures to manage clustered development are implemented [15].

An important element in the proposed mechanism of interaction is found in the infrastructure support, which is a system for managing business and its livelihood. The main direction to improve infrastructure provision is to protect the interests of economic entities in the process of



preparation and adoption of decisions by state authorities, advisory services, improvement of activities of business structures and forecasting the likely consequences of the introduction of proposals. Information and advisory activities focus on assisting the manager in various matters related to the operation of a business structure.

Association and the innovation center are key elements in the developed mechanism of interaction between the social sphere and the tourist cluster since they ensure the search for the most optimal forms of cooperation between the public sector (the franchisor) and business (the franchisee) inside the cluster.

Thus, the proposed mechanism will help increase investments in the development of tourism facilities and infrastructure; this will have a positive influence on the tourist product in Primorsky Krai and will enable its domestic tourism to reach the international level of development.

In addition, due to the interaction between the public sector and business structures in the form of public sector franchising, small and medium entrepreneurship in Primorsky Krai will be involved in the tourism cluster formed in the priority development areas. In turn, these areas will create special conditions for the development of SMEs, and the mechanism that we have developed will combine the capabilities of the state and entrepreneurial sectors in the successful development of tourism as the most promising sector in the regional economy.

### **Conclusion**

Priority development areas are a convenient platform for the development of entrepreneurship, and in the tourism sector as well. The status of a PDA resident provides a number of advantages for both foreign and Russian entrepreneurs; this fact creates a more competitive environment for doing business in the region in comparison to similar territories in the Asia-Pacific region.

However, several problems caused by the poor infrastructure of Primorsky Krai hinder

the development of tourism business. It is possible to overcome them, to adjust the development of tourism business in priority development areas effectively and quickly with the help of the cluster approach, which is based on cooperation between business structures and state structures. Polarized development of territories through the formation of clusters is caused by the fact that regions generally have a set of industries and businesses with competitive growth potential. Thus the “poles and growth points” are formed that stimulate the growth of other businesses and industries. The clusters that are being established have better conditions for the formation and development of the “growth poles”. In the process of creating priority development areas an important role belongs to the coordination of efforts of all the members of the alliance, which involves the state and business structures. The mechanism that we propose to use in the interaction between the state and business structures with the main elements of the tourism cluster under the terms of public sector franchise will allow a comprehensive approach to the implementation of modern business models for priority development areas, contribute to the efficient development of tourism and support of small and medium business in the Far East.



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Received July 11, 2016.

# MODELING AND FORECAST OF SOCIO-ECONOMIC PROCESSES

DOI: 10.15838/esc.2017.1.49.12

UDC 332.14, LBC 65.9(2Rus)

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## Simulation of Structural Changes in the Region's Economy Based on the Matrix of Financial Flows\*



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\* Статья подготовлена при финансовой поддержке гранта РФФИ № 15-06-08932 и программы УрО РАН № 15-14-7-2.

**For citation:** Tatarkin D.A., Sidorova E.N., Trynov A.V. Simulation of structural changes in the region's economy based on the matrix of financial flows. *Economic and Social Changes: Facts, Trends, Forecast*, 2017, vol. 10, no. 1, pp. 218-234. DOI: 10.15838/esc.2017.1.49.12

**Abstract.** The article is devoted to the improvement of instruments assessing the impact of exogenous factors on the structure of the regional economy. In distinction from previous studies, the analysis is carried out not only on the basis of short-term multiplier effect, but also changes the values of multipliers, demonstrating the sensitivity / elasticity of the economic system in the region to exogenous influences in the long term. Structural changes are analyzed by the example of assessing the impact of the financial measures of the state policy of import substitution. The article presents a method of estimating the multiplicative effects, based on the balance sheet approach and the methodology of the system of national accounts. A distinctive feature of the methodology is to reflect the reproductive structures of institutional sectors in the region in relation to the import and export flows. On an example of the Sverdlovsk Oblast the authors demonstrate the possibility of using methods in predicting changes in key economic indicators in the region (wages, gross profit, tax revenues of the consolidated regional budget, final consumption expenditure, etc.). On the basis of the updated matrix of cash flows, three scenarios for structural change are calculated, in the region's economy, they determine various changes in the multipliers. The developed method makes it possible, first, to assess the direct and indirect economic effects arising in the implementation of government measures on import substitution; second, to analyze the effectiveness of import substitution programs, taking into account the features of the reproductive structure of the region, and thus to identify the sector that will provide the greatest multiplier economic effect; and third, to improve the objectivity of comparing the financial costs and benefits associated with the implementation of import substitution measures, the potential benefits of investing these funds in alternative projects. The results can be used in further studies on the effectiveness of implementation of the state policy of import substitution and modernization of the economy of the Russian Federation.

**Key words:** regional development, modernization, import substitution, multiplicative effects, matrix of financial flows, scenario modelling.

Economic reforms in Russia are often poorly designed and do not take into account many factors influencing the dynamics of economic processes. State management decisions are often a reaction to an unexpected economic scenario, are forced and inappropriate. The similar situation happened in terms of import substitution program which was a forced measure designed to ensure output of products, the import of which has become impossible because of the complicated foreign policy

situation and the introduction of mutual trade and economic restrictions imposed by Russia and several foreign countries. The programs developed and accepted in the shortest terms were not sufficiently elaborated in terms of evaluation of economic effects. In the authors' opinion, it is necessary to conduct scenario calculations of consequences of government decisions, primarily using economic and mathematical models which are able to answer the question "what happens if..?"

The process of import substitution causes various economic effects which can be divided into direct and indirect. Direct effects are expressed in changes in the cost of goods for Russian consumers. If the price of domestic goods is lower (assuming that their quality is identical to the imported counterparts) the society saves a part of resources which can be spent on other consumption goods or investment. Conversely, if the price of domestic goods is higher, the society as a whole will suffer losses. Indirect effects of import substitution are expressed in the revitalization of related industries, creating additional workplaces, increased final consumption and increases tax revenues [11]. Along with these short-term effects, there also are longer-term effects characterizing the structural changes in the socio-economic system. They include reduced resource intensity of the economy, growth in labor productivity, reduced import dependence and increased financial stability.

One of the most promising tools for quantitative evaluation of the effects caused by government activities is currently a class of economic and mathematical models – computable balance models of general equilibrium built on the basis of social accounting matrix/ cash flow matrix (CFM). This class of models helps find approaches to addressing a wide range of objectives related mainly to state regulation of the economy.

It should be noted that the first balance empirical models appeared in the 1920–30s. The most well-known works in this sphere of scientific research are works by Nobel Memorial Prize winner in Economic Sciences V. Leontief [5], L.V. Kantorovich [4] R. Stone [21] and a few other outstanding scientists. On the basis of the input-output balance these scientists tried to explain the level and dynamics of goods value and production factors, the dependence of the structure of foreign trade on the level of country's economy relative supply of main production factors, the impact of technological progress on the economic structure and its development, etc. In the future, the most prevailing model in the foreign practice was the modified input-output model – Social Accounting Matrix (SAM) or, in other words, Cash Flow Matrix. Unlike the standard input-output model in CFM, together with intermediate and final consumption and GVA, it also considers transfer payments between institutional sectors (households, firms and government), as well as distribution of factor payments within each sector [10, p. 65]. The basics of using CFM as an effective tool for studying the structure of the economic system, characteristics of the reproduction process, the formation and distribution of multiplicative effects were laid in the works of R. Stone [21], G. Pyatt, J. Round [17, 18], E. Thorbecke, J. Defourny [14], etc.



Nowadays, of particular importance are research aimed at improving the accuracy and reliability of estimates of CFM structural elements. For these purposes, various methods of statistical analysis, methods of mathematical modeling and simulation economic agents' behavior are used. In this sphere, most relevant are works by D. Go on the estimation of CFM parameters using Bayes's cross entropy [15], and the work by P.L Scandizzo [20]. In addition, the sphere of integration of general economic equilibrium models with models of other types. In particular, the team of authors under the supervision of academician Makarov amplified the methodology of input-output models using theoretical and gaming, as well as neural network models of economic agents' behavior and interaction [6]. This is described in the work by M-K. Kim and T. Harris [16] where CFM-based analysis is amplified by a classic model of linear optimization.

In recent years, Russia has had a number of publications devoted to the study of Russian regions with the help of CFM. Models of the Kaliningrad [9], Novosibirsk [7], Chelyabinsk and Kurgan oblasts, Khabarovsk [2] and Krasnodar kraia and other regions have been developed. The regions' CFMs were used to address practical issues including assessment of territory's financial sustainability [8], the impact of federal fiscal policy on the regional economy [10] and the socio-economic

situation of households with different level of disposable monthly income [1]. Work by E.A. Zakharchuk and F.A. Pasyukova [3] should be considered as it studies theoretical and methodological possibilities and presents the author's approach to designing balance models of municipal units. In in foreign practice, CFM is also used to solve a wide range of practical issues. The recent works worth noting are: article by Y. Saafi [19] which assesses the change in income level of different social groups depending on the changes in world oil prices, article by A. Akkamelik [12] which estimates the impacts of domestic electricity price growth, and the already mentioned article by M-K. Kim [16] which estimates the economic impacts of forest fires with the help of CFM.

Despite the fact that theoretical and methodological aspects of CFM development and use are described in detail in the scientific literature, special attention should be given to adaptation of this model to the existing system of regional statistics in Russia. Works [10, 11] present the technique of CFM formation at the regional level; CFM of the Sverdlovsk Oblast is designed.

The article presents the methodology of evaluating multiplicative effects of financial measures of the state program on import substitution. Unlike previous works, the authors suggest that evaluation of government measures implementation is carried out

considering not only short-term multiplicative effects, but also changes in the values of multipliers with longer-term consequences. The procedure consists of four stages.

The first stage – analysis of the current economic situation in the region and design of an input-output economic and mathematical model describing the structure, parameters and interaction of institutional sectors. The use of CFM is used for this purpose. CFM integrates statistical data from various public sources (Rosstat, regional statistics institutions, Federal Tax Service, Federal Treasury, etc.). The review of changes in CFM indicators in dynamics helps reveal the reaction of key economic actors to changes in external (exogenous) conditions.

The second stage consists of scenario calculations of the changes in the CFM elements of on the basis of changes in its structure which may occur as a result of implementation of specific government measures on import substitution. The economic system of a region consists of a number of interrelated sectors; each of them is characterized by common production output and a combination of costs necessary for manufacturing these products, including labor costs. Enterprises and organizations belonging to different sectors of the economy use machines, tools and human labor in the process of economic activity for manufacturing final

goods from material resources (intermediate consumption). Modernization of buildings and equipment in the framework of import substitution measures affects the production process changing both the composition of costs for manufactured products and the range of products. This process implies that part of the existing buildings, structures and equipment is occasionally replaced in order to increase future production volume. Thus, amid expanding economy, new technology is usually embodied in newly produced capital equipment specially installed for increasing the existing capacities, and, of course, in professional workforce which works with physical capital and other inputs. As a result, modernization of production equipment and introduction of new technologies lead to changes in the technological matrix and the share of intermediate consumption in gross output. The increase in the share of value added in output makes it possible to release a certain amount of production resources (labor and capital) and direct it to manufacturing of final goods or import substitution.

Thus, the second stage evaluates potential changes in the structure CFM – changes in the ratio of value added and intermediate consumption in gross output, the share of imported goods and services in intermediate and final consumption. Based on this evaluation analysis matrix of average propensities is designed.

Technically, the second stage contains the following steps. When scenario calculations are made, one or more matrix parameters are changed reflecting structural changes in the economy of the region caused by public administration activities. Later, the model is substituted with the volume of gross output planned according to the program of import substitution, and the process of conversion is triggered. Iterations are made until the sums of income and expenditures of each CFM match.

In the third stage, the calculated values of CFM indices are compared with the actual values (obtained at the first stage), which helps assess the end result from the implementation of import substitution measures taking into account the multiplicative effects. Any indicator (or combination of indicators) may be considered as the final result of CFM. However, in the authors' view, the development of state import substitution policy it is necessary to focus on the growth of gross value added, tax revenues of regional budgets, as well as final consumption expenditures.

The fourth stage is comparative evaluation of multipliers of actual and estimated cash flow matrices. Structural changes in CFM affect the size of multipliers. Since the multiplier shows the scale of change of an endogenous factor with a single change in the exogenous factor, higher multiplier values

indicate the growing sensitivity/elasticity of the regional economic system and its structural elements to exogenous influences such as change in investment, import/export, and amount of federal financing in the regions of the state import substitution program.

The authors consider the hypothetical examples of using the technique for evaluating multiplicative effects for forecasting changes in key economic indicators – gross profit of the economy, household income, income of the government sector – as a result of influence of modernization which leads to changes in the shares of intermediate consumption and gross value added in gross output, as well as measures in the context the import substitution program, which affect the share of imports in the commodity balance in the region<sup>1</sup>.

*Table 1* shows the CMF of the Sverdlovsk Oblast in 2014 when gross output of all industries in the region at market prices amounted to 3574.1 billion rubles (cell 2.1). The volume of imports amounted to 515.3 billion rubles (cell 10.1). According to the system of national accounts methodology, the total output at market prices is the sum of intermediate consumption, taxes on products (VAT, customs and excise duties) and value added, which, in turn, consists

<sup>1</sup> The use of a hypothetical example is explained by lack of information about sufficient details on the Sverdlovsk Oblast. The adopted state import substitution program presents totals costs without describing their structure.

Table 1. Sverdlovsk Oblast cash flow matrix in 2014\*

	1		2	3	4	5	6	7	8	9	10	11
	Goods and services	Industries										
1	Goods and services	Mln rubles	1836351			1249037	204966	93969	4742	379364	320968	4089397
		Share, %	51.4			88.3	88.1	58.4	2.2	100	62.3	
2	Industries	Mln rubles	3574143									3574143
		Share, %	87.4									
3	Capital	Mln rubles		839170								839170
		Share, %		23.5								
4	Labor	Mln rubles		796466								796466
		Share, %		22.3								
5	Households	Mln rubles			610965				210476			1414120
		Share, %			76.7				97.8			
6	Regional budget	Mln rubles		39107	86842			22365			25848	232648
		Share, %		1.1	6.2			13.9			5.0	
7	Federal budget	Mln rubles		63049							92352	160932
		Share, %		1.7							17.9	
8	Non-budget funds	Mln rubles			185501			29716				215217
		Share, %			23.3			18.5				
9	Savings	Mln rubles				78240	27682	14881			76087	379364
		Share, %				5.5	11.9	9.2			14.8	
10	ROW	Mln rubles	515254									515254
		Share, %	12.6									
11	TOTAL	Mln rubles	4089397	3574143	839170	1414119	232648	160932	215218	379364	515255	
		Share, %	100	100	100	100	100	100	100	100	100	

\* Calculated by the authors.

of wages, profit, gross mixed income, and taxes on production (property tax, tax on mineral extraction tax, etc.). In 2014, in the Sverdlovsk Oblast intermediate consumption (calculated by all types of economic activity) amounted to 1836.4 billion rubles (cell 1.2), gross profit and mixed income – 839.2 billion rubles (cell 3.2), wages – 796.5 billion rubles (cell 4.2), taxes on production – 39.1 billion rubles (cell 6.2), taxes on products – 63.1 billion rubles (cell 7.2).

It should be noted that in each industry production process uses a unique set of raw materials and products (intermediate consumption) and a specific list of capital (buildings, equipment) and human resources (specialists of different professions and different skill levels). Obtaining necessary information requires extensive research and observations, which, unfortunately, are currently not held in Russia. However, the designed aggregate CFM of the Sverdlovsk Oblast helps calculate the potential effects of the introduction of new technology entailing an increase in the share of value added in gross output.

The present article uses the model with aggregated accounts “Goods and services” and “Industries”, which does not imply analysis of certain types of economic activity. The possibility of using CFM for sector analysis and calculation of multipliers is presented in the authors’ previous work [12].

Suppose that as a result of production modernization and introduction of new technology the share of intermediate consumption (IC) in gross output (GO) in the Sverdlovsk Oblast will reduce from 51.4% to 50.4%. Since this figure is the result of correlation of two indicators, it can be changed either through faster GO growth compared to IC, or through faster reduction in GO compared to IC.

The authors consider the scenario in which intermediate consumption is reduced and gross output is unchanged. Such development of the economy is possible in case of active introduction of power-saving technologies. The reduction in the share of IC means an equal increase in value added. The results of model calculations of changes and transformed CFM are represented in *Table 2*.

A 1% decrease in IC (35.7 billion rubles) (cell 1.2) leads to the growth of value added by the same amount. Additional value added is distributed among the main factors of production, labor and capital, as well as taxes in the proportion prevailing in the economic system of the Sverdlovsk Oblast. Thus, the amount of profit, wages and tax revenues will increase by 17.9 billion rubles (cell 3.2), 10.7 billion rubles (cell 4.2), 7.1 billion rubles (total of cells 6.2 and 7.2) respectively. In the future, these figures will continue to move along chains of correlation between institutional sectors in proportions established

Table 2. Analysis CFM of the Sverdlovsk Oblast designed as a result of a 1% increase in the share of value added in gross output, million rubles\*

	1		2		3		4		5		6		7		8		9		10		11			
	Result	Change	Goods and services	Industries	Capital	Labor	Households	Regional budget	Federal budget	Non-budget funds	Investment	ROW	TOTAL											
1																								
	Goods and services		1800610																					
	Change		-35741																					
2			3574143																					
	Industries		0																					
	Change																							
3				857041																				
	Capital			857041																				
	Change			17871																				
4				807189																				
	Labor			807189																				
	Change			10722																				
5					605300	619191																		
	Households				605300	619191																		
	Change				12622	8225																		
6				42681	59731																			
	Regional budget			42681	59731																			
	Change			3574	1246																			
7				66623	5649																			
	Federal budget			66623	5649																			
	Change			3574	118																			
8						187998																		
	Non-budget funds					187998																		
	Change					2497																		
9					186360																			
	Savings				186360																			
	Change				3886																			
10				509065																				
	ROW			509065																				
	Change			-6189																				
11				4083208	857040	807189	1434967	238748	158434	215218	385129	509065												
	TOTAL			4083208	857040	807189	1434967	238748	158434	215218	385129	509065												
	Change			-6189	0	17871	20847	6100	-2497	0	5765	-6189												

\*Calculated by the authors.



in the economic system. I.e., the additional amount of labor remuneration received as a result of production modernization will be divided by the amount available to households – 8.2 billion rubles (cell 5.4<sup>2</sup>), extra-budgetary funds – 2.5 billion rubles (cell 8.4). A similar process will take place with additional profit, a part of which will be at the disposal of households – 12.6 billion rubles (cell 5.3), the other part – at the disposal of the public administration sector in the form of income tax – 1.3 billion rubles (total of cells 6.3 and 7.3). As a result of these changes, the total amount of disposable income of households will increase by 20.8 billion rubles (cell 5.11) and the volume of final consumption funded by households will increase by 18.4 billion rubles (cell 1.5). Regional budget revenues will increase by 6.1 billion rubles (cell 6.11), which will cause an increase in expenditures on final consumption financed regional authorities by 5.4 billion rubles (cell 1.6). At the same time, the volume of investments will increase – 5.7 billion rubles (cell 1.9).

The considered scenario assumes that gross output remains unchanged. This means that a decrease in intermediate product output caused by technological progress is replaced by output of final consumption product with the entire increase in consumption met at the expense of local production.

<sup>2</sup> Changes are calculated as difference between respective cells in Tables 1 and 2.

The authors consider another scenario as an example, in which the implementation of the import substitution policy related to technological changes is associated with the increased share of intermediate consumption in gross output.

For comparison: as in the previous scenario, suppose a 1% increase in the share of intermediate consumption in gross output – from 51.4% to 52.4%. The results of calculating changes and the transformed matrix are presented<sup>3</sup> in *Table 3*. The gross profit will be reduced by 14.3 billion rubles (cell 3.2), the total amount of wages – by 14.3 billion rubles (cell 4.2). These changes lead to the reduction in the total amount of disposable resources of household by 21.1 billion rubles (cell 5.12), of regional budget revenues – by 5.5 billion rubles (cell 6.12) and the volume of investment by 4.9 billion rubles (cell 1.9). The presented changes will lead to the reduction in the total final consumption by 23.5 billion rubles (total of cells 1.5 and 1.6).

This scenario, like the previous one, assumes that the value of total gross output remains unchanged. To maintain the total GVA at the same level with a 1% increase in the share of intermediate consumption in gross output gross output should be increased by 63.7 billion rubles. *Therefore, if the*

<sup>3</sup> Changes are calculated as difference between respective cells in Tables 1 and 3.

Table 3. CFM of the Sverdlovsk Oblast designed as a result of a 1% decrease in the share of value added in gross output, million rubles\*

	1	2	3	4	5	6	7	8	9	10	11
	Goods and services	Industries	Capital	Labor	Households	Regional budget	Federal budget	Non-budget funds	Investment	ROW	TOTAL
1	Goods and services										
	Result	1872093			1230432	200115	93969	4742	374435	320968	
	Change	35741			-18605	-4851	0	0	-4929	0	7356
2	Industries										
	Result	3574143									
	Change	0									0
3	Capital										
	Result		824873								
	Change		-14297								-14297
4	Labor										
	Result		782170								
	Change		-14297								-14297
5	Households										
	Result		582582	599999				210476			
	Change		-10097	-10967				0			-21064
6	Regional budget										
	Result		57490	85549			22365			25848	
	Change		-3217	-1294			0			0	-5507
7	Federal budget										
	Result		5436							99707	
	Change		-94							7356	3330
8	Non-budget funds										
	Result			182171			33046				
	Change			-3330			3330				0
9	Savings										
	Result		179365		77075	27027	14881			76087	
	Change		-3109		-1165	-655	0			0	-4929
10	ROW										
	Result	522609									
	Change	7356									7356
11	TOTAL										
	Result	4096752	3574143	824873	782170	1393056	227141	215217	374435	522610	
	Change	7356	0	-14297	-14297	-21064	3330	0	-4929	7356	

\*Calculated by the authors.

Table 4. CFM of the Sverdlovsk Oblast designed as a result of a 1% decrease in the share of imports in gross output, million rubles\*

	1		2	3	4	5	6	7	8	9	10	11
	Goods and services	Industries										
1	Goods and services	Result	1857356									
		Change	21005									
2	Industries	Result	3615026									
		Change	40883									
3	Capital	Result		848769								
		Change		9599								
4	Labor	Result		805579								
		Change		9110								
5	Households	Result		599458	617954				210476			
		Change		6779	6988				0			
6	Regional budget	Result		39555	59155	87688		22365			25848	234610
		Change		447	669	846		0			0	1962
7	Federal budget	Result		63770	5594						89444	158809
		Change		721	63						-2907	-2122
8	Non-budget funds	Result			187623			27594				215217
		Change			2122			-2122				0
9	Savings	Result		184561		79002	27915	14881			76087	382447
		Change		2087		762	233	0			0	3083
10	ROW	Result	474370									473370
		Change	-40883									
11	TOTAL	Result	4086490	3615026	848769	805577	1427888	234610	158809	215217	382447	474370
		Change	0	40883	9599	9110	13767	1962	-2122	0	3083	-43800

\* Calculated by the authors.

*implementation of the import substitution policy leads to an increase in the share of intermediate consumption thus ensuring the growth of gross output in the amount sufficient to preserve the value of gross value added in absolute terms at the same level, it can be considered cost-effective.*

The implementation of the import substitution policy does not only lead to structural changes, but also affects the share of imports in the overall balance of goods and services of a territory. In 2014, in the Sverdlovsk Oblast the share of imports in the total volume of goods and services amounted to 12.6% (cell 10.1, table 1). To reduce this index by 1 percentage point – to 11.6% – it is necessary to replace 40.9 billion rubles of imported products by products of resident enterprises of the region. Let us consider this scenario. The results of structural changes and transformed CFM are represented in *Table 4*. An increase in gross output by 40.9 billion rubles will lead to creation of 19.8 billion rubles of value added (total of cells 3.2, 4.2, 6.2 and 7.2<sup>4</sup>), including 9.6 billion rubles of income and 9.1 billion rubles of wages, 1.1 billion rubles of taxes. The change in the total value added leads to an increase in disposable income of institutional sectors. In particular, the disposable income of households will increase by 13.8 billion rubles (cell 5.11), the

<sup>4</sup> Changes are calculated as difference between respective cells in Tables 1 and 4.

revenues of regional governments will increase by 2 billion rubles (cell 6.11), and investments – by 3.1 billion rubles (cell 9.11). The total increase in final demand in the economy of the territory will reach 13.9 billion rubles (total of cells 1.5 and 1.6).

It is obvious that import substitution requires that a certain amount of investment is ejected. It is necessary to invest in creation of new and expansion of the existing businesses, to train new staff. Transition of Russian enterprises to using domestic products will also require investment. In order to judge the benefits of import substitution, it is necessary to correctly assess the resources required for its implementation and the amount of potential benefits.

Changes in the CFM structure lead to changes in the value of CFM multipliers (*Table 5*).

The decrease in the share of intermediate consumption in gross output (column 2) leads to the declining multipliers of gross output and production of resident enterprises of the region (lines 1 and 2), however, it results in the increase in the value of multipliers of gross value added in the form of profits and wages (lines 3 and 4). The opposite situation is observed if the share of intermediate consumption in gross output is increased (column 3). These changes result in the growing value of multipliers of aggregate demand and output of resident enterprises of

Table 5. Changes in multipliers of CFM gross output of the Sverdlovsk Oblast\*

		Multiplier value			
		Actual 2014	At a 1% decrease in the share of IC in GO	At a 1% increase in the share of IC in GO	At a 1% decrease in the share of imports in product balance
		1	2	3	4
1	Goods and services	3.937	3.892	3.984	4.073
2	Industries	3.441	3.401	3.482	3.601
3	Capital	0.808	0.816	0.804	0.845
4	Labor	0.767	0.768	0.762	0.802
5	Households	1.159	1.165	1.152	1.213
6	Regional budget	0.165	0.169	0.162	0.173
*Calculated by the authors on the basis of Tables 1, 2, 3, 4.					

the region (lines 1 and 2), but have a negative impact on the multipliers of value added – profits and wages (lines 3 and 4). The change in the ratio of value added and intermediate consumption also leads to changes in the multipliers of household income and the sector of public administration, although these changes are not significant (lines 5 and 6). The best result for the region's economy occurs amid reducing share of imports in product balance in the region. Table 5 demonstrates that the values of all multipliers in column 4 are higher compared to the initial ones in column 1. However, in this situation it is highly important to have a mechanism of reducing the share of imports – or a market competitive mechanism either by increasing the ratio of price and quality of local products, or by introducing administrative restrictive measures for the import of products, which in the long term may lead to reduction in

competition, formation of product imbalance and rising prices.

For more detailed and accurate analysis of exogenous impacts of state modernization and import substitution programs on the socio-economic situation in the territory it is required to carry out additional research focused on CFM specification. Thus, depending on the research purpose, the emphasis should be put on different accounts. To analyze the impacts of technological progress on the region's economy it is reasonable to emphasize disaggregation of the first and second accounts – “Goods and services”, “Industries”. For this purpose, it is necessary to conduct extensive studies aimed at making current regional input-output tables for certain territories of the Russian Federation, which will help identify the cost structure, study the structure of income and expenses of population groups

with different financial status, as well as flows of interregional trade, migration and capital circulation. The authors note that these studies should be of a systematic character, which will help track the dynamics of processes and identify causal relations.

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Received November 07, 2016.

## Studying the Stock Market of Ukraine with the Use of the Event Analysis



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**Abstract.** The study presents basic principles of the event analysis developed for the purpose of improving the forecasting of market conditions. The aim of the study is to create the theoretical foundations of the event analysis of the stock market and their empirical substantiation. This type of analysis will make it possible to take into consideration the general trends in the stock market more comprehensively. For this purpose, the authors present the mathematical tools of the study, disclose the theoretical basis and genesis of the method proposed. In addition, the article contains the statistical analysis of the stock market performed with the use of traditional statistical methods and with the tools of the event analysis, first of all, the information elasticity. Empirical testing on the data on exchange rates and PFTS and the Ukraine Stock Exchange indices allowed the authors to establish the connection between events and changes in the indices, to identify several cases of excessive response that may be indicative of insider influence. Among the authors most notable for their recent works on this topic it necessary to mention N. Tuma, M. Hannan, O. Humpage and others. In their studies they reveal quite comprehensively the importance of the event analysis for forecasting purposes, the connection of this type of analysis to the hypothesis of market efficiency, its methods and approaches. However, there are several urgent

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**For citation:** Malyshenko K.A. Studying the stock market of Ukraine with the use of the event analysis. *Economic and Social Changes: Facts, Trends, Forecast*, 2017, vol. 10, no. 1, pp. 235-253. DOI: 10.15838/esc.2017.1.49.13

tasks to be solved in this study: discovering the connection between the event and the change in the exchange rate, identifying possible reactions of the market to different types of events, and defining concepts such as event, event profile and event analysis of the stock market. Since economic or political events can influence the behavior of the market during the time period lasting up to several weeks, months, and even years, it is obvious that the use of fundamental analysis is justified only given the long-term forecasting. The value position of the author on the subject consists in enhancing investors' confidence in the domestic stock market, increasing its transparency and, consequently, liquidity. This approach forms the basis for the creation of a new subject area for analyzing the impact of events on stock dynamics.

**Key words:** efficient market hypothesis (EMH), elasticity, stock market, efficient market, information efficiency.

The reaction of the market to various economic events is to a great extent linked to the country's historically established type of market efficiency. The stock market in post-Soviet countries is only being formed and, accordingly, has weak informational efficiency, which is typical for the achieved level of economic development. Event analysis is based on the study of the reaction of the market to significant events. The longer the response time and the less its uniqueness, the weaker market efficiency. Thus, the relevance of event analysis is in its strong indicative function. This type of analysis is a method which will help forecast the domestic stock market and evaluate the effectiveness of state authorities regulating its activities. Stock market event analysis is a type of economic express-analysis used to determine the impact of events on changes in stock market quotations. Its development is primarily linked to the increasing influence of the stock market on the country's economy, the

declining confidence in traditional sources of information and the advanced use of computer technologies for analyzing large amounts of information on events of in the economic and political sphere. In addition, it is deprived of shortcomings of fundamental analysis such as expert subjectivity, complexity, high costs and long process duration. Technical analysis, though simple, remains quite subjective; therefore it does not help see the real reason for change in quotations and does not always give unambiguous answers.

Thus, the research focus is to provide an objective evaluation of competitive freedom to handle stock market transactions through the use of event analysis. The need for stock market event analysis lies in the fact that this type of analysis is the most effective procedure for obtaining relevant data amid imperfect information disclosure system. This problem arises due to information asymmetry – a situation where one of the counterparties to the deals is more informed about the object

to be sold or purchased. It should be noted that information asymmetry arises as a result of actions of the interested parties such as insiders, and is observed in any market. As a result, confidence in information sources declines reducing the level of activity and liquidity in the stock market as a whole. The relevance of the present research is in the need to ensure market transparency, fair terms of transactions, elimination of external impacts in the stock market without which it will not be attractive to investors and market efficiency is the indicator which shows the degree of its development. For addressing the issues of information support of stock market the authors developed tools for verifying information efficiency within the boundaries of the proposed event analysis, which will provide objective evaluation of competitive freedom of transactions, since it is based on initial data about events and quotations.

The theory of event analysis is reviewed in many studies, although it is a relatively new phenomenon in the practice of stock market analysis. In this regard, it is worth mentioning works of foreign scientists such as N. Tuma and M. Hannan<sup>1</sup> (1970), Owen Humpage<sup>2</sup> (1984), Dominguez and Frankel<sup>3</sup> (1993), Ben

<sup>1</sup> Tuma N.B., Hannan M.T., Groeneveld L.P. Dynamic analysis of event histories. *American Journal of Sociology*, 1979, pp. 349, 820, 854.

<sup>2</sup> Humpage Owen F. *Dollar Intervention and the Deutschmark-Dollar Exchange Rate: A Daily TimeSeries Model*. Working Paper 8404. Federal Reserve Bank of Cleveland, 1984.

<sup>3</sup> Dominguez Kathryn M., Jeffrey A. Frankel. *Does foreign exchange intervention work?* Institute for International Economics. Washington: DC, 1993.

Warwick<sup>4</sup> (1996). Among Ukrainian authors the work by A.V. Zinenko<sup>5</sup> should be noted, which considers the event indicator. Russian scientists N. Klimarev and S. Studnikov<sup>6</sup> offer a universal classification of events considered in financial research. However, it is necessary to reveal the correlation between an event and changes in exchange rates in order to understand the possible market reaction to different types of events, and, above all, to define concepts such as “event”, “event profile” and “event analysis”.

“An event” is referred to as a change in the status measured in discrete variable which takes a countable number of mutually exclusive values. The units of analysis are individuals, groups and organizations, countries, political organizations, cultural processes. To predict the time of the event, a model similar to a regression equation is designed.

Events can have qualitative, quantitative and temporal characteristics. A current event is the event which is regarded at the present moment. Relative to current events, all events

<sup>4</sup> Warwick Ben. *Event trading: profiting from economic reports and short-term market inefficiencies Event Trading*. Chicago: Irwin, 1996.

<sup>5</sup> Zinenko A.V. Sobytiinyi indikator finansovogo rynka [Event indicator of the financial market]. *Vestnik Sibirskogo aerokosmicheskogo universiteta im. ak. Reshetneva, MF: sb. nauch. tr.* [Vestnik of Siberian State Aerospace University: collection of scientific works]. Krasnoyarsk: SibGAU, 2006, no. 6 (13), pp. 126-129

<sup>6</sup> Klimarev N.V., Studnikov S.S. Metodologicheskie problemy primeneniya metoda sobytiinogo analiza v finansovykh issledovaniyakh [Methodological problems of application of event study method in financial researches]. *Vestnik Moskovskogo universiteta. – Seriya 6: Ekonomika* [Moscow University Economics Bulletin], 2011, no. 6, pp. 58–67.

are divided into past and future. For any of the current events in the history of events, unless the event is first or last in the history, there are past and future events. The very first event has no past, and the last event has no future. There are no storms or accidents on the event market. Faster or slower, any event will be completed. The end of the event fixes the time of the beginning of the next event. Events follow each other and form series of events. The duration of events is different; their change is linear in time. An event is identified by the time of its beginning and end and is an analogue of time. A series of events is a sequence of events determining the state of the market as a set of events included in the series. The event market clearly demonstrates the cyclical nature of event series.

An event is considered as a function of all preceding events. Thus, the current event is a result (consequence) of all preceding events of the current series of events. The current series of events is the consequence of the preceding series of events, etc. At the same time, the current event is one of the causes of a series of events which will follow. The specific way of combining preceding, current and subsequent events into a series of events is an event-driven market profile. Thus, an event is the changes in the socio-economic sphere affecting economic and psychological bases of stock market conditions formation. Event analysis is a type of economic express-analysis for determining the impacts of events on changes in stock market quotations.

Technical event analysis is forecasting of prices through studying the projections of history and their graphic images. Forecasting implies interpolation of the past events and approximation of the obtained results in the future<sup>7</sup>.

Event analysis is a type of economic express-analysis for determining the impact of events on changes in stock market quotations.

Philosophical and psychological justification of event analysis methodology is presented in the dialectical unity of events and dynamics stock market rates (*Fig. 1*). The methodology of the proposed analysis includes the following elements:

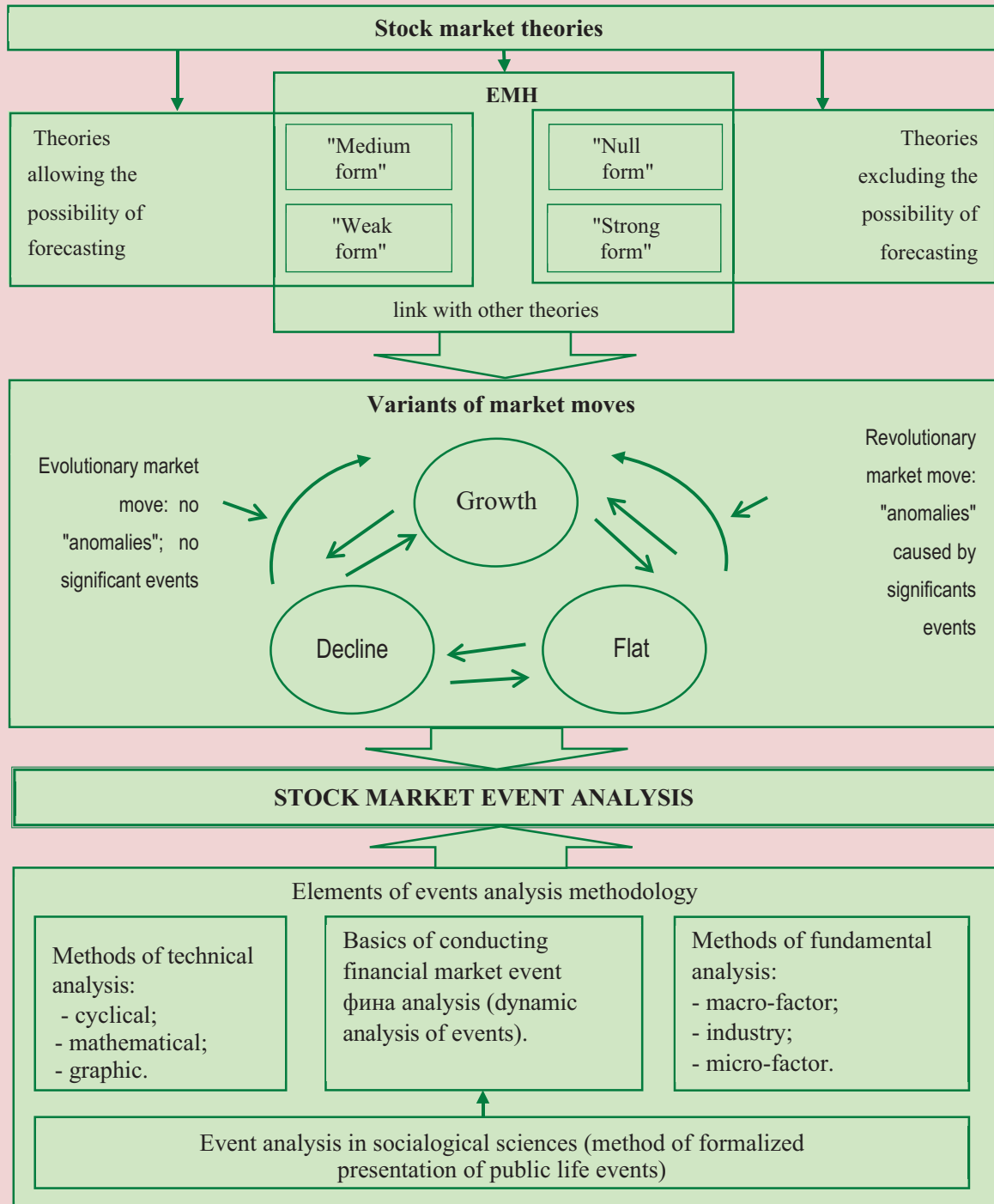
- the object of event analysis methodology is the correlation “event–index” (exchange rate dynamics);
- the subject of the methodology is a set of methods and tools for event analysis;
- the purpose for event analysis methodology is to define criteria of market inefficiency in the statistical form amid shortage of relevant information.

The general tool is stock market information efficiency implemented through a set of different methods. This set includes both traditional statistical techniques and methods and the author’s ones based on information elasticity.

<sup>7</sup> Shevchenko I.G. *Poryadoki khaos rynka aktsionernogo kapitala Rossii* [Order and chaos of Russian capital stock market]. M.: Upr. personalom, 2003. 216 p.



Figure 1. Event analysis: theoretical basis and genesis of the method\*



\* Compiled by the author.

The problem of event analysis methodology is the imperfection of information disclosure system and, as a consequence, the declining confidence in traditional sources of data on changes in stock market dynamics, which is typical for fundamental and technical analysis of the stock market in general. The modified Efficient Market Hypothesis (EMH) is used in event analysis methodology – formulated in four theory-based forms (amplified with the null form when market is not linked with the state economy and does not react to events).

The method of event analysis is information elasticity as an indicator of information efficiency. The proposed method ensures identification of the unfinished series of events and forecasting future events from these series on the basis of events which produced the complete series which are identical to events which previously produced the already completed series of events. Nowadays, there are actively developing quantitative approaches to the description of influence of political and macro-economic events (news) on financial markets. A unified methodology of the so-called stress testing of scenario event market simulation has not yet been developed. Investment companies in the USA and Europe use event analysis to improve their businesses management efficiency. Interest to event analysis is associated with the ability to predict changes in prices, volatility and traded value on stock market.

Unlike traditional event analysis (R. Ball and P. Brown<sup>8</sup>, E. Fama and others<sup>9</sup>) implying rationality of market actors, their reactions are often non-linear (irrational). Moreover, during this analysis the issue of “clustering” arises – related events not included in the model occur at the same time. It is only possible to define the efficiency in a dichotomous format: either “Yes” (market is efficient) or “No” (market is inefficient). The author’s approach has some significant advantages as it is objective, it takes into account the non-linearity (irrationality) of reactions of market entities and implies an interval result.

Event analysis is a relatively new tool designed to facilitate the investors’ trading strategies. It is closely connected to the theory of behavioral finance and is in conflict with EMH which states that any available information is already reflected in stock prices. This condition makes it impossible to attempt to beat the market during a long period of time through the use of information available at the market.

Thus, it is necessary to begin with determining the impact of an event on changes in stock exchange prices and, as a consequence, indices.

<sup>8</sup> Becker K.-G., Finnerty J., Friedman J. Economic news and equity market linkages between the U.S. and U.K. *Journal of Banking and Finance*, 1995, issue 19, pp. 1191–1210.

<sup>9</sup> Fama E.F., Fisher L., Jensen M.C., Roll R. The Adjustment of Stock Prices to New Information. *International Economic Review*, 1969, issue 10(1), pp. 1–21. Available at: <http://links.jstor.org/sici> (дата обращения: 21.03.2016).

*Calculation of event profile of the day.* The previously given definition of “event” makes it impossible to identify and limit the impact of a specific event and justify the correlation between stock prices. Thus, it is not the event itself which affects the market, but a complex events, which in information theory is commonly called an aggregate of events. The author calls this aggregate of events an even profile of the day. Event profile of the day is a complex of events (an aggregate) formally presented through assigning significance (weight) to different events depending on their type and summing them up.

The difference of the proposed approach is that classified events are assigned significance according to various characteristics. Accordingly, the event profile of the day will be calculated according to the following formula:

$$IvP = \sum_0^n W_v \times W_t \times W_d \times W_f \times W_p \times W_s \times W_l, (1)$$

event units,

where  $W_v$  – the significance of the event type (from 1 to 6 according to types of events, excluding rumors and expectations, the significance of which is assigned depending on the scope of event itself: for example, if rumors (expectations) are of a political nature it is assigned 6 units of significance);

$W_t$  – significance of event type (1–3);

$W_d$  – weight of impact duration (1–2);

$W_f$  – weight of impact type (- 1–1);

$W_p$  – weight of event center (1–2);

$W_s$  – weight of impact force (1–3);

$W_l$  – weight of analysis level (1–3);

$n$  – number of events.

The unit of measurement – event unit is conditional, it is a subjective measure of entropy in expert evaluation. Of course, all significance indicators have integer values.

This approach is based on the following conditions:

1. Definition of types of events which are used the event profile of the day (it is advisable to consider the following types of events: political, economic, sociological, technological, environmental, rumors and expectations). The presence of more event types is inconvenient as they are psychologically difficult for a human to evaluate;

2. Definition of event “weight” (significance) (it is required to group them by weight). The definition of event “weight” is usually subjective. Provision of information in the media is somewhat different in structure and methods of delivery, especially over time. For purposes of analysis, the following categories (seven) have been assigned significance: 6 – for political events, 5 – for force majeure; 4 – for economic 3 – for sociological, 2– for technological, 1– for environmental events. There is also a special category of rumors and expectations – they are assigned weight depending on the type event. If the rumors are of political nature – their weight equals 6, as have already been described above.

3. Determination of direction of the influence of events: upward (↑) or downward (↓), i.e., descending or ascending events.

4. Classification according to other previously developed criteria and assignment of appropriate weights.

*Calculation of event factor of the day.* Event-factor differs from event profile of the day, i.e., it will include not only impacts of events occurred during any particular day, but the impacts of all previous days, of course, at a certain time interval. It can be calculated according to the following formula:

$$IF_i = IvP_i + IvP_{i-2}/4 + (IvP_{i-1} + IvP_{i-2}/2)/2, \quad (2)$$

where  $IF$  – event-factor of the day, event units;

$IvP$  – event profile, event units;

$i$  – date of event day in the period under review.

*Calculation of information elasticity.* It is necessary to focus special attention on the proposed method of information elasticity of the market. The essence of this method consists in the following. EMH is characterized by immediate reaction of exchange rate differences to changes in the existing information. Market is the most efficient in relation to the received information if this information is immediately and fully reflected in asset prices. In real stock exchange markets, market efficiency may be different; the longer market prices adjust to new information, the less efficient the market. Ukrainian stock exchange market can hardly be considered competitive to an extent where it is effective without external pressure or control. This happens for a number of reasons.

First, there is monopoly on information and semi-legal insider trade. A prerequisite for free-competitive efficient market is absence of monopoly on information. Information is public and is received by all investors at the same time. In an efficient market where participants seek to gain maximum profits, any price discrepancy will be eliminated quickly. In the Ukrainian market, insider information becomes a source of profit.

Secondly, the Ukrainian market does not fully use methods of market regulation practically tested by economically developed Western countries. The essence of this regulation is that if you subtract penalties, profit from insider trade must be lower than from the keep-it-if-you-bought-it strategy.

If market actors have any important information they become “information monopolists”. And if they use this monopoly for their own profit then insider influence occurs, which is reflected in market activities. The degree of this influence is defined by the authors as “information elasticity”, namely, the ratio of information flow characteristics and changes in exchange rates. This concept should be considered in more detail. It is known that elasticity (Greek “elastikos” – flexible) is a numerical characteristics of changes in a single metric (e.g., demand or supply) compared to another metric (e.g. price or income). Elasticity is a derivative of one parameter to another: a change in one parameter resulting from increment of

one metric by one. As can be seen from the definition, it is necessary to express changes in information flows in some discrete variables. This means that events of political nature must be presented in absolutely certain and exact figures. Thus, we should start with the identification of impacts of the event in the context of their influence on changes in stock prices and, as a consequence, indices.

An event is something that occurs at a random point of space and time; a significant incident, phenomenon or other activity as a fact of public or private life.

Attempts to formalize events has already been made, however, it is only possible to numerically determine information characteristics of events by applying an ordinal scale. Its use is quite possible; it is enough to remember the micro-economic approach to assessing consumer behavior. Accordingly, market actors are “consumers” of securities and, therefore, all characteristics of consumer behavior is also inherent in them. The result of classification of events during the day is the proposed event factor ( $IF_i$ , formula 2). However, this indicator will not only be evaluated statistically, but also used for estimating information elasticity according to the following formula:

$$E_{Ie} = \frac{\Delta I \text{ or } \Delta P}{\overline{\Delta IF_i}}, \quad (3)$$

where  $E_{Ie}$  – information elasticity index;

$\Delta I$  or  $\Delta P$  – change in the index of stock exchange or stock exchange quotation, expressed as a percentage;

$\overline{\Delta IF_i}$  – average change in event-factor of the  $i$ -th day.

As can be seen from the formula, the average change in event factor is calculated. In addition, the moving average will also be used. This is important to do to achieve a smaller range of index span because the number of events can vary significantly by individual days. The use of average values will give an opportunity for neutralizing this influence. The moving average will also help “smooth” the impact of individual days, which corresponds to the impact of one day on another and forgetting. That is, calculation of change in event factor requires the use of reference value taken modulo. This is done to ensure that, if the previous negative event factor is available, the subsequent negative factor increases it, which would be correct based on the logic of formation of this index. Next, the possible values and their interpretation should be defines (*Tab. 1*). As can be seen from above table, the index has two “poles”: either market is not linked with the economy – and events do not cause the reaction of the market, or the market shows activity in the background of the event “calm” period, which indirectly confirms the insider effect. However, in both cases, the market is informationally inefficient. The last column of the table contains the type of market structure. The indicator is included here in connection with the abovementioned additional null form of information efficiency in accordance with types of market structures.

Table 1. Values of stock market information elasticity index and their interpretation

Index value	Form of elasticity	Interpretation	Type of market structure
$E_{ie} < \text{extreme values}$	Absolutely inelastic	Many events are not reflected in exchange rate dynamics – market is not linked with state economy. Market is inefficient.	Monopoly (monopsony)
$0.09 < E_{ie} < 0.9$	Inelastic	Low market responsiveness to events within the country, market share in total turnover is insignificant. Market is weakly efficient.	Shared monopoly
$E_{ie} \approx 1$ ( $0.9 < E_{ie} < 1.1$ )	Occasional elasticity	Events directly influence stock exchange rate dynamics. Market is efficient.	Monopolistic competition
$1.1 < E_{ie} < \text{extreme values}$	Elastic	Stock market rates (or stock exchange index) actively react to events. Market is strongly efficient.	Perfect competition
$E_{ie} = \text{extreme values}^*$	Absolutely elastic	Rates (index) significantly change for no apparent reason (events which may cause such changes are rare). Threat of insider influence. Market is inefficient.	Monopoly

\* Extreme value is identified empirically on the basis of outlier analysis (compiled by the author).

Thus, the authors logically link the theoretical basis of the methodology of the present study.

Next, the authors show the practical application of the proposed method. First of all, it is necessary to describe the created event base of the research. This base, originally created in the form of Excel tables, covers the time period from May 3rd, 2008 to December 31st, 2013, namely, 1,857 days (five years). Various Internet news resources are used as a source of information. In addition, the database contains data on the US dollar exchange rate to hryvnia and indices of the First Stock Trading System (FSTS) and Ukrainian Stock Exchange from official websites of the National Bank of Ukraine (NBU), FSTS and Ukrainian Exchange (UE).

Coding of events and other preparatory procedures included the following steps:

– all events were assigned weight calculated in event units;

– all event weights were aggregated vertically, i.e., indices of the same events (if multiple events of the same type were recorded) were summed;

– the next step is the summing of events horizontally – the calculation of event profile.

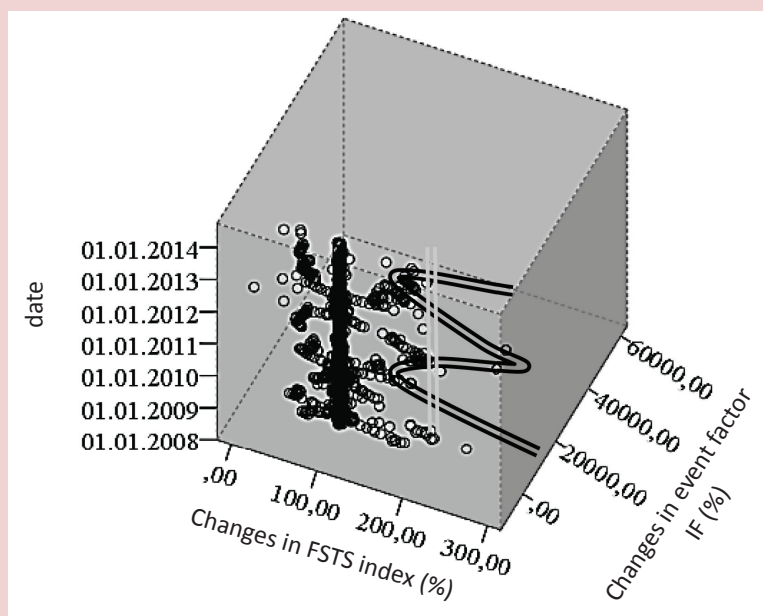
*Calculation of event factor and event profile of the day.* After that the authors calculated the event profile of the day according to Formula 1, and event factor of the day according to Formula 2. Information elasticity index was calculated according to Formula 3. EMH should be tested with the use of ratio of information efficiency index in several stages:

1. Calculation of criterion limits of information elasticity index.

2. Grouping of the index depending on type of elasticity.



Figure 2. Scatterplot of  $\Delta FSTS$  and  $\Delta IF_n$  with time reference (a W-shaped scatter trace of object-points)\*



\* Compiled by the author.

3. Determination of features of event-driven configurations causing changes in trend (correlation between outliers and events), etc.

4. Calculation of criterion limits information elasticity index.

The number of observation groups should also be determined. For this purpose, the authors make a scatterplot (simple dispersion and precise timing). Graphs are constructed in two coordinates: change in PFTS index and change in event factor of the day – with simple dispersion, three coordinates and the date (*Fig. 2*).

These indicators, namely changes in index and event factor are chosen as coordinates as

they are elements of the formula (3) of information elasticity. However, as seen from the graphs, there is no clear separation of certain groups – a large number of events have a certain impact (however, Figure 2 presents a double-line W-shaped “crossed” mark which will be discussed below). To solve this problem, the authors use a more powerful tool – cluster analysis. The method consists in the formation of groups based on preset variables.

Determination of the optimal number of clusters is based on the indicator displayed under the heading “Indices”.

This index implies the distance between two clusters defined on the basis of the

selected distance metric taking into account the intended conversion of values. In this case, it is the squared Euclidean distance defined using standardized values (*Tab. 2*). At this stage, where the measure of distance between two clusters is increasing by leaps and bounds, the process of combining into new clusters should be interrupted, otherwise it would combine clusters located at a relatively great distance from each other.

In this case, this is the leap from 20.483 to 99,389. This means that after the formation of five cluster, there are no associations anymore, and the result of five clusters is optimal. The optimal number of clusters is the number which is equal to the difference in

the number of observations (in this case: 1850) and the number of steps after which the index increases abruptly (step 1845). Thus, the optimal number of groups is five, which corresponds to the previously made assumption about types of information elasticity. After that, with the help of special software with the corresponding function of selection of five maximum and minimum index values (outliers), the authors define numerical boundaries of extreme groups (*Tab. 3*):

The table shows that extreme value is  $\approx \pm 3$ .

Let us convert Table 1 into the following table with specified working criteria (*Tab. 4*):

Table 2. Agglomeration procedure (calculated on the basis of “Event base of Ukraine stock market information efficiency in 2008–2013” database)<sup>10</sup>

Step	Cluster grouping		Indices	Step where the cluster is revealed for the first time		Next step
	Cluster 1	Cluster 2		Cluster 1	Cluster 2	
1	1790	1857	0.000	0	0	2
2	2	1790	0.000	0	1	4
3	1725	1732	0.000	0	0	4
...	...	...	...	...	...	...
1844	882	1315	10.809	0	0	1847
<b>1845</b>	2	11	15.379	1843	1842	1848
<b>1846</b>	239	1386	<b>20.483</b>	1841	0	1848
1847	882	1309	<b>99.389</b>	1844	0	1849
1848	2	239	230.134	1845	1846	1849
1849	2	882	1631.989	1848	1847	1850
<b>1850</b>	2	1756	109673.216	1849	0	0

Note. Hereinafter, the source is the specified database.

<sup>10</sup> A. s. 2015620988 RF, “Baza dannykh “Baza sobytii informatsionnoi effektivnosti fondovogo rynka Ukrainy 2008-2013 g.g.” Ros. Federatsiya: zaregistrovana v gosudarstvennom reestre programm dlya EVM g. / K.A. Malysenko (RF); zayavleno 3.04.2015; opubl. 20.07.2015, Byul. № 7. – 1 s. [A. s. 2015620988 Russian Federation, “Database “Database of the events of the information efficiency of the stock market of Ukraine in 2008–2013””. Russian Federation: registered with the state register of computer programs. K.A. Malysenko (Russian Federation); declared 3 April 2015; published 20 July 2015, bulletin no. 7. 1 p.].

<sup>11</sup> Malysenko K.A. *Informatsionnaya effektivnost' fondovogo rynka: monografiya* [Informational efficiency of stock markets: monograph]. Simferopol': ARIAL, 2014. 443 p.

Table 3. Limiting (extreme) values of information elasticity index

Values		No. of event	$E_{ie}$
Maximum	1	1386	17.96238
	2	239	14.33097
	3	1053	12.69184
	4	1238	3.91086
	5	1141	3.40330
Minimum	1	882	-45.0109
	2	1315	-41.7232
	3	1309	-33.5341
	4	1695	-5.28390
	5	1236	-4.38490

Table 4. Criterion values of stock market information elasticity index and their interpretation<sup>11</sup>

No.	Index value	Form of elasticity	Interpretation	Type of market structure
1.	$E_{ie} < -5$	Absolutely inelastic	Market is inefficient	Monopoly (monopsony)
2.	$-5 < E_{ie} <= 0.9$	Inelastic	Market is weakly efficient	Shared monopoly
3.	$E_{ie} \approx 1$ ( $0.9 < E_{ie} < 1.1$ )	Occasional elasticity	Market is efficient	Monopolistic competition
4.	$1.1 < E_{ie} <= 3$	Elastic	Market is strongly efficient	Perfect competition
5.	$E_{ie} > 3$	Absolutely elastic	Threat of insider influence. Market is inefficient	Perfect monopoly

In accordance with the chosen boundaries, the index values under review are grouped in five groups:

1. Group –  $E_{ie}$  values – absolutely inelastic – the market does not respond to significant events.

2. Group –  $E_{ie}$  values – inelastic – the market responds weakly to significant events.

3. Group –  $E_{ie}$  values – occasional elasticity – the market proportionally responds to significant events.

4. Group – values  $E_{ie}$  – elastic – the market reacts to significant events on a larger scale.

5. Group – values  $E_{ie}$  – absolutely elastic – the market strongly reacts to significant events.

Reaction here is referred to as a significant change in indices exceeding normal fluctuations.

Back to Figure 2, let us present it more schematically with reference to the selected

<sup>11</sup> Malysenko K.A. *Informatsionnaya effektivnost' fondovogo rynka: monografiya* [Informational efficiency of stock markets: monograph]. Simferopol': ARIAL, 2014. 443 p.

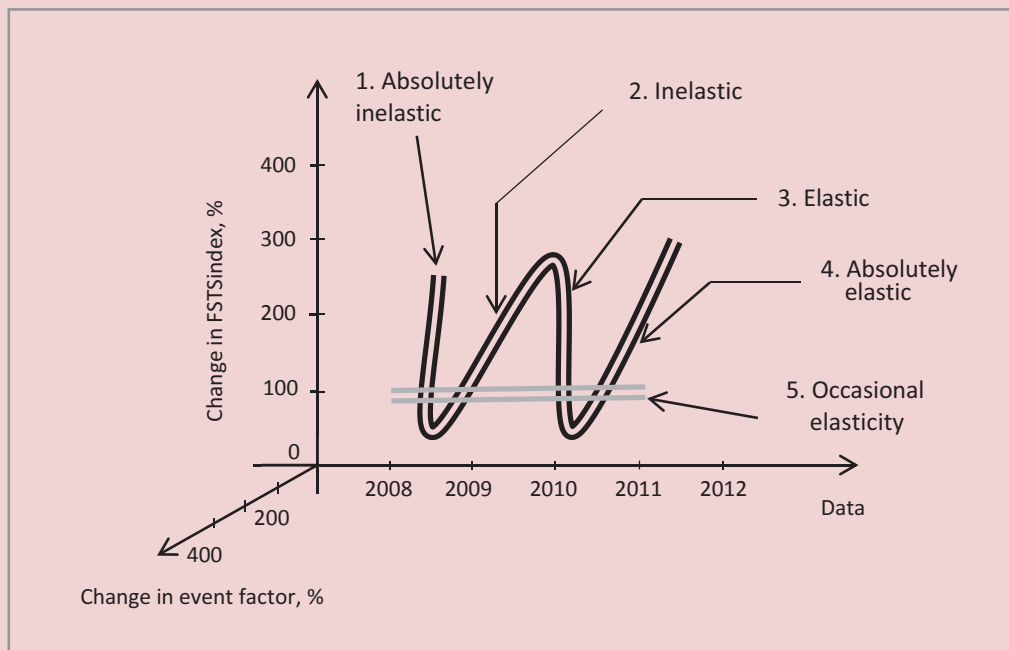
subsets with the **W**-shaped trace with reference to forms of elasticity (*Fig. 3*) distinguished above (*Tab. 4*). There are five groups (this corresponds with the results of cluster analysis), which contain values of information elasticity index from completely inelastic to completely elastic.

The line which passes through all five groups contains cases of occasional elasticity, and, consequently, the transition from one group approximately passes through this area.

Moreover, the resulting set of cases can be described in the form of multiple regression functions and can be used for forecasting. This reflects its theoretical importance.

It should be noted that: first, not all points precisely fit the selected groups – some of them are scattered around the lines – the entry of object-points is clearly observed in graphs of theoretical dependencies; second, the three-dimensional shape slightly distorts the perception of the scheme, however, if we remember the stock market demand graph which has a stepped configuration, the presented figure corresponds to this one; third, this graph contains relative values (indexes) as point-objects and they may be in error. After this, the author groups the indices using empirical data from database and assigns the corresponding group numbers. Thus, the

Figure 3. Schematic scatterplot with reference to forms of elasticity\*



\*compiled by the author.

Table 5. The number of cases in groups,  $E_{ie}$  (frequency analysis)

Group	Frequency	Share, %	Cumulative share, %
1.00	5	0.3	0.3
2.00	1838	99.0	99.2
3.00	2	0.1	99.4
4.00	7	0.4	99.7
5.00	5	0.3	100.0
Total	1857	100.0	-

event database has a new variable – the group number (“GROUP”), the frequency of which is presented in *Table 5*.

Groups 1 and 5, as expected, (based on the established outlier range) contain five cases or 0.3% of the total set. The most numerous Group 2 contains 99.0% of all cases. The third group has only 2 cases, or 0.1%. The fourth group includes only 7 cases – 0.4%. Thus, the author concludes that Ukraine stock market is largely inelastic, i.e., the market is weakly efficient which corresponds to market type known as shared monopoly. This result confirms the previously made conclusion made as result of using traditional standard statistical procedures. However, the proposed method helps analyze daily dynamics of market behavior and evaluate its efficiency during when conducting activities in the framework of the state financial policy.

The author also uses the proposed method for analysis in the context of individual years (quarterly or monthly) of the period under review for evaluating market structure changes (shares of individual groups of  $E_{ie}$ ) (*Tab. 6*).

Thus, during the analyzed period there were five questionable cases (the fifth group in the table) when the market was active which clearly did not correspond to the event profile. One case in 2008 and two cases in 2011 and 2012. It might have been the manifestation of insider influence. The revealed cases show that the event background is not consistent with market reactions, namely: significant changes in the index towards this or that direction cannot be explained, there are no visible events which could cause such outliers. This is confirmed by high information inelasticity indices. Let us consider these cases. The author specifies the month and date of the anomaly. The most significant were indices which characterized the market as inelastic in August 22nd, 2011, December 27th, 2008, February 29th and July 27th, 2012, November 21st, 2011.

It is necessary to find out what happened on the days in question and five days later to figure out the possible causes and eliminate improper conclusions caused by the fact that the recorder creating the event database missed a certain event. A more detailed study

Table 6. Number of cases in each group  $E_{le}$  by year

Year	Group					Total
	1.0	2.0	3.0	4.0	5.0	
2008		241		1	1	243
2009		303				303
2010		275		1		276
2011	1	355			2	358
2012	3	644	2	5	2	656
2013		21				21
Total	4	1839	2	7	5	1857

of event background of the specified dates with significant changes has not revealed any specific reasons for them. The only exception is November 21st, 2011, when “Procedure for filing requests for public information and its acquisition in Securities and Exchange Commission”, which certainly could affect the quotations since the investor, in accordance with this law, could get more information about the investment project. Subsequent events were minor, for example, 4 days later, in November 25th, “Regulations on the procedure for determining net asset value of non-state pension fund (public, corporate, professional)” was changed. It should be noted that this event was not noticed during event registration; it explains the need to consider any outlier occasion. On other days the situation was much more complicated. Thus, in August 22nd, 2011 and July 27th, 2012 no significant events were observed – they are not on the event database, besides they have not been detected during a more detailed analysis conducted

by these dates. However, subsequent days contain events related to legal aspects of stock market operations, the legislative and guidance framework. Thus, the day after the outlier – August 23rd, eight documents were adopted, and in August 25th – another one, also very important – “On amendments to “Rules for consideration of cases of statutory non-compliance on the stock market and imposition of sanctions””. The situation is similar with the outlier in July 27th, 2012: in July 30th (the next workday after the outlier) three important documents were adopted; in addition, August 1st and 6th, laws related to stock market were adopted. The situation is similar for outliers of 27.12.2008 and 29.02.2012, when over the next days (on the next workday) legislation related to stock market was adopted, but on these days general economic laws and government decisions related to pricing of gas were adopted, which affects almost all businesses, stock quotations of which are used to calculate market index.



Thus, the author empirically confirmed considerable accuracy (in four cases out of five) of using the proposed method for detection of insider influence, which provides an opportunity of using it for purposes of prudential supervision of stock market transactions by relevant authorities.

The source of insider impact is the imperfect system of stock market regulation of countries with the developing economy, which helps use it to gain monopoly and excess profits, which results in violation of rights of small investors, first of all, to information. Despite the fact that EMH is actually an idealization, which does not fully reflect the actual state, it serves as a measuring instrument of relative market efficiency, which contains the practical value of event analysis conducted on its basis. To apply it it is necessary to have a perfect information disclosure system, which, unfortunately, is underdeveloped in CIS states. However, the following conclusions are made:

1. The presented approach helps conduct research of EFH amid insufficient information awareness on the basis of event study analysis. For this purpose the author explains the method of event analysis of information efficiency evaluation, develops the theoretical basis for the formation of event-driven research basis, etc.

2. Based on empirical research the author has determined the criterion values of stock market information elasticity index their interpretation, distinguished five groups according to type of market structures and with their help, grouped all observations.

3. As a result of grouping five questionable cases have been identified, when market was active, though this activity clearly did not correspond to the event profile. The author has also empirically confirmed the significant accuracy (in four cases out of five) of using the proposed method for detection of insider influence.

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Received June 06, 2016.

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DOI: 10.15838/esc.2017.1.49.14

UDC 330.341; LBC 65.290.2

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## Corporate Social Responsibility: Assessment Methods and the Regional Dimension



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**Abstract.** In order to implement all the delegated powers amid lack of economic and financial opportunities, it is necessary for the authorities to search for additional sources of development. One of the key economic actors is represented by business structures which possess a significant amount of financial, investment, labor and other resources. In this regard, it is relevant to develop mutually beneficial cooperation of authorities and business entities. An efficient form of such cooperation, as evidenced by world experience, is social responsibility. However, this practice is not widespread in Russia; Russian research do not pay enough attention to specific tools contributing to enhancing the role of businesses in addressing social and economic issues of territories. The present paper identifies current approaches to the understanding of social responsibility of business and presents the author's interpretation of this economic category. Based on the developed methodological tools, the author makes an appraisal of social responsibility of major chemical enterprises of the Northwestern Federal district. The survey of enterprise managers of Vologda and the Vologda Oblast conducted by ISEDT RAS with the author's direct participation has helped reveal the problems of formation of social responsibility and its development prospects. As a result, the author proposed a set of recommendations for the authorities aimed at eliminating negative factors hindering the process under study. The study

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**For citation:** Kopytova E.D. Corporate Social Responsibility: Assessment Methods and the Regional Dimension. *Economic and Social Changes: Facts, Trends, Forecast*, 2017, vol. 10, no. 1, pp. 254-271. DOI: 10.15838/esc.2017.1.49.14

uses the system approach, structural-functional analysis, the expert evaluation method, the grouping method, methods of comparison and generalization; various tabular and graphical techniques for data visualization have also been used. The information base of the research consists of annual reports of business entities (FosAgro JSC and Akron JSC), compiled by both international (consolidated financial statements) and Russian accounting standards, as well as data of the Federal State Statistics Service, Federal Tax Service of Russia and the results of surveys of managers of business entities. The research materials may be used in science and education. They are of practical interest for the authorities and administration which are trying to improve economic policy aimed at enhancing the contribution of economic entities to regional development.

**Key words:** corporate social responsibility, interaction, authorities, regional development, appraisal.

The current stage of socio-economic development of Russia and its regions is characterized by lack of budget resources for financing both strategic and current issues. The situation is exacerbated by the introduction of political and economic sanctions against Russia, considerable fluctuations in oil prices and ruble exchange rate, the increasing business distrust of the authorities accompanied by an increase in capital outflows. These circumstances make it necessary to search for ways of addressing the socio-economic issues.

It is now becoming obvious that high and sustainable rates of territory's development are impossible without committed partnership of public authorities and business representatives. Studies by leading foreign and domestic scientists (J. Banon, J. Galbraith, K. McConnell, W. Eucken, M. Porter, O. Williamson, F. Hayek, M.A. Gusakov, V.V. Okrepilov, V.S. Selin, A.I. Tatarin, T.V. Uskova, etc.) proved the importance of private sector resources in ensuring socio-economic development of regions.

The authorities also have resources (economic, administrative, political, informational), the access to which may be useful and beneficial to businesses possessing financial, expert, innovation and management resources [15, 19]. Therefore, in order to attract business entities to the solution of issues of socio-economic development of territories it is necessary to coordinate the interests and find mutually beneficial forms of cooperation.

One of the most promising forms of interaction between authorities and business which would effectively solve socio-economic problems of territory's development is corporate social responsibility (CSR). However, in the Russian business environment, the understanding of this category is only beginning to emerge; the related research pays insufficient attention to the study of specific forms, methods and tools contributing to enhancing the role of economic entities in regional development.

Despite the increase in the number of CSR studies, the number of definitions of this economic category is quite large. In Russia, the most common definition is given by Managers Association and states that corporate social responsibility is a voluntary contribution of business to the development of economic, social and environmental spheres. A similar definition is given by Bank for Development (Vnesheconombank): corporate social responsibility is a voluntary contribution of enterprises to the development of the society in economic, social and environmental spheres, which is mainly implemented on a supplemental basis with reference to legal requirements. The fund "Institute for Urban Economics" defines it as a comprehensive responsibility of a citizen, employer, business partner, actor of social relations.

Different interpretations of corporate social responsibility in western countries have existed for a long time (*Tab. 1*). The traditional approach is known as a theory

of corporate selfinterest characterized by denial of social responsibility of business structures because the main purpose of their activity is to gain maximum profits. The essence of the theory of corporate altruism, which was formulated by the US Committee for Economic Development, consists of recommendations to business entities to contribute to the solution of socio-economic problems of territories. The following interpretation of the concept encompasses voluntary social businesses program designed both to support certain population groups and gain tax benefits and public recognition. The awareness of economic entities of benefits from charity programs has led to the emergence of an integrated approach to corporate social responsibility, where business structures derive their own benefits.

There is a different point of view regarding the essence of corporate social responsibility (*Tab. 2*). It is necessary to note the similarity between the integrated and strategic approaches. The strategic approach to the

Table 1. Interpretation of corporate social responsibility

Theory	Interpretation
The theory of corporate selfinterest (traditional approach)	The distinctive feature of the theory lies in the fact that the only purpose of social responsibility is increase in shareholders' earnings within the law; the main objective of the government is to address public issues (M. Friedman The Social Responsibility of Business is to Increase its Profits, 1971).
The theory of corporate altruism	The essence of the theory is that business entities must maximize and gain profit, as well as contribute to addressing the issues of the population, environment, etc. (US Committee for Economic Development).
Theory of enlightened selfinterest	The essence is that costs of social programs, charity, and sponsorship contribute to favorable environment, reduction in enterprise tax base under statutory legislation.
Integrated approach	The feature of the approach is business participation in socially significant projects in specific spheres, which results in reduced inconsistencies in the interests of businesses and population.

Source: compiled from [2, 17, 21, 22].



Table 2. Approaches to the content of corporate social responsibility [2, 20, 23]

Approach	Supporters	Essence of CSR
Liberal	T. Levitt (1958), M. Friedman (1970)	Rejection of economic effect from CSR, compliance with commitments, rules, and traditions set by the law and business traditions; low or zero level of support for social initiatives.
Traditional	Representatives of the business environment	Non-systemic support for social initiatives through sponsorship and charity as a tribute to market trends; social costs are treated as losses.
Social	G. Bowen (1953), S. Sethi (1975), D. Wood (1991)	Inward- and customer-oriented responsibility (production of quality goods and services, tax payments, job creation, fair wages for personnel).
Strategic	K. Davis (1960), R. Ackermann (1973), R. Friman (1984), E. Epstein (1987), T. Donaldson, L. Preston (1995), R. Steuer (2005), O. Falk, S. Hebllich (2007)	A strategic element with the economic effect aimed at solution of social, environmental problems of internal and external corporation environment.

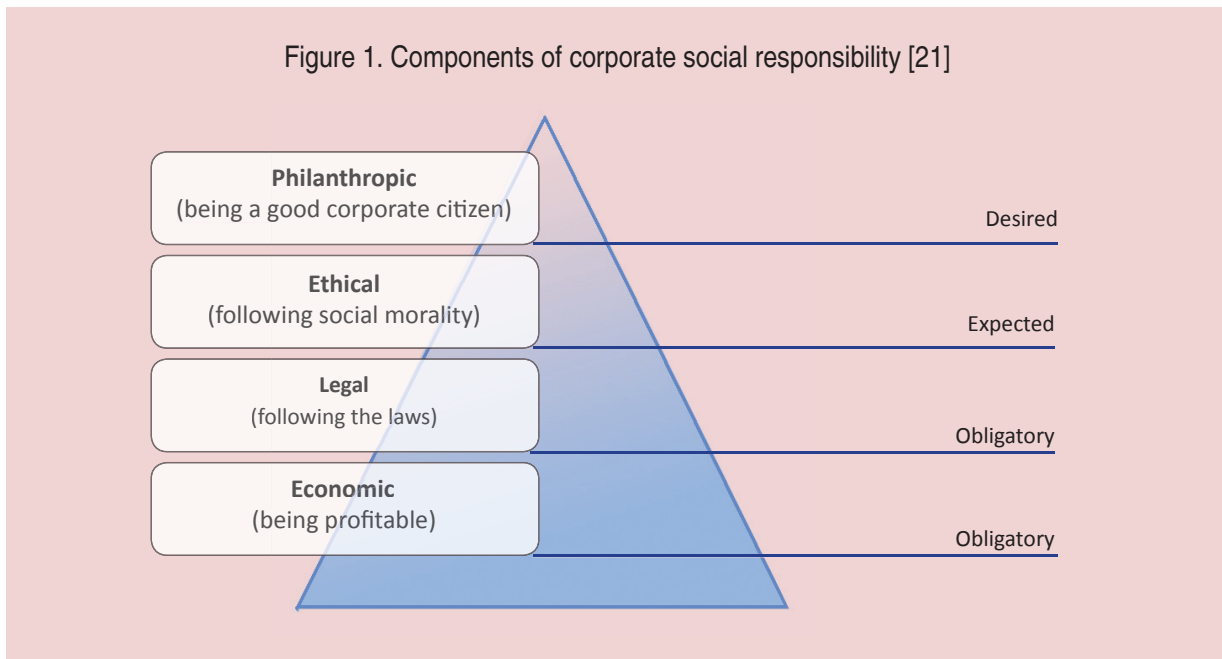
study of CSR proposed by scientists such as K. Davis (1960), R. Ackermann (1973), R. Friman (1984), E. Epstein (1987), T. Donaldson and L. Preston (1995), R. Steuer, M. Porter and M. Kramer (2005), A. Falk and S. Hebllich (2007), involves the expansion of boundaries of social responsibility beyond the solution of short-term domestic production and social issues. It implies activities aimed at solving both internal and external long-term social, environmental and economic problems.

In the author's view, it is the strategic approach which is associated with successful international experience, as it is aimed at the development of both the enterprise itself, and its area of presence. Accordance to this approach, the author identifies two interpretations of CSR. In a narrow sense it is understood as regulation of social and labor relations in a company, in a broad sense – implementation of enterprise programs within their area of presence.

Taking into account the identified peculiarities, the author defines *corporate social responsibility* as business participation in solving socio-economic problems of its area of presence beyond legislative regulations in order to improve the quality of life of both their employees and the population of the region.

Levels of CSR were presented in the form of a pyramid by a foreign scientist A. Karroll [21] back in the 1970–s (*Fig. 1*). The base of the pyramid is economic responsibility because this is the basic function of a business entity in the market as a producer of goods and services allowing gaining profit. Legal responsibility means the necessity to observe legislative regulations in market economy. Ethical responsibility means meeting the expectations of the society from business entities, which are not fixed in legal documents but are based on existing norms of morality and ethics. Philanthropic responsibility, in turn, involves actions of

Figure 1. Components of corporate social responsibility [21]



business entities aimed at maintaining and developing the welfare of the society through voluntary participation in the implementation of social programs.

The issue of social responsibility is becoming more relevant for Russian businesses because enterprises as the most important actors of economic relations influence the socio-economic processes in modern society. In addition, there is a general deterioration of the socio-economic situation in the country. Thus, the average annual GDP growth in 2009–2014 compared to 2004–2008 was markedly reduced (1.1% against 7.1 % respectively). Industrial production growth during 2009–2014 amounted to 1.4% against 5.4% in 2004–2008. A significant decline in indicators such as investment in fixed assets (1.2% and 15.6%), retail turnover

(3.5% and 14.0%), profit (7.0% and 28.0%), consolidated budget revenues (3.3 % against 23.0 %) was recorded [13]. The study of annual trends of main macro-economic indicators reveals a slowdown in economic development, which has a negative impact on the social sector: growth rate of the population's real cash incomes in 2009–2014 amounted to only 2.7% (for comparison: in 2004–2008- 10.2%).

Judging by analysis results, over the past years average annual growth rates of main socio-economic indicators of the regions of the Northwestern Federal district (NWFD) have been declining (*Tab. 3*).

A significant decline in the GRP growth in 2008–2015 compared to 2000–2007 is observed in the Republic of Karelia (5.0% against -1.1%), the Murmansk (1.7% against

Table 3. Annual average growth rates of main socio-economic indicators of NWFD regions in 2000–2015, % (in comparable prices of 2015)

NWFD regions	GRP*		Industrial output		Agricultural output		Investment in fixed assets		Volume of construction works		Per capita income	
	2000–2007	2008–2015	2000–2007	2008–2015	2000–2007	2008–2015	2000–2007	2008–2015	2000–2007	2008–2015	2000–2007	2008–2015
NWFD	107.5	101.6	108.8	104.4	98.7	103.9	118.0	97.9	116.5	106.8	112.9	102.7
Republic of Karelia	105.0	98.9	142.5	115.4	98.1	99.4	107.4	98.3	113.2	103.7	108.1	101.7
Komi Republic	103.6	100.5	104.1	102.6	97.4	101.6	107.5	105.0	115.9	108.4	109.5	99.4
Arkhangelsk Oblast	109.2	101.1	112.9	103.7	93.1	98.0	126.5	93.1	114.9	103.9	110.9	104.0
Vologda Oblast	104.7	99.3	104.4	102.9	97.6	98.8	125.5	92.7	118.1	105.9	111.4	102.2
Kaliningrad Oblast	110.3	102.0	120.0	108.9	99.5	107.2	119.9	94.9	117.3	105.9	114.4	102.2
Leningrad Oblast	110.6	102.9	113.7	105.5	101.5	104.2	114.4	97.1	117.5	107.9	116.7	101.2
Murmansk Oblast	101.7	99.0	100.9	104.7	98.4	92.4	108.8	104.3	116.8	107.5	105.6	100.6
Novgorod Oblast	104.7	103.6	106.1	105.6	99.5	110.7	113.6	106.6	115.0	110.9	108.6	105.3
Pskov Oblast	103.6	100.7	104.7	105.2	95.2	107.7	114.0	97.6	117.2	108.3	111.6	103.1
Saint-Petersburg	109.6	103.1	110.4	104.9	0.0	0.0	121.7	97.8	116.1	106.6	114.5	103.1

\* For 2015, estimated data were used.  
Source: compiled by the author.

-1.0%) and Vologda (4.7% against -0.7%) oblasts. Industrial production during this period was been stable but the pre-crisis level is still impossible to reach. In addition, low investment in all regions of the Northwestern Federal district, excluding the Komi Republic and the Murmansk and Novgorod oblasts. It is becoming a threat to stable development of the social sphere: the growth rate of the population's per capita cash income in 2008–2015 is much lower than in 2000–2007.

The situation is exacerbated by lack of budget funds of local authorities. Analysis has showed that the budgetary system of NWFD regions is characterized by the increasing

budget deficit and budget expenditures, a multiple increase in government debt (*Tab. 4*). Its volume in a number of regions exceeds 80–100% of tax and non-tax revenues [12].

It is beyond argument socially responsible business behavior is based on dynamic, successful production and economic activity of a specific economic actor the positive effect of which is an increase in the number of new jobs, as well as in the mass of commodities, tax revenues to budgets of all levels and therefore, a possibility of implementing additional social programs. All this ultimately provides a high and sustainable rate of regional economic growth.

Table 4. Main indicators of consolidated budgets of NWFD regions, billion rubles

NWFD regions	Tax and non-tax revenues		Budget deficit		Budget expenses		Government debt	
	2008	2015	2008	2015	2008	2015	2008	2015
NWFD	571.6	894.6	21.0	16.0	766.9	1035.6	31.5	222.0
Republic of Karelia	17.8	24.3	0.4	3.8	29.4	38.6	4.1	21.3
Komi Republic	38.4	60.8	0.4	8.7	46.8	76.1	3.2	33.8
Arkhangelsk Oblast	35.6	59.3	4.3	2.8	58.9	81.2	5.4	37.5
Vologda Oblast	45.8	47.3	-0.3	2.0	52.8	60.0	1.8	34.3
Kaliningrad Oblast	24.3	39.5	-0.8	11.1	38.1	70.2	7.5	20.4
Leningrad Oblast	51.6	120.9	-1.1	-11.7	65.6	120.8	5.4	9.6
Murmansk Oblast	33.7	59.5	0.3	1.5	49.8	68.0	0.8	20.7
Novgorod Oblast	16.1	24.7	1.1	1.3	24.1	31.3	2.8	15.4
Pskov Oblast	11.5	17.4	-0.5	2.1	18.7	29.0	0.2	13.3
Saint-Petersburg	290.6	423.3	16.7	-7.7	372.5	439.7	0.3	14.7
Compiled from: [3, 12].								

In this context, evaluation of the role of enterprises in the socio-economic development of territories is becoming more relevant. Russian scientists are currently working on the development of methodological tools for such evaluation. However, a unified approach to the solution of this problem has not yet been developed. This is explained by significant difficulties in obtaining reliable information about real volumes and sources of resource consumption in the business sector for financing of various activities.

Thus, some researchers [2] suggest measuring the level of social responsibility through corporate social reporting. However, they are not obliged by the law to do so, which makes it impossible to use such techniques in the regions. Other scientists [11] determine the level of CSR on the basis of questionnaire surveys of heads of

enterprises; however, it only helps estimate the level of social investment. It works of some researchers [1], this indicator is revealed only at the level of an individual enterprise through socio-labor relations, which implies access to consolidated statements, which is difficult amid current market conditions.

In the author's view, the most appropriate method for improving the reliability of estimates of the contribution of economic entities in the regional socio-economic development is the method developed by researchers of Kemerovo State University [11]. It has been improved in terms of calculation of indicators of influence of business entities on economic growth, improvement of environmental situation, population's quality of life and standard of living. Since these indicators characterize the enterprise activity in certain spheres, the author has calculated the integral index

– Index of influence of company’s activities on the region’s development ( $I_{ICD}$ ) using the geometric mean value:

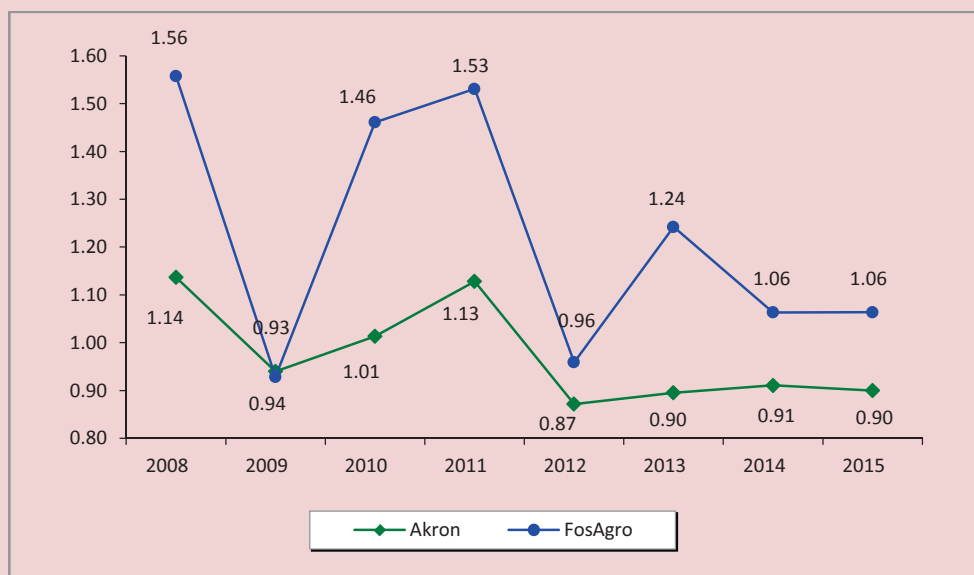
$$I_{ICD} = \sqrt[3]{I_{ICG} \times I_{Ill} \times I_{Ie}}$$

The Index of influence of enterprise activity on the region’s economic growth ( $I_{ICG}$ ) is determined by multiplying the Index of growth of gross value added and Index of increase tax payments to regional and local budgets during the period under review compared to the reference period. The index of influence of enterprise activity on the level and quality of life and standard of living in the region ( $I_{Ill}$ ) is determined by multiplying the Index of increase in average wages of company’s employees and the Index of increase in the number of company’s employees. The Index the influence of

enterprise activity on the environment in the region ( $I_{Ie}$ ) is determined by multiplying the Index of reduction in hazardous substances emissions into water bodies and the Index of reduction in hazardous substances atmospheric emissions [14, 17].

The author evaluates the impact of enterprise activities on the regional development on the example of major chemical enterprises of the Northwestern Federal district – Akron and FosAgro JSCs, which are world leaders in the market of mineral fertilizers. Their main activity is production and sales of phosphorous, nitrogen and potassium fertilizers, fluorides and other chemical products. According to estimations, the contribution of these enterprises to the development of the region has decreased (*Fig. 2*).

Figure 2. Index of influence of company’s activities on regional development



Source: calculated by the author on the basis of annual reports of FosAgro and Akron JSCs.

The reduction in Index of influence of FosAgro JSC activity on regional development in 2015, compared to 2008 is explained by the reduction in gross value added, average wages and the average number of employees (Tab. 5).

As for Akron JSC, a similar situation is observed: in 2008, the integral index amounted to 1.14 against 0.9 in 2015. This is caused by instable world market of chemical products and increase in their cost, which led to a decline in the enterprise's net profit, and as a result, reducing its impact on the economic growth of the region (Tab. 6).

The presented data indicate that local authorities fail to efficiently organize their interaction with business units on meeting the challenges of the socio-economic development of territories. This is confirmed by the results of the annual questionnaire survey conducted by ISEDT RAS among enterprise managers with the author's direct participation [4]. In 2014–2015, none of the respondents gave 10 points for the level of cooperation with the government in solving regional problems (Fig. 3). However, 2% of respondents awarded this interaction 9 points; 37% noted that the level of relations deserves

Table 5. Calculation of Index of influence of FosAgro JSC activity on regional development

Criterion	2008	2009	2011	2013	2014	2015	Change in 2008–2015, +/-
<i>1. Index of influence of enterprise activity on the region's economic growth (<math>I_{ec}</math>)</i>	3.10	0.60	2.98	1.18	1.20	1.31	-1.79
Index of growth of gross value added	3.74	0.74	2.37	0.98	1.30	1.30	-2.44
Index of increase tax payments to regional and local budgets	0.83	0.81	1.25	1.20	0.92	1.01	0.18
<i>2. Index of influence of enterprise activity on the level and quality of life and standard of living in the region (<math>I_{\nu}</math>)</i>	1.22	1.12	1.09	1.83	0.91	0.96	-0.26
Index of increase in average wages of company's employees	1.19	1.15	1.08	1.11	1.05	1.05	-0.14
Index of increase in the number of company's employees	1.03	0.97	1.01	1.64	0.87	0.91	-0.12
<i>3. Index the influence of enterprise activity on the environment in the region (<math>I_{\nu}</math>)</i>	0.99	1.18	1.10	0.89	1.10	0.96	-0.03
Index of reduction in hazardous substances atmospheric emissions	0.90	1.07	0.99	0.89	1.09	0.95	0.05
Index of reduction in hazardous substances emissions into water bodies	1.10	1.11	1.11	1.01	1.01	1.01	-0.09
<i>Index of influence of socially responsible activity of a separate corporation on regional; development (<math>I_{cd}</math>)</i>	1.56	0.93	1.53	1.24	1.06	1.06	-0.5

Sources: calculated by the author on the basis of FosAgro JSC annual reports.

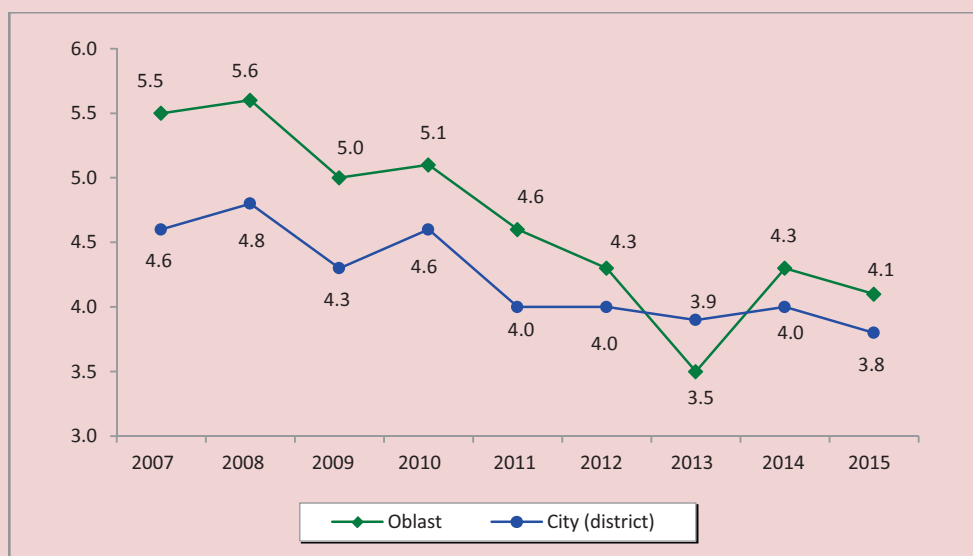


Table 6. Calculation of the Index of influence of Akron JSC activity on regional development

Criterion	2008	2009	2011	2013	2014	2015	Change in 2008–2015, +/-
<i>1. Index of influence of enterprise activity on the region's economic growth (<math>I_{IG}</math>)</i>	1.51	1.12	1.41	0.70	1.08	1.15	-0.36
Index of growth of gross value added	1.22	0.98	1.01	0.93	1.18	1.28	0.06
Index of increase tax payments to regional and local budgets	1.24	1.15	1.39	0.76	0.91	0.91	-0.33
<i>2. Index of influence of enterprise activity on the level and quality of life and standard of living in the region (<math>I_{IL}</math>)</i>	0.99	1.03	1.14	1.09	0.62	0.81	-0.18
Index of increase in average wages of company's employees	0.96	1.01	1.11	1.01	0.84	0.80	-0.16
Index of increase in the number of company's employees	1.02	1.02	1.02	1.05	0.73	1.01	-0.01
<i>3. Index the influence of enterprise activity on the environment in the region (<math>I_{IE}</math>)</i>	0.99	0.72	0.89	0.94	1.11	0.79	-0.2
Index of reduction in hazardous substances atmospheric emissions	1.05	0.90	0.95	0.99	1.02	0.85	-0.2
Index of reduction in hazardous substances emissions into water bodies	0.95	0.80	0.95	0.95	1.10	0.93	-0.02
<i>Index of influence of socially responsible activity of a separate corporation on regional; development (<math>I_{ICd}</math>)</i>	1.14	0.94	1.13	0.90	0.91	0.90	-0.24

Sources: calculated by the author on the basis of Akron JSC annual reports..

Figure 3. Level of government and business interaction in addressing socio-economic issues in the Vologda Oblast, points (top – 10)



5–8 points, and 25% – 4 points. 37% of respondents gave not more than 3 points. The average score is 4.1 points. The interaction between executive authorities of cities and districts of the Vologda Oblast and business is assessed somewhat lower – 4 points on average. The share managers who believe that this interaction deserves the highest ranking of 8 points and above is 7%, from 6 to 7 points – 10%, no more than 5 points – 84%.

The revealed low performance of business and government interaction in resolving socio-economic problems of the territory indicated the importance of this issue for the regional economic policy.

However, according to the survey, heads of economic entities expect from the authorities

more proactive measures in improving relations with them. In particular, the majority of respondents (58.8%) are in favor of strengthening economic policy by mainly using indirect measures of economic regulation. Moreover, the proportion of those who believe the state must not interfere with the country's economic sphere decreased by 11.2 percentage points (p.p.) (*Tab. 7*).

At the same time, according to the respondents, the leading role in solving social problems of territories must belong to local authorities (80%), federal and regional authorities (73%; *Tab. 8*). Only 12% of managers believe that the solution to social problems must be dealt with by small and medium businesses.

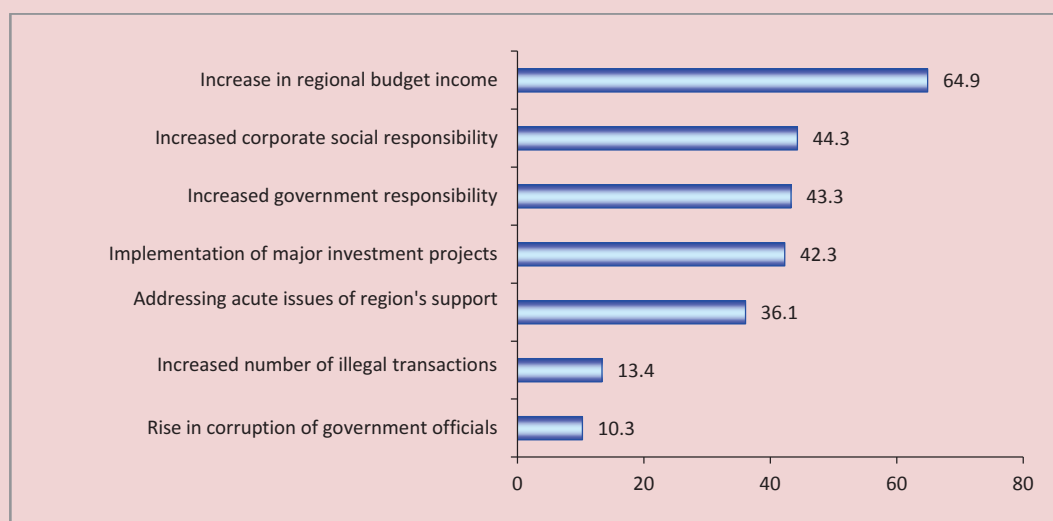
Table 7. Distribution of answers to the question: “What role should the government play in the Russian economy in the next few years?”, % of the total number of respondents

Assessment	2007	2008	2009	2010	2012	2014	2015	Change 2015 to 2007, p. p.
The government should activate economic policy, expanding the scope of tools it uses, including in terms of engagement of business entities in addressing territory's problems	43.6	44.6	50	41.2	65.9	45.5	58.8	+15.2
The government must maintain certain influence on the country's economic sphere, however, it's role should be decreased.	16.4	17.9	17.2	20	18.7	34.8	23.5	+16.4
The government must increase the degree of direct participation in the economic activity by interfering with the economic policy, хозяйственную and developing corporate social responsibility.	16.4	26.8	15.6	17.6	7.7	6.1	8.8	-7.6
The current degree of government participation in the country's economic activities is optimal.	3.6	8.9	6.3	5.9	3.3	0.0	7.4	-3.8
The government must not directly interfere with the economic sphere and only monitor the implementation of laws by all business entities	12.7	1.8	7.8	9.4	4.4	13.6	1.5	-11.2
Compiled from: [4].								

Table 8. Distribution of answers to the question: "Who should address the social problems territories?", % of the total number of enterprise managers

Actors	%
Bodies of local self-governance	80
Federal and regional authorities	73
Citizens	30
Large business	29
Small and medium business	12

Fig. 4. Distribution of answers to the question: "What effect, in your opinion, can be expected from the interaction of government and business in the form of social responsibility?", % of the total number of enterprise managers



The result of productive policies of regulatory and administrative authorities in attracting businesses to the solution of regional problems is a positive effect on the socio-economic development of the region in the form of increased revenues, implementation of investment projects, etc. (Fig. 4).

Taking part in the solution of territory's problems, businesses gain additional advantages: in particular, goodwill (64.3% of enterprise managers of the Vologda Oblast); increase in public confidence in the company's activities and expanded clientele (47,6%); retention of human capacity (47.6%) and partnership relations with authorities

Table 9. Basic areas of social responsibility of Vologda enterprises in 2015, % of respondents

Area	Sjare
Staff development and support	85
Health protection and occupational safety	62
Development of fair business practice between company's suppliers, business partners, and customers	41
Resource saving	29
Participation in municipal projects implemented by the Vologda city Administration based on principles of social partnership	26
Environmentalism	12
Development of local community	11

Table 10. Sufficiency of information about enterprise social behavior in Vologda in the media, % of respondents

Variant	Share			
	newspapers	journals	TV	radio
Sufficient	13,1	7,1	19,0	9,5
Rather insufficient	36,9	32,1	26,2	29,8
Insufficient	33,3	36,9	39,3	38,1
I do not know	16,7	23,8	15,5	22,6

and the public (46.4%) [4]. In addition, as noted by Chief researcher of Institute of World Economy and International Relations (IMEMO RAS) Doctor of History S.P. Peregudov, social responsibility becomes an important factor in enterprise competitiveness [10].

However, the majority of representatives of business entities currently understand social responsibility in a narrow sense, directing a significant share of resources to staff development and support. This is evidenced by the results of a questionnaire survey of business leaders in Vologda conducted by ISEDT RAS in 2015 (*Tab. 9*).

More than 70% of Vologda enterprise leaders believe that business needs to comply with basic social regulations, i.e., guarantee fair declared wages (76%) and provide safe working conditions and social protection of employees (70%). According to almost half of the leaders, they are required to comply with liabilities to business partners (42%) and customers, ensure production of quality products (54%). As suggested by a quarter of respondents, participation in the development of area of presence may be limited only to tax payment.

According to the respondents, among factors constraining the development of social

responsibility are lack of finance for the implementation of social programs (62%), weak government stimulation of these processes (51%) and underdevelopment of the legislative framework (37%). Part of respondents (23%) indicate low information awareness about possible participation in social projects, 14% note lack of knowledge and experience in such participation.

One of the main problems of development of interaction with the authorities is lack of media coverage of enterprises' social behavior (*Tab. 10*).

The results of the survey of enterprise managers demonstrate that their participation in the socio-economic development of the territory depends on the government initiative to a certain extent. Therefore, in the author's view, regional authorities need to create favorable conditions to attract businesses to the solution of territorial problems.

In the author's opinion, this will contribute to the creation of a special coordinating body for the development of social responsibility of economic entities and their interaction with the authorities. Successful experience of creating such an organization exists in the Belgorod Oblast. In particular, the author refers to activities of Agency for Project Management (project office), under Department for Internal and Personnel Policy. The Agency carries out development and implementation of projects aimed at achieving the goals set by

the Strategy of socio-economic development of the Belgorod Oblast. All projects are recorded in the shared electronic document system database "E-government of the Belgorod Oblast" which employs all executive authorities at both regional and municipal levels. As of 2015, the database has 2.300 projects, 850 of which are currently being implemented, 950 – complete [7].

According to data presented at the official website of the Department for Internal and Personnel Policy of the Belgorod Oblast, the implementation of these measures has helped ensure the effect for the socio-economic development of the territory, which consists, in particular, in the reduced period of project development and coordination (the average time savings is not less than 2 months), increased pace of investment assimilation in the region (on average by 23%), increased GRP growth (in 2011–2015, GRP growth amounted to 0.1%, or more than 3 billion rubles) [13].

Vologda also has experience in implementing joint business and government projects. The system of development, implementation and promotion of projects developed in the city Administration operates under the brand "Vologda – city of good causes". During 2010–2015, the number of projects increased from 5 to 70, i.e., 14 times; the number of organizations participating in the projects increased 30 times. At the same time, it is clear that creation of legal and

institutional conditions will lead to more active participation of business entities in solving problems of territorial development.

In addition, it is advisable for the government to stimulate these processes by *providing incentives*. In this context, experience of Vologda in leasing of land plots owned by municipalities on preferential terms will be useful (Resolution of the Vologda city Administration no. 6506 “List of assets owned by the city of Vologda”, dated November 30th, 2010 for leasing to small and medium business”), as well as in using tax exemptions (according to “Regulations on land tax” no. 309, dated October 6th, 2005, basic organizations of state professional educational organizations receive a 30% discount).

In the author’s view, the practice of incentives should be extended to business entities which are involved in the region’s development and engaged in partnership with the authorities.

*Intangible incentives* will also promoting socially responsible behavior of business entities. The author proposes activities such as organizing and conducting educational activities, informational support in the local media, social projects exhibition-fairs.

Lack of relevant knowledge and experience in compliance with principles of social responsibility may be resolved *organizing and implementing training programs and developing scientific guidance manuals* in social report preparation. It is worth noting

that a unified form of social responsibility reporting has not yet been developed. That is why reporting of economic entities does not contain quantitative information about the ongoing projects and funds invested in the development of staff and area of presence. However, social reports contribute to creation of favorable social environment in the regions of enterprise’s activity insuring its positive image and public confidence, as well as loyalty to the enterprise. Along with this, there are social issues and risks of enterprise investments in the development of the region.

In global practice there are standards of Global Reporting Initiative (GRI) revealing the basic principles and rules of implementing such documents. In Russia there are also recommendations of this kind. In particular, the Chamber of Commerce and Industry of the Russian Federation developed a document “Social reporting of enterprises and organizations registered in the Russian Federation. Methodological recommendations”, the Russian Union of Industrialists and Entrepreneurs developed “Basic performance indicators”.

Based on analysis of recommendations on non-financial reporting, the author believes that the system of indicators adapted to the Russian accounting system and legislation should reflect the economic, social and environmental aspects of enterprise activities and the *structure of corporate social responsibility report* must include the



following sections: organizational-economic, social, technological, environmental, non-production.

The introduction of the report should describe the priorities and principles of the company's social policy; each section is required to outline the achieved results, the development areas of particular processes, future social projects and the expected results of their implementation.

To sum up, amid current conditions of lack of budget resources, the authorities need to attract additional sources of funding. In this situation, these are resources of

businesses, which provide the possibility of investing extra-budgetary funds in the development of public infrastructure, addressing specific socio-economic objectives, expanding the range and improving the quality of services, developing new growth areas, and raising the level of the region's socio-economic development [16]. However, in order to attract such resources, regulatory and administrative authorities need to strengthen their positions regarding the use of techniques aimed at increasing participation of business entities in the socio-economic development of territories.

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Received September 07, 2016.

# SCIENTIFIC REVIEWS. OPINIONS

DOI: 10.15838/esc.2017.1.49.15

UDC 316.37, LBC 60.55.47

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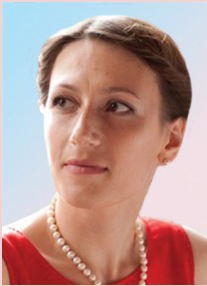
## Review of the Monograph:\*

**Smoleva E.O., Morev M.V.**

### “Life Satisfaction and the Level of Happiness: a Sociologist’s View”.

Under the scientific editorship of Doctor of Economics A.A. Shabunova.

Vologda: ISEDT RAS, 2016. 164 p.



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Studying the phenomenon of happiness in ancient philosophy made it possible to carry out a revolution associated with a rational theoretical understanding of the underlying subjective aspects of personality. Within the framework of philosophical discourse the main approaches to the understanding of happiness were formulated and several factors that determine its presence were identified, for example, the absence of suffering (Spinoza)

or the pursuit of pleasure (Epicurus). Back in that period the idea of happiness was formed, which represented a motive of human behavior, and it began to be seen as an element of power and a tool of control. Specific features of philosophical discussions of happiness consisted in the fact that they tried to make the broadest and most generalized description of this phenomenon. In the 19th–20th centuries a radical naturalization of

\* The work was supported by the grant of the President of Russian Federation, project No. MD-6200.2016.6 “Semiotic foundation of technique and technical consciousness”.

**For citation:** Yastreb N.A. Review of the Monograph: (Smoleva E.O., Morev M.V. «Life Satisfaction and the Level of Happiness: a Sociologist’s View». Under the scientific editorship of Doctor of Economics A.A. Shabunova. Vologda: ISEDT RAS, 2016. 164 p.). *Economic and Social Changes: Facts, Trends, Forecast*, 2017, vol. 10, no. 1, pp. 272-279. DOI: 10.15838/esc.2017.1.49.15

philosophical concepts begins. The emerging social sciences and the humanities actively transform philosophical categories into specific scientific concepts and study them with the use of the methodological apparatus of psychological, economic, sociological, and linguistic knowledge. At the same time, this shift does not eliminate the need to apply a philosophical analysis; a unique situation arises when philosophical ideas become hypotheses that can be verified by experiment, and the results of sociological or psychological studies can become the basis for new philosophical concepts.

An example of such interaction can be found in the concepts of happiness and quality of life. Modern economic science is increasingly shifting its attention from identifying universal economic regularities in the spirit of A. Smith's classical political economy to subjective drivers of economic behavior. It is possible, albeit with caution, to say that the general trend consisting in the desire to improve the quality of human life has become a challenge not only for the real economy, but also for economics in general. The rhetoric of economic growth is being replaced with the discussion of subjective well-being, satisfaction of diverse needs and overall happiness of an individual.

In this sense, the monograph "Life Satisfaction and the Level of Happiness: a Sociologist's View" is not just a study that is of importance for regional sociology, but a unique source that encourages us to reconsider the philosophical notions of the world, values and needs of the person, role, mentality, education and upbringing in the formation

of attitude toward life and its activities, self-determination, the meaning of life and happiness. The authors of the work under consideration have conducted a large-scale study of the status and drivers of subjective well-being of the Vologda Oblast residents, namely, the happiness index, life satisfaction and importance of terminal values. Currently in Russia there are no similar works, as there are no large-scale detailed studies of subjective well-being at the regional level. Measurements of the level of happiness are conducted in the country as a whole [5], but they do not break down the results of the study by regions and do not provide details about the indicators in different social groups.

In the economic science of the 20th century the problem of subjective factors promoting economic development was considered as well, and attention was paid mainly to the standard of living, that is, to the material criterion. But an increase in the standard of living does not entail a proportional increase in the level of life satisfaction, since these are the criteria of a different order. The standard of living as an economic criterion shows the structure of possession of material goods such as real estate, consumer goods, food, accessibility and quality of services. In contrast, the quality of life includes the satisfaction of cultural, spiritual, and intellectual needs. But even with the ability to meet diverse needs, an individual can still be unhappy. In this sense, the happiness level is an integrated criterion, and the fact that in the monograph pays most of its attention to this very criterion is justified.

To an empirical sociologist the level of happiness as an integral indicator is a kind of challenge in a methodological sense. How can we measure such a value and how can we be sure that we are dealing with a stable phenomenon rather than a momentary mood of the respondent? In this sense, the methodological chapter of the monograph is no less interesting than the results of the polls. The authors have done a thorough job: they applied a comparative critical analysis to a huge number of techniques that help identify subjective well-being, values, self-esteem of the level of personal happiness and life satisfaction. As a result of the analysis, the authors chose the following methodologies to study the level of happiness of the Vologda Oblast residents: the VTsIOM methodology, the Oxford Happiness Questionnaire (OHQ), the Subjective Happiness Scale by S.H. Lyubomirsky and H. Lepper in the interpretation of D.A. Leontiev, and the Rokeach Value Survey.

What impression do the results of surveys of residents of the Vologda Oblast residents make? The majority of the oblast population shows a high level of happiness according to all the three methodologies, although the values are somewhat lower than the national average, but the indicator has positive dynamics [3, p. 46 – 47]. However, the authors are cautious when they assess the increase in the share of the happy population; in their opinion, this did not happen because the formerly unhappy people became happier “due to a reduction in the number of people who did not consider themselves either happy or unhappy”. [3, p. 48]. Among the factors contributing to such

changes that encouraged people to decide in favor of a positive side the authors name the accession of Crimea to Russia, the Olympic Games, and a general rise of patriotism; the seasonal factor, i.e. the time of year when the survey was conducted, could also affect the situation. But in the long term the oblast residents feel happy due to other factors, among which the leading position belongs to health (ranks first among the unhappy and second – among the happy people) and a happy family life, which ranks first among the happy and second – among the unhappy people; all of the respondents placed financial well-being on the third position [3, p. 58]. Those who have a family well-being, who have children and grandchildren consider themselves happy [ibid, p. 49]; and the main negative factors influencing the level of happiness are low income, rising prices, disease, and old age [ibid, p. 50].

Young people, respondents who have a family (registered marriage) and good education feel most happy; retirees, the disabled, the unemployed, and agricultural workers feel least happy. For happy people the highest value is realization of their purpose in life, justice and rationality in society, and the opportunity to be useful. The unhappy say that the most important value is work (value-target) and education (value-means).

Financial well-being, the analysis of which is given special attention in the monograph, is seen as a factor which defines subjective well-being in a nonlinear way because of its complex structure. People evaluate their own material well-being and the extent of the



need for material goods largely by comparing themselves with others. In this regard, in some situations, even a low level of material well-being may correlate with a high level of happiness due to the fact that the needs of the respondent are modest; in another situation, the increase in income will lead to the growth of needs, and end up in frustration that would adversely affect the level of happiness. Besides, the adaptation factor is taken into consideration, that is, that people tend to evaluate their financial position through its dynamics. An increase in the incomes that are not very high will be considered positively, and a reduction in high incomes will be viewed negatively regardless of their absolute value. Judging from the text, the authors, noting the dependence of estimates of material well-being on the mentality, values, human environment and other factors, propose at this stage to consider for the residents of the Vologda Oblast and Russia as a whole the changes in material well-being of respondents as the most appropriate indicator, since “the level of life satisfaction is sensitive to fluctuations in the level of income” [3, p. 71]. Indeed, the results of the survey of the Vologda Oblast residents show this dependence. 36% of the poorest group feel less positive in 2012 and 43% in 2015. However, one cannot speak about linear dependence between the level of happiness and the level of material well-being, as it is necessary to consider not only the magnitude, but also the dynamics of incomes, the increase in the needs caused by income growth, and a number of other factors.

An interesting point is that in the group of the most wealthy the average income level of unhappy people was higher than the average level of income of happy people [3, p. 74]; this may indicate natural “saturation” of the share of material factors in the subjective well-being, and adverse changes in the financial situation of wealthy people as a result of economic downturn. This fact, as well as the high level of dependence of subjective well-being on material factors, puts forward issue of general economic welfare in the oblast.

The findings of the survey concerning respondents’ attitude to work are thought-provoking. Regarding the question why the respondents consider themselves happy, the answer “good, interesting work/study, profession” is at the bottom, since it was given by 14% of the population of the Vologda Oblast [3, p. 50]; on the list of significant values work ranks 17th among the happy and 6th among the unhappy people; public recognition in both cases ranks 16th [3, p. 58]. It turns out that either the work is not among the priority values for a person or the Vologda Oblast provides no opportunities for professional realization of the majority of its residents. Maybe this indicator is associated with the peculiarities of mentality, the overall inertia and passivity of the people. This idea is supported by the predominance of conformist values (politeness, self-control) over altruistic (tolerance, sensitivity) and individualistic values (independence, intolerance to disadvantages, courage in defending one’s own opinion) [3, p. 61]. With all the positive

social value of conformism, which, of course, contributes to the stability and sustainability of social systems, we cannot but point out the danger of such sentiments. The reluctance to stand up for one's own opinion and lack of confidence in one's own abilities can lead not only to lower levels of happiness, but also to a lack of desire to develop, set life goals and achieve them, to participate actively in social processes. The "nothing depends on me" strategy is potentially one of the factors that promote the abuse of power. It seems that the formation of viable civil society institutions under such attitudes is difficult, and without it the full-fledged dialogue with the government is hardly possible, even under the condition of openness of the latter.

Despite the fact that the results of the surveys show a positive trend in the level of happiness among the Vologda Oblast residents, it is not clear how it is consistent with the assessments of the socio-economic and socio-political situation in the country and oblast; according to these assessments, the majority of respondents believe that there is more disagreement and disunity in the country – that is how 43% of the happy and 55.6% of the unhappy people described their viewpoint [3, p. 148]; the political situation in general is assessed as stressful, critical and explosive by 66.3% of the happy and 79.2% of the unhappy residents of the oblast [3, p. 149]. Moreover, the answer "it's difficult to live, but it's possible to stand it" is the leading one chosen by 43.1% of the happy and 43.5% of the unhappy people [3, p. 152], and the forecast for the next year, in general, shows the pessimistic mood of the

respondents. Positive forecasts (the year will be good; good, but not in everything) are given by 18.2% of the happy and 5.3% of the unhappy residents, and negative forecasts (the year will be bad; bad, but not in everything) – by 31.5% of the happy and 57.5% of the unhappy participants of the survey [3, p. 152].

Respondents note the ability and willingness to work actively on the family level, at work (to a lesser extent), and as for the ability to influence the state of affairs at the level of their district, city, region and country as a whole, they consider it impossible. But it is the ability to control the situation and to change it is one of the basic factors influencing subjective well-being; that was repeatedly stated in philosophical and psychological studies of the phenomenon of happiness. For instance, M. Argyle indicates that internal control is a personality variable that correlates with satisfaction, and happy people believe that "good things in life happen through the efforts of an individual himself" [1, p. 57]. L.A. Mikeshina draws attention to the fact that the ability to act as a subject, to set goals and achieve them is not just a basic value, but the basis for value orientations on the whole and it is formed only in social interaction [2, p. 104]. Combined with the fact that the majority of respondents indicated that one can only trust close friends and relatives [3, p. 148], we can talk about the narrowing of human life world. Feeling disunity and disagreement in society and their inability to change anything on a global scale, the Vologda Oblast residents shut themselves up inside their family, the processes in which they can influence and

where they feel themselves full-fledged actors. The inability to influence external processes leads to the displacement of many social phenomena from the life world of the person. Mass manifestations of such psychological defense, of course, represent an additional risk factor for the state, because under these conditions the full cooperation between citizens and government is difficult, and social self-organization necessary for the successful existence of society, is virtually absent.

Thus, the study shows that of the highest value for the residents of the Vologda Oblast are their family, children, reliable friends, and interesting work. As for the ability to stand up for their own opinion, to influence the decisions of the authorities, rationalism and high demands of life are at the bottom of the list of important values [3, p. 60]. But here the question inevitably arises. Since antiquity, the main criterion for assessing any axiological system has been its internal logical consistency. That is, if one important value contradicts another, it will inevitably lead to personal and, in a broader case, social conflicts at different levels.

In relation to the findings analyzed we can say that such contradictions are visible. For example, in the list of communication values, happy people place honesty on the second position and unhappy people – on the first position; and the intolerance of shortcomings in oneself and in other – on the 18th and 17th positions, respectively; at that, open-mindedness, that is, the ability to understand someone else's point of view, occupies the 15th and 13th place [3, p. 60]. It turns out

that it is important for us to be honest, but to understand and respect the diversity of others is not necessarily important; and to struggle against shortcomings, including one's own shortcomings is of no importance at all. It means that our honesty, if we allow ourselves to give a value judgment, has a tinge of conformism. As a philosopher, I cannot but be alarmed that among the business values responsibility is placed on the first position in the opinions of happy people and on the third – by unhappy people; and rationalism, the ability to think critically, to make sound decisions – on the 13th and 11th position, respectively. Does it turn out then, that in the view of the respondents, to be happy you need to be responsible and diligent, and you'd better not be smart, independent and tolerant of others? It is obvious that the findings obtained in the course of the research indicate the complex structure of the system of values of the oblast residents, which is differentiated and heterogeneous to a much greater extent, than in the axiological models declared by the authorities [4]. Despite the fact that the task of forming the values is widely discussed at the state level, so far there are no detailed empirical studies that would help determine causal relationships, hierarchy and the degree of real importance of material and spiritual wealth. Especially significant is to identify social, economic, and state risks caused by the contradictions in the system of values and subjective factors in general, which actualizes a more profound sociological study of the structure of values of modern Russian society. In particular, a

high level of conformism identified in the monograph leads to a separation of people, makes it difficult to build partnership relations between people and government, slows down the formation of civil society; thus it can and should be seen as a threat to the well-being of society.

Particularly alarming is the fact that a happy family life, which the happy people rank first and the unhappy – second, is combined with the fact that the active life (completeness and emotional richness of life) is on the 12th place in both groups of respondents; interesting work is ranked 17th by the happy and 6th by the unhappy people; productive life, i.e. the use of their capabilities to the fullest extent, ranks 11th and 9th, respectively [3, p. 58-60]. The question arises: how do the oblast residents see the purpose of upbringing their children and what do they want to teach them if self-fulfillment, interesting work, or creativity (18th position among abstract values) are not among their life priorities? And this is in conditions of radical changes in the economy, education and professional activity caused by the emergence of knowledge societies, the fourth industrial revolution, opening of social boundaries in the age of social networks. It seems that if this value system is preserved, then entrepreneurial activity and innovation activity are more likely to become an exception to the rule, perhaps even be condemned by the inert majority, which is suggested by the pejorative rhetoric with regard to the phenomenon of innovation evident in recent years. This dissonance is somewhat smoothed by the recognition of the importance of education, which is

estimated much higher than the importance of interesting work. This gives hope that the oblast residents still connect the success of their life with self-realization and self-development and understand the importance of intellectual growth and raising the general level of culture.

In addition to the happiness index and assessments of the importance of the values, the study also addressed the issue of life satisfaction. The first two criteria largely reflect the emotional state of the respondents; as for life satisfaction, it captures the rational component of subjective well-being. In order to calculate its value, the general factors have been determined that include family welfare, good financial situation, lifestyle and other characteristics. Overall, 56% of the oblast residents are satisfied with their life [3, p. 77]. The authors draw attention to the fact that this very indicator helps capture “sore spots” in the social climate. The respondents are least satisfied with the situation in the country and financial situation. High assessments of the significance of these factors and a low level of satisfaction can indicate the presence of social tension. However, good relations with friends and family outweigh the low assessments of the financial position and situation in the country; as a result, an integral index shows general life satisfaction.

Summing up, it should be pointed out that shifting to the analysis of subjective factors on closer examination does not reduce the practical orientation of economic knowledge; moreover, understanding the factors of subjective well-being and the detailed

knowledge of citizens' life satisfaction, the structures of the values significant for them, as well as their dynamics can give all levels of government invaluable advantages for the adoption of constructive socially accurate decisions and for the manipulation of the mood of the electorate. At the same time, the results of this study can be seen as a reflection of actual perception of the state leadership and its policies, in many ways more honest and

objective than the election, and also as a no less honest portrait of society, demonstrating our strengths and weaknesses. Therefore, it is not only the scientists and heads of authorities at different levels that should read the book under review and dwell upon its insights, but each person should read it, because it is his subjective well-being that determines the most important aspects of well-being of society and the state as a whole.

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Received January 23, 2017.

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Editor A.A. Sokolova  
Make-up page T.V. Popova  
Translators and Proof-readers A.A. Sokolova, A.S. Ukhanova

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Passed for printing March, 24, 2017.  
Date of publication March, 29, 2017.  
Format 60×84<sup>1</sup>/<sub>8</sub>. Digital recording.  
Con. pr. sheets 33.3. Number of copies 500. Order No. 108.  
Price is open.

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The journal is registered by the Federal Service  
for Supervision of Telecom and Mass Communications (Roskomnadzor).  
Certificate of registration PI FS77-60248 dated December 19, 2014.

Founder: Federal State Budgetary Institution of Science Institute  
of Socio-Economic Development of Territories  
of Russian Academy of Science (ISED T RAS)

Address of the Publisher and Editorial Office:  
56A, Gorky St., Vologda, 160014, Russia  
phone (8172) 59-78-03, fax (8172) 59-78-02, e-mail: common@vscc.ac.ru