

# Prospects for the Russian Social Landscape

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**Abstract.** The purpose of the article is to assess the prospects of Russia's social and regional development in the short term on the basis of a comparative analysis of budgetary and extrabudgetary financing of regions. The analysis tools are direct and indirect indicators of the development of social potential in a regional context, as well as neural network technologies. The authors developed a methodology for assessing the social potential of the regions of Russia using such aggregated characteristics as demography, the standard of living of the population; education; health care, social protection, etc. This method allows to objectively evaluate interregional "gaps" in Russia according to the social indicators under consideration. The results indicate the need to increase the attention of regional authorities, relevant ministries and departments to social policy, not only in quantitative but also qualitative characteristics. The analysis of indirect indicators showed that insufficient budget financing of the social sphere of the subjects of the Russian Federation is not the main cause of regional problems. It is important to ensure effective monitoring of budget spending, strengthen the anti-corruption struggle, attract the attention and interest of business and civil society to the development of social potential. The study notes that in regions with a predominance of small cities and rural settlements there is a significant deterioration in welfare, quality of life and social potential. Budget funds are mainly "concentrated" in large cities and agglomerations. This trend represents a threat to the national security of the country.

## 1. Introduction

In the modern world, the "lagging behind" of Russia in the field of social policy from many not only economically developed, but also developing countries of the world is noted at different levels. To overcome these gaps in the development of social potential, the government uses various social policy measures, the basis of which in the short term is the implementation of strategic priorities in improving the quality of life of the population, developing social infrastructure and human capital, established by decree of the President of the Russian Federation [1].

Particular emphasis is placed on regional gaps in the level of social development [2, 3]. The main task of social policy is to help those in need. The priority, the need for targeting and the expansion of effective instruments of this policy are indicated in the Message of the President to the Federal Assembly in 2019 [4].

Modern social policy needs to reform social institutions in connection with changes in the relations between individuals, society, government and business [5,6,7]. The content of the welfare state is changing. Special attention is paid to social partnership and social contracts, the problem of introducing universal basic income, providing social food stamps is discussed. The latter measures

reflect the objective need to find new mechanisms and tools for the development of human capital [8, 9]. Country average social expenditure statistics do not fully reflect the differences in the social regional landscape. Therefore, in our opinion, in order to identify “pain points” of regional social policy in a regional context, it is advisable to conduct a comparative analysis of budget social expenditures at the regional level.

## 2. Theoretical part

Since social policy is focused on the development of social capital or a narrower notion of human capital, it is reasonable to determine its effectiveness using indicators characterizing its components. In various contexts, P. Bourdieu [10], J. Coleman [11], R. Putnam [12] wrote about this category. If a person is considered to be involved in active activity of a subject under certain conditions, then one can speak of a broader concept - “social potential”. From different sides, you can define this concept. We propose to integrate the classification of approaches to describe the concept of “social potential”, highlighted in [13]. So the activity, resource and industry approaches can be combined into an economic approach, structural-functional combined with a systems approach, and a factor approach with an institutional approach. All these approaches are closely interrelated and do not have clear boundaries, since the concepts of “social potential”, “social capital”, “human capital” and a number of similar concepts also complement each other. Therefore, for a territory or a region, it is necessary to talk about social potential or social capital in the context of the generally accepted notions “potential” and “capital” adapted to society.

## 3. Materials and research methodology

The explanation of the social policy pursued partly gives a comparative analysis of the budget funds allocated for this area. There is an opinion that the social sphere is a “stepdaughter”, which is constantly financed by a residual. We should realize, that not only size, but also the structure and efficiency of budget expenditures have an impact on the economy as a whole, and on the social sphere, in particular [14]. According to the Keynesian concept, the higher government spending, the greater the multiplier effect of output growth, the more the state can allocate funds for social needs, for government transfers, that is, government spending is primary and economic growth is secondary [15]. The opposite point of view is the primacy of GDP growth and, as a result, cost growth. In any case, economic growth in itself does not make sense if it is not aimed at improving the well-being of society and individual citizens.

In a number of OECD countries, the share of budget expenditures in GDP on the social sphere is comparable to Russian indicators of the same name [16]. Moreover, the structure and effectiveness of these costs in developed countries is significantly different. Per capita social spending in Russia is almost twice as low as the average in OECD countries.

On the other hand, according to such a social indicator as an education level index, Russia in 2018 occupied 32nd place out of 189 countries. At the same time, the index in Germany is 0.9409 (1 place), in Russia it is -0.832 (32 place), in China it is -0.644 (108 place), in Niger it is 0.214 (189 place). That is, the average is comparable with developed countries. At the same time, the other averaged indicator is the rating of the effectiveness of national education systems in 2018. for Russia it is much lower - 34th place from 50 countries. At the same time, China is ahead of Russia in this rating - 30th place.

A more aggregated indicator — the social development index — indicates the average position of Russia in the field of social progress among 146 countries. The index assesses each country's achievements on a scale from 0 (lowest degree of sustainability) to 100 (highest degree of sustainability) based on the 50 indicators obtained, which are then combined into three main groups. These groups are formed on the basis of the scale of human needs, close to the scale of Maslow. The first group mainly includes life support and security needs: food, access to basic medical care, housing, access to water, electricity and sanitation, personal security. The second group combines the needs related to human well-being - access to basic knowledge and the level of literacy of the population, access to information and communication tools, the level of health, environmental

sustainability. The third group combines everything for human development - the level of personal and civil liberties, ensuring the rights and opportunities of a person to make decisions and realize their potential.

A comparative analysis of the dynamics for each individually and in groups of these indicators allows us to construct a forecast of the social picture not only for the country as a whole, but for individual regions

Russia, like any state with a federal structure, is distinguished by considerable regional heterogeneity. It is associated with regional differences in population size, geographical location, the endowment of natural resources with infrastructure and their diversity, institutional environment, etc. The unevenness of spatial development and regional inequality is aggravated by the presence of significant interregional "gaps" in the field of state financing of social development of Russian subjects. According to regional statistics, for example, there was a high degree of differentiation of the Russian regions in terms of the share of expenditures of their consolidated budgets for social policy. Thus, the value of this indicator was in the range from 6 to 23.1% in 2013, from 8.1 to 31.5% in 2014, from 6.4 to 22% in 2015 and, finally, from 6.5 to 29.1% in 2016 [17].

In addition to cross-country differences, the Russian situation is complicated by the presence of inter-regional "gaps" in the sphere of state financing of Russian subjects in general and their social development, in particular. According to the Ministry of Finance in 2017, the number of regions with a surplus of the consolidated budget was more than two times less than in 2018 — 38, whereas in 2006 there were 54 of them. The minimum number of surplus subjects of the Russian Federation was in 2013 — 6 regions. The leaders in the surplus of consolidated budgets among 12 regions are Dagestan and Sevastopol [18, 19].

The most important reason for regional gaps and regional differentiation in Russia is the low level of remuneration of employees and, as a result, lower tax and social contributions to the budget and national extra-budgetary funds and, above all, to the Pension Fund. Compared to the developed countries, Russia lags significantly behind in the payment for hired labor. For example, in 2014, the average monthly nominal accrued wages of employees of Russian organizations was 5.2; 5.3; 5.8; 6 and 6.6 times lower than in France, Germany, Austria, Finland, Great Britain and the Netherlands, respectively [22].

In the basis of labor remuneration in Russia lies the minimum wage rate. In Russia as a whole, the minimum wage has changed quite dynamically. So, in 1998 this value was 83.49 rubles, July 1, 2000, 132 rubles, January 1, 2001, 200 rubles, July 1, 2001, 300 rubles, May 1, 2002, 450 rubles, October 1, 2003. - 600 rubles., January 1, 2005 - 720 rubles., September 1, 2005 - 800 rubles., May 1, 2006 - 1100 rubles., September 1, 2007 – 2,00 rubles., January 1, 2009 - 4330 rubles. June 1, 2011 - 4,611 rubles, 1 January 2013 - 5,205 rubles, 1 January 2014 - 5,554 rubles, 1 January 2015 - 5,965 rubles, 1 January 2016 - 6,204 rubles, July 1, 2017 - 7,800 rubles, January 1, 2018 — 9,489 rubles., May 1, 2018 — 11,163 rubles., January 1, 2019–11,280 rubles [23].

However, in the regional context, there is heterogeneity of regions in terms of the minimum wage. Thus, in Russia for 2019, the average minimum wage has been determined 11280 rubles. In a number of regions, regional coefficients were introduced - for example, the northern ones in the Murmansk region — 25,675 rubles, in the Kuril Islands — 31,256.4 rubles, the regional ones - in Moscow, where the minimum wage is 18,742 rubles, the Moscow region — 14,200 rubles, [24 ]. It is obvious that even regional allowances do not provide a decent standard of living, and accordingly, the level of welfare of citizens of socially oriented countries is not achieved.

In 2017, in most regions, public sector wages grew slower than the average salary in the region. Mitigation of targets for the level of public sector wages allowed regional budgets to save about 200 billion rubles. In connection with the May decrees, the growth of social spending slowed down somewhat. According to the results of 2018. nominal wages in the Russian Federation increased by 9.9%. Positive dynamics was noted in all regions, however, the Kemerovo region became the leader, where nominal wages increased by 14.4%. Regions were the leaders in the growth of real cash income of the population in 2018. However, in 62 regions there was a decrease in real incomes of the

population. The Kostroma Region and the Yamalo-Nenets Autonomous District became the most affected (-8%) [25].

In order to smooth regional gaps, by 2020 federal support to the regions will amount to 7 billion rubles annually and will be provided on the basis of social contracts between the state and low-income families. The state provides material assistance, and the second side undertakes to find its place in society, to learn, find a job, start a business, improve the subsidiary farm. More than 9 million people will be able to use such state support. Despite the scale of poverty in the country, support for social contracts has become the smallest item in the calculations of the Ministry of Finance.

Social assistance to low-income pensioners who have pensions below the subsistence minimum for four years will amount to 370 billion rubles. In this case, the amount over time will be distributed between 4 million people and will be reduced: in 2019 - 97.3 billion rubles, in 2020 - 90 billion, in 2021 - 83 billion, and then - 99 billion.

The benefit for the first child will increase from 50 rubles to the subsistence minimum in the event that the family income is less than two subsistence minimum per person. In 2019, they will spend almost 48.6 billion rubles on payments, and from 2020 it is planned to allocate 27 billion more with a further increase in budget expenditures. Such allowance will be paid until the child is one and a half years old, and about 70% of families with children at this age will be able to rely on it.

For large families in 2019 and 2020, it will be allocated to subsidize the preferential mortgage rate of 6%, almost 94 billion will be allocated to subsidies for the repayment of mortgage costs to families with children.

The monthly allowance for the care of a disabled child will be almost doubled from 5.5 thousand to 10 thousand rubles. They will start receiving increased benefits from July 1, 2019 [20,21].

Of course, all these measures will have a positive impact on improving the social climate. In addition, these measures should be considered as an electoral resource in the run-up to local elections in a number of regions.

The policy pursued by the state in order to smooth social inequalities is implemented from both budget and extrabudgetary funds. It is important to effectively determine the subsistence minimum of the population and, accordingly, the poverty line. There are certain difficulties to obtain reliable information about the real incomes of the population, since Russians receive a significant share of their income from the shadow sector [25].

The rapid increase in the minimum wage was the reason for the positive performance of regional budgets with a surplus. Thus, an analysis of the implementation of regional budgets from 2007 to 2018 showed that the total aggregate surplus of the execution of regional budgets amounted to 492 billion rubles, and in 2017 there was a deficit of 15.5 billion rubles, and in 2016 there was a deficit of 2.4 billion rubles. In 2018, the combination of macroeconomic conditions and government management decisions favored the execution of regional budgets.

As for the regional cut, 27 regions were able to switch from deficit budget execution to surplus, 11 reduced the deficit, and in three regions, the budget deficit increased (Moscow Region, Khabarovsk Territory and Sakhalin Region). The Republic of Altai and the Amur Oblast became deficit in the 2018, whereas in the previous year they had a budget surplus [17].

A special role in solving the problems of social policy is called upon to play national projects - the main innovation in the budget system of the country, defined by the May decree of the President of the Russian Federation in May 2018 [1]. It is planned to spend 25.7 trillion rubles on their implementation, including 13.1 trillion rubles that will be allocated from the federal budget, and 7.5 trillion rubles from extrabudgetary sources. The expenses of the regions on the national projects will amount to 4.9 trillion rubles. Another 147.8 billion rubles is planned to provide from state extrabudgetary funds. The expenditures on the national project "Demography" will be 3.105 trillion rubles, on the project "Health" - 1.725 trillion rubles. Expenditures on the projects "Education" are estimated at 784.5 billion rubles. 481.5 billion rubles will be allocated for the development of small and medium-sized businesses. 113.5 billion rubles were pledged for the implementation of the "Kultura" national project, and 52.1 billion rubles for the project Labor Productivity and Employment Support.

[26]. The activities of the national projects must be brought into line with the existing state programs. Their implementation allows a number of regions to improve social policy. For example, the Nizhny Novgorod region has implemented over 1000 social programs in the framework of the project "Productivity and support of employment"

#### **4. Results**

The analysis of indirect indicators showed that insufficient budget financing of the social sphere of the subjects of the Russian Federation is not the main cause of regional problems. It is important to ensure effective monitoring of budget spending, strengthen the anti-corruption struggle, attract the attention and interest of business and civil society to the development of social potential. Budget funds are mainly "concentrated" in certain regions or large cities and agglomerations. This trend represents a threat to the national security of the country. The results of the assessment of budget expenditures on social policy can be applied in the framework of a differentiated approach to the actualization of the provisions of the social policy of any subject of the Russian Federation. Forecasting will allow to determine the necessary directions of changes in the social policy of the region of the country, taking into account ensuring the effective spending of budget funds.

#### **5. Conclusion**

Let us highlight the most important "pain points" of the social landscape of the regions.

-Russia is lagging behind in a number of indicators of the level of social development not only in developed, but also in developing countries;

- Evaluation of indirect indicators of social development has shown that monitoring the effectiveness of the use of funds allocated to the social sphere in the regions is important.

- The differentiation of regions in terms of social development is intensifying.

- Regions did not become drivers of the development of the economy as a whole: donor regions become stronger, outsider regions become weaker and poorer;

- Insufficient budget financing is not the main cause of social regional gaps;

- Minimal wage does not provide a decent life for the population.

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