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R95 **Russian Economy in 2012. Trends and Outlooks.**  
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The review provides a detailed analysis of main trends in Russia's economy in 2012. The paper contains 6 big sections that highlight single aspects of Russia's economic development: the socio-political context; the monetary and credit spheres; financial sphere; the real sector; social sphere; institutional challenges. The paper employs a huge mass of statistical data that forms the basis of original computation and numerous charts.

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### **Key Trends in Russia's Education System: results of 2012**

We can identify a number of key events in the Russian education system in 2012 that will shape its development in the coming years:

- 1) The public tender for the distribution of university admission quotas for the 2012/2013 academic year and the use of standard costs per discipline (field of study) which are being used as the basis for funding the implementation of state-financed places in this academic year (April 2012);
- 2) On 7 May 2012 the President of the Russian Federation, V.V. Putin, signed a series of Decrees which directly define a number of areas of state education policy;
- 3) Adoption of the "State Programme for the Development of Education" for 2013-2020;
- 4) Adoption of the law "On Education in the Russian Federation";
- 5) Adoption of the Federal Budget, significantly changing the priorities of federal government policy on the financing of education;
- 6) The Russian Ministry of Education monitored the activities of the federal state universities and their subsidiaries, identifying universities "with signs of inefficiency" (ineffective universities);
- 7) The Russian Ministry of Education monitored the activities of the accredited private universities and their subsidiaries, identifying ineffective universities;
- 8) The Russian Ministry of Education monitored teaching staff salaries in universities.

These events have resulted in wide public debate on the future development of the education system and have revealed many new challenges which this area has already faced, or will face in the near future.

*1. The public tender for the distribution of university admission quotas for the 2012/2013 academic year and the setting of standard costs per discipline (fields of study, as the basis for funding the allocation of state-financed places in this academic year (April 2012).*

This event is very important, as it represents the first time that private universities have been allowed to tender for the distribution of admission quotas (state-financed places). Thus, this law adopted in November 2011<sup>1</sup>, allows accredited private universities to participate on a competitive basis in the implementation of the State staff-training programme, and to receive budget subsidies "paying" for its implementation.

When the Law was adopted, it was indicated (in the accompanying Notes) that no more than 40 of the 450 existing private universities could actually participate in the State programme. This showed that the informal quality assessment of higher education in the private sector was very low.

The results of the tender were that all 313 state universities, acting under the jurisdiction of the Ministry of Education of Russia, and 54 private universities obtained grants related to state-financed places, i.e. the limit set out by the legislator was exceeded, although, among universities receiving the budget funds for student education, the overall proportion of these private higher education institutions has remained very low. For all state students admitted to undergraduate courses we still cannot estimate the proportion of students who began studying

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<sup>1</sup> Federal Law No. 318-FZ dated November 16, 2011 (On Amendments to Certain Legislative Acts of the Russian Federation with regard to the establishment of admission quotas for citizens to study at the expense of the respective budgets of the federal budget of the Russian Federation for state-accredited educational institutions of vocational and higher education).

at private universities in the 2012/2013 academic year using state-financed places (i.e. using the budget account). According to the aforementioned Notes, it was believed that the private universities would admit no more than 4,500 out of about 510,000 state-financed students (0.88%). It should be noted that the only regional university that allowed itself to take part in the tender for admission quotas was not successful in the bid. This has revealed a very significant problem: under Art. 69 of the Civil Code for Russian private higher education institutions in that these are entitled to receive state subsidies for the provision of state-financed places, whilst Russian Federation public or municipal universities may not. Moreover, there is no mechanism for federal state universities under the jurisdiction of federal executive authorities other than the Russian Ministry of Education, to participate in this tender. Currently the Russian Ministry of Education is developing solutions to provide ways of centralising the federal budget funds allocated for the training of state-financed students in order to ensure that all federal state universities can participate in the tender for the distribution of admission quotas.

However, the public tender aimed at the current and future distribution of admission quotas is completely incomprehensible, as all universities participating in it have state accreditation (this is a legal requirement!), i.e. the quality of their education is formally considered to be consistent with the federal state educational standards. In other words, they are all equal before the tender; so, from a legal point of view it would be wrong to separate the best and worst amongst them. There are some universities that are "more equal than others" - St. Petersburg State University and Moscow State University, the federal and national research universities, and the higher educational institutions, which according to the Decree of the President of the Russian Federation, are entitled to set their own standards. However, the standards of these universities exceed federal standards.

In these circumstances, an algorithm for the distribution of admission quotas amongst universities could be fairly simple: first, the quota is granted to the high-status universities, providing higher quality education (exceeding the standard) in such proportions as they may consider most appropriate; and then to the remaining universities, according to established proportions as there is no formal basis to change this. The only problem is that the distribution of students applying to the different universities, based on the results of the Unified State Exam, is not quite identical to the status granted by the State<sup>1</sup> to these higher educational institutions. It is no less important that this is determined, not only by these statutes, but also by a series of factors (family income, health status, benefits, availability of dormitories and military departments, location of the university, set of disciplines (training areas) in a particular university, etc.).

It should be noted that the public tender for the distribution of admission quotas amongst universities, held in April 2012, and the inefficiency monitoring of higher educational institutions, held in October, are in conflict - a number of universities found to be ineffective actually received admission quotas, i.e. won the tender. It turns out that the criteria of the tender for the distribution of admission quotas and the criteria for assessing ineffective universities are different; the two procedures do not correspond to each other. In this regard, it appears that the public cannot trust either the results of the tender or the results of the monitoring.

*2. On May 7, 2012 the President of the Russian Federation, V.V. Putin, signed a series of Decrees which directly define a number of areas of state education policy.*

Presidential Decree No. 599 dated 7 May 2012, “On Measures for the Implementation of State Education and Science Policy”, directly affects the education system. It sets objectives in the field of education, most of which should be implemented in 2012, in particular:

- Introduction to the State Duma of the draft law “On Education in the Russian Federation” in July 2012 (it was introduced at the end of July 2012, the State Duma adopted it at the third reading on 21 December 2012);
- Development and implementation of measures to improve the efficiency of the Unified State Exam (in fact this is done every year);
- Monitoring the effectiveness of educational institutions (as already noted, this monitoring was carried out and universities showing signs of inefficiency were identified). Amongst these schools, 70 institutions of higher education are recognised as special universities not subject to optimisation, primarily the Moscow Institute of Architecture, the Institute of Literature and St. Petersburg State University of Cinema and Television. It is, however, recognised that 49 universities and more than 100 subsidiaries thereof, require optimisation, i.e. improvement of curricula, changes to their specialisations, with a requirement to make better use of educational and laboratory space, to purchase new equipment and possibly to make substantial changes to their faculty staff. More than 260 universities and their subsidiaries, including three in Moscow and four in St. Petersburg, are subject to closure or merging with large universities. Finally, for a large group of schools (118), including the State Humanitarian University, the Chechen State University, and the Far Eastern Medical University, decisions are still pending<sup>1</sup>.
- Development of a set of measures to identify and support gifted children;
- Approval of the standards for secondary education and for general education (approved);
- Increasing scholarships to the level of a living wage for students with "good" or "excellent" marks and for some others (scholarship have now been increased).

In 2013, the Mathematical Education Concept should be developed.

All other orders are expressed as results indicators:

- Ensure the availability of pre-school education for all children (100%) between the ages of three to seven (currently this is 71.5% and it will be impossible to bring it up to 100% in the remaining three years before 2016, as there is a rising demographic trend in these age groups – the number of children is increasing, and so, despite all the efforts, the waiting lists for nurseries have not been reduced in recent years, and as of January 2012 it stood at more than 2 million children. Estimates show that it would be possible to achieve the desired result only by introducing of over 500,000 new places in kindergartens (whether public or private) in each of the remaining years, and that is impractical);
- By 2020, to provide the entry of at least five Russian universities into the top one hundred of the world's leading universities as defined by the world university rating system (unfortunately, the exact world university rating criteria are not specified, as they are based on various different indicators, but, apparently, the greatest attention is paid to an increased number of papers published in leading magazines, increases in the index of quoted Russian authors (professors), increased numbers of foreign students in Russian universities, etc. It is unlikely that the problem will be solved within 8 years, especially as there has been a precisely opposite trend in recent years. But if such a trend is at least

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<sup>1</sup> See <http://минобрнауки.рф/%D0%BF%D1%80%D0%B5%D1%81%D1%81-%D1%86%D0%B5%D0%BD%D1%82%D1%80/2845>

reversed, then this will be a great achievement. However, there is a significant risk that focus and resources will be allocated to supporting potential favorites in this race whilst the other universities will stagnate);

- By 2015, to have increased to 37% the proportion of the population aged 25 to 65 and employed in the economic sector, who have attained or are studying in postgraduate education (according to the Federal State Statistics Service, in 2010, 15.8% of the total population employed in the economic sector and 18.6% of people aged 25-65 had completed programmes of Continuing Professional Education (CPE). It appears that it will be impossible to double this value by 2015 - the entire CPE system does not have enough capacity, even if we include appropriate programmes in vocational educational institutions, corporate training centres, universities, etc;
- By 2020, to increase to 70-75% the proportion of children aged 5 to 18 enrolled in vocational educational programmes, and that 50% of these are trained through the federal budget (in the last 10 years, the vocational educational rate for children aged 5-18 increased to 58% but this was because of a reduction in their total number. However, in absolute terms, attendance at various vocational education institutions remained practically unchanged for the entire period in question. It appears that it is impossible radically to change this situation. In addition, children aged 5-18 should be divided into teenagers aged 12-14 and youth aged 15-18 who require special attention and special programmes - which are sorely lacking in the Russian system of vocational education);
- By 2020, to increase the proportion of institutions of secondary vocational education (SVE) and higher professional education (HPE), having buildings which are adapted for disabled people, from 3% to 25% (this is a worthy goal, but the solution will require the coordinated efforts of the federal and regional educational authorities and of the management of these educational institutions).

In addition to Decree No. 599, education is greatly affected by the Presidential Decree No. 597 dated 7 May 2012 “On Measures for the Implementation of State Social Policy”. Under this Decree the Russian government will provide:

- By 2018, an increase in real wages by 1.4 - 1.5 times;
- In 2012, an increase in the average salary of teachers in general educational institutions up to the average wage of the relevant region;
- By 2013, an increase in the average salary of teachers in preschool educational institutions up to the average wage for public education in the relevant region;
- By 2018 an increase in the average salary of teachers and trainers in primary and secondary educational institutions of and of the employees of cultural institutions up to the average wage in the relevant region;
- By 2018, an increase in the average salary of doctors, teachers in educational institutions and HPE researchers up to 200% of the average wage in the relevant region»<sup>1</sup>.

In fact, Decree No. 597 sets out the transfer of social workers to a so-called "effective contract," which a) should enhance the motivation to work, ensure long-term employment in state and municipal educational, public health and cultural institutions, and b) bring young professionals into the social-work field.

By signing the "effective contract," a teacher or tutor is committed to work in a single, rather than in multiple educational institutions (of course, the teaching can, and in high

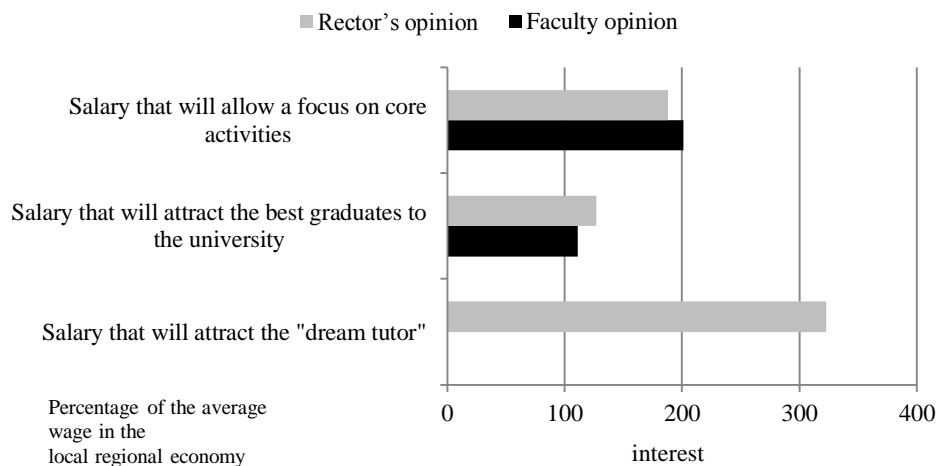
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<sup>1</sup> See the website of the President of the Russian Federation V.V. Putin <http://putin.kremlin.ru/>.



schools should, be combined with scientific activities). The teaching staff of schools, whose wages will rise by up to 200% of the average wage for the region, will be able, it is believed, to focus fully on academic work, improve their skills, devote a lot of time to communicating with students (including advisory work) and to conduct research work.

From the results of monitoring the educational economy in universities it appears that the “effective contract” will be achieved at the following ratios of average faculty salary and average wage in the local regional economy (*Fig. 10*).



Source: monitoring of the educational economy.

*Fig. 10.* Ratios of average faculty salary and average wage in the local regional economy, required to achieve the "effective contract" in universities

As shown in *Fig. 10*, according to rectors and professors, the salary that will allow the faculty to focus on their core activities is about 200% of the average wage for the economy of the region, and this is the figure recorded in the Presidential Decree.

Without questioning the sincerity of the respondents, we note only that the wage level deemed sufficient by the faculty and rectors in conditions when the average faculty wage does not exceed the average wage in the regional economy (or is below this value) may seem unsatisfactory when it approaches 200%. Recalling that in Presidential Decree No. 1, issued by B.N. Yeltsin, this faculty wage level (2 times higher than the average wage in the economy of the appropriate region) was established in 1991 (21 years ago) without any research or the introduction of an "effective contract", yet this will be reached (if reached at all) only in 2018, i.e. after more than a quarter of a century.

We should also mention another important fact. The adopted decision on the level of wages of education workers (kindergarten, school teachers, teaching staff at primary and secondary educational institutions, trainers and university teaching staff) actually cancels all prior studies on the definition of state financing standards in the education system. This model - a model of standard per capita funding - should be completely revised in the light of the decision to increase the salaries of kindergarten teachers, school teachers and the teaching staff of SVE and HPE institutions.

Indeed, it is impossible simultaneously to set, for example, the standard costs per discipline (field of study) for economic and management institutions located in Moscow at Rb 60,000

per student<sup>1</sup> {as these disciplines (fields of study) do not require laboratory equipment} and to require that the average faculty salaries in these institutions should be Rb 90,000.<sup>2</sup>

If we fix the average teaching staff salary in the region and the standard cost per discipline (field of study) per student, we can only determine the amount of the state-set task for each university (the number of state-financed students) which would allow it to pay the desired salary to its professors. We can almost certainly say that in the current conditions, and in 2018, there will be no solution to this issue in the education system in general (although some universities, in principle, could solve it). Furthermore, in this case it is necessary to adjust not only the state-financed student flows, but also fee-paying students flows, and this would be a further area causing administrative and economic problems: under these circumstances we would simply not be able to hold a tender for the distribution of admission quotas.

### *3. Adoption of the State Programme for the Development of Education for 2013-2020.*

The State Programme for the Development of Education (SPDE) adopted in 2012 is the basis for the implementation of the state educational policy. However, the Programme itself states that its activities cover only about a third of the education system.

It seems that formally the SPDE is no worse than other state programmes. However, it should be noted that the core objectives stated therein:

- Providing a high quality of Russian education to meet the changing demands of the population and the future tasks of Russian economic and social development (hereinafter referred to as *Goal 1*);
- Improving the implementation of the youth policy for innovation and socially-focused development (hereinafter referred to as *Goal 2*) cannot be verified, so we cannot properly assess whether this programme is implemented and to what extent.

The Federal Educational Programme (2000-2005) and the Federal Target Programme for the Development of Education (2006-2011), which should have been the basis of the state education policy before SPDE, did not provide for public debriefing and assessment. The amount of budget funds spent was essentially the only measure of their effectiveness. Scientific support for these programmes has been low, and attempted developments in this field have frequently been made by different organisations but without any progress on the implementation of their results. In this regard, the SPDE is little different from its predecessors.

The goals of the Programme have little to do with its objectives and targets, which are a copy of the indicators set in Presidential Decree No. 599. In view of this, it is unlikely that the implementation of the SPDE will bring Russian education up to the next level and increase its competitiveness in the global education market (especially in the higher education market).

### *4. The new law “On Education in the Russian Federation”.*

This Law has been in development since 2010 and was adopted by the State Duma at its third reading on 21 December 2012. Its first version contained more than 900 pages and was a combined jumble of legal documents regulating activities at various levels of education. This version was subjected to harsh criticism by all stakeholders, significantly revised, and then the

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<sup>1</sup> See. <http://минобрнауки.рф/%D0%B4%D0%BE%D0%BA%D1%83%D0%BC%D0%B5%D0%BD%D1%82%D1%8B/2347>

<sup>2</sup> The standard costs per full-time student (‘standard budget funding’ or ‘average financial support for the provision of a state-financed place’ - these terms are used interchangeably), and the average salary in Moscow in 2018, of course, will be different, but, according to the federal budget expenditure trends for HPE, their relative values in 2012 and 2018 are unlikely to be very different.

result was put to a referendum. As a result, the content of the Law has become much more focused. But the new Law has a number of ideological drawbacks as compared to the law” On Education 1992”. The old Law indicated a course of development of the education system in the direction of greater freedom for educational institutions, both in terms of educational and economic activities. We can assume that its purpose was to ensure increased diversity in the education system: development of the private sector, variety of educational institutions, variety of educational programmes, multiple founders (co-founders) of educational institutions, variety of funding sources, increased public participation in the management of education and its increased transparency.

The new Law is a law declaring the development of democracy and freedom, though all its elements are fairly subordinate to the regulatory effects of the State.

The old Law was a law of development, the new Law largely reinforces the *status quo*.

In addition, the new Law is largely descriptive and due to its pretentiousness it is not very suitable for the settlement of real educational conflicts (which is the main role of any law).

5. *Adoption of the Federal Budget, significantly changing the priorities of the federal government policy on financing education.*

The educational expenditure of the Federal Budget (hereinafter referred to as the FB) in 2013 and for the planning period, 2014-2015 are set as follows (*Table 7*):

*Table 7*

**Federal expenditure on education in 2013 and for the planning period, 2014–2015 according to the draft FB and adopted FB (billion Rb)**

	2013 Draft FB	2013 FB	2014 Draft FB	2014 FB	2015 Draft FB	2015 FB
<b>Education</b>	<b>605.7</b>	<b>607.2</b>	<b>547.7</b>	<b>548.5</b>	<b>572.6</b>	<b>572.5</b>
Preschool Education	7.6	7.7	6.0	6.3	5.7	5.8
General Education	67.4	67.7	19.3	19.9	19.0	19.6
Primary Vocational Education	4.3	4.3	4.5	4.5	4.5	4.5
Secondary Vocational Education	3.6	4.1	3.6	3.7	3.8	3.8
Professional training, retraining and advanced training	6.4	6.4	6.4	6.4	6.5	6.5
Higher and Postgraduate Professional Education	477.2	477.7	484.1	484.0	513.5	512.7
Youth Policy and Improvement of Children’s Health	5.3	5.4	5.3	5.3	1.0	1.0
Applied Educational Research	12.5	12.5	9.4	9.4	9.8	9.8
Other educational issues	21.3	21.3	9.0	9.0	8.7	8.7

*Source:* the Ministry of Finance of the Russian Federation.

As can be seen from *Table 7*, the cost of education to the federal budget is different, but only slightly, from the planned expenditure on education in the draft FB: it is slightly higher in 2013 and 2014, and slightly lower in 2015.

In comparison with the draft FB the costs of preschool education are higher for all three years covered by the budget; in 2013 the expenditure on state education is higher by Rb 0.3 billion, on secondary and higher vocational education - by Rb 0.5 million and on youth policy and the improvement of children’s health - by Rb 0.1 million.

In 2014 and 2015, the expenditure on general education is higher by Rb 0.6 billion compared with the draft FB, in 2014 expenditure on SVE is greater by Rb 0.1 billion while expenditure on HPE is lower by the same amount, in 2015, the expenditure on HPE is even lower - by Rb 0.8 billion. No significant changes occurred for any other items<sup>1</sup>.

<sup>1</sup> Small changes do occur, but they are within the rounding error.

Federal expenditure on education will account for 0.91% of GDP in 2013, 0.74% of GDP in 2014 and 0.69% of GDP in 2015. Evidently, a substantial decrease is planned in the proportion of FB expenditure on education compared with GDP throughout the planning period (by almost a quarter).

The share of FB expenditure on education is also reduced in relation to the total expenditures of the federal budget: from 4.5% in 2013 to 3.7% in 2015 (in 2014 - 4.2%), but it should be considered that in nominal terms the FB costs are significantly reduced in 2014 and significantly increased in 2015 (in 2013 – Rb 13.4 trillion, 2014 – Rb 13.2 trillion, 2015 – Rb 15.6 trillion). Over the period 2013-2015, it is planned significantly to change the structure of FB expenditure on education (*Table 8*).

*Table 8*

**The structure of FB costs on education in 2013–2015 (%)**

	2013	2014	2015
<b>Education</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Preschool Education	1.3	1.1	1.0
General Education	11.1	3.6	3.4
Primary Vocational Education	0.7	0.8	0.8
Secondary Vocational Education	0.7	0.7	0.7
Professional training, retraining and advanced training	1.1	1.2	1.1
Higher and Postgraduate Professional Education	78.7	88.2	89.6
Youth Policy and Improvement of Children's Health	0.9	1.0	0.2
Applied Educational Research	2.1	1.7	1.7
Other educational issues	3.5	1.6	1.5

*Source:* the Ministry of Finance of the Russian Federation.

As *Table 8* shows, the structure of FB expenditure on education in 2013–2015 undergoes the following major changes:

- The proportion of expenditure on general education compared with total FB education expenditure is sharply reduced (by more than 3fold) - from 11.1% to 3.4%;
- The proportion of expenditure on the youth policy is further reduced – by 4.5 times;
- The proportion of expenditure on general vocational education is slightly increased - by 0.1 percentage points;
- The proportion of expenditure on preschool education is slightly reduced - from 1.3 to 1.0%;
- The proportion of expenditure on professional training, retraining and advanced training is practically unchanged;
- The proportion of expenditure on applied research and on other issues in the field of education is significantly reduced - by 19% and more than 2 times, respectively;
- Higher and postgraduate education is the main beneficiary of the FB expenditure on education with the proportion increased from 78.7% to 89.6% (10.9 percentage points).

It should be noted that, in absolute terms, the FB expenditure on general education is to be reduced from Rb 67.7 billion in 2013 to Rb 19.9 billion in 2014, and to Rb 19.6 billion in 2015. General education is funded at a municipal level, with regional budgets providing the municipal ones with subventions for teachers' salaries and training costs, so the reduction of FB expenditure on general education places an increased burden on the budgets of the subjects of the Russian Federation, albeit slight: a little more than 2% relative to the total consolidated regional budgets on education, but this change may be greater in some regions.

The FB expenditure on youth policy and children's health improvement is drastically reduced - from Rb 5.4 billion in 2014 to Rb 1.0 billion in 2015. Thus, youth policy does not appear to be a priority of the federal centre any more.

It should also be noted that even in the case of higher and postgraduate education the increase of FB expenditure on HPE in 2014 is below the target level of inflation (a nominal increase in expenditure of 1.3%, while the inflation rate is 5.5%), in 2015 the increase in expenditure on higher and postgraduate education is slightly ahead of inflation – an increase in expenditure by 5.9%, whilst the inflation rate is 5%. For other items the costs are either reduced or their growth is below the target rate of inflation.

6. *The Russian Ministry of Education monitored the activities of the accredited state universities, the private universities and their subsidiaries, and the teaching staff salaries in universities.* We have already discussed some issues related to the monitoring of accredited state and private universities, intended to identify inefficient universities.

We can only add that the monitoring was carried out on the basis of a range of indicators, with the five main ones being: the average USE score of students, the amount of research per faculty, the number of foreign students and the volume of financial activities and educational facilities per student. It seems, however, that the monitoring should be carried out based on licence and accreditation indicators or at least on both the two sets of indicators. Otherwise, it turns out that if a university meets the state requirements, this in principle allows it to act as an educational institution and to receive state accreditation, i.e. it is considered that it complies with the federal state educational standards, yet it is not effective and it should be reorganised. However, in our opinion, the results of the monitoring ultimately show the ineffectiveness of the licensing services and of the established structure of the state accreditation system (this is not to say that Russia has no weak universities requiring reorganisation). Therefore, firstly, it will be necessary openly to change the licensing and accreditation requirements, and then to carry out a universal re-accreditation of universities and their subsidiaries rather than just to monitor their activities.

In addition, in the case of non-compliance of the university infrastructure with the licensing requirements, its licence would have to be withdrawn, as the educational and laboratory infrastructure of the university is the basis for the calculation of the enrolment limit, which, *inter alia*, regulates the admission of fee-paying students to the university, and this affects the financial aspects of its activities. The withdrawal of the university's licence or state accreditation would undoubtedly raise the question of how this or that school obtained them in the first place. Currently, both these issues are only in the background.

Monitoring of the teaching staff *salaries* in universities largely confirms our earlier conclusion that it is impossible to establish the budgetary financing standards per discipline (field of study) due to the diverse socio-economic statuses of the regions where the universities are located.

Thus, according to the monitoring results<sup>1</sup>, the average teaching staff salary at the Altai State Medical University was Rb 25,600 in October 2012 or 156.2% of the average wage in the region, and in the Russian National Research Medical University – Rb 24,100 or 51.5% of the average wage in Moscow whilst the two universities have almost identical sets of disciplines.

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<sup>1</sup> See <http://минобрнауки.рф/%D0%BD%D0%BE%D0%B2%D0%BE%D1%81%D1%82%D0%B8/2849>.

To achieve the desired results requested in Presidential Decree No. 597 (to increase the faculty salary in universities to 200% of the average wage for the local regional economies in 2012), it would be necessary to increase the faculty salary of the Altai State Medical University by an average of Rb 7,200. To solve a similar problem in the Russian National Research Medical University the value of staff salaries would have to be increased by as much as Rb 69,500. Thus, introducing a teaching staff salary equal to 200% of the average wage in the economy of the surrounding area would have different effects in these regions of Russia.

For example, according to the Federal State Statistics Service<sup>1</sup>, in 2012, the average wage in the economy of these subjects of the Russian Federation differed by 3.27 times, the cost of 1 sq.m in the primary housing market – by more than 4.1 times, in the secondary market - by 4.6 times<sup>2</sup>, etc. However, if in 2012 the average teaching staff wages in these universities accounted for 200% of the average wage in the economy of the region, they would have differed by only a factor of 2.85. And these examples of salaries and universities are quite typical.

Despite these arbitrary monitoring criteria, restructuring of the network of universities has been initiated on the basis of their results (we can assume that it was on their formal grounds). These activities include:

- Liquidation of inefficient universities (subsidiaries of universities);
- Change in the management of inefficient universities;
- Accession of ineffective (weak) universities to effective (strong) universities.

Upon the liquidation of a state (municipal) university its state-financed students must be transferred to other universities (the fate of fee-paying students is less well understood). If the university was weak and the quality of education was poor, the fate of its students is unenviable: with rare exceptions, they will not be able to fulfill the requirements of the stronger university and would have to be expelled. If the alternative is to save them, the strong university will either have to reduce its requirements of students significantly (through a reduced quality of education) or serious efforts will be required to bring the weak students to the necessary level (which is unlikely without additional resources). In any case, effective universities will suffer along with the weak universities, and their reputation could be significantly affected.

Neither will changing the management of inefficient universities also allow for quick resolution of the issue of increasing the quality of education in them. Since these universities have been publicly recognised as weak, they will not attract strong enrolment in the foreseeable future. Consequently, the new management will have to "pull" the inefficient university in extremely adverse conditions. If the state-financed allocation is distributed on a competitive basis, a weak university with new management will not receive any, or will receive only a very small amount of it. This would mean that the university will have almost no budget funds, and if it has a poor reputation it will not be able to obtain higher fees from the weak fee-paying enrolment. Therefore, this university will slowly die even with new management in place. Alternatively, the state would have to take administrative measures to support it for a long time, by allocating additional budget subsidies (and giving some of the state-financed allocation to it despite the competitive criteria) in order to improve the quality

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<sup>1</sup> [http://www.gks.ru/bgd/regl/b11\\_44/IssWWW.exe/Stg/d01/04-15.htm](http://www.gks.ru/bgd/regl/b11_44/IssWWW.exe/Stg/d01/04-15.htm)

<sup>2</sup> [http://www.gks.ru/bgd/regl/b11\\_44/IssWWW.exe/Stg/d02/09-22.htm](http://www.gks.ru/bgd/regl/b11_44/IssWWW.exe/Stg/d02/09-22.htm)

of teaching, and by conducting public relations campaigns in order to remove its label of being an "ineffective university".

Joining a weak university (or universities) to a strong one, in contrast to a simple liquidation of the inefficient university, will provide a bonus to the strong university in the form of the property of the integrated university. But it is hard to say if this bonus will outweigh the negative effects (the need to teach the weak enrolment, to sort out the weak teaching staff, who cannot be immediately dismissed, and to repair the neglected buildings). Most probably, the strong university will just wait for a few years until the "heritage" of the weak one gradually dissipates whilst making great efforts to preserve its own reputation (since weak graduates will receive diplomas from the strong university).

Does this mean that it is not necessary to reorganise the higher education system? No, it does not. But we need clearly to understand the impact of the interventions and to minimise their negative effects.

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2012 was eventful in the field of education, but as the analysis has shown this still has not led to significant positive shifts in the evaluation by Russian society of the quality of education or of the ongoing reforms in this area.

The objectives set in the Presidential Decree are unlikely to be resolved in a timely manner, as the "battle" for "effective contracts" will probably overshadow everything, since it enables the tracking of specific results. However, the "effective contract" or a significant increase in the salaries of teachers in pre-school educational institutions, of the teaching staff in SVE and HPE institutions, as well those in universities, will bury the model of standard per capita funding in its existing form.

The implementation of the state Development of Education programme for 2013-2020 will be difficult, since its goals do not effectively correspond to the objectives of the programme and its indicators. Therefore, this programme is unlikely to be successfully implemented in its existing form.

The adopted Federal Budget for 2013 and for the planning period of 2014-2015 clearly shows a decrease of FB expenditure on education, not only in relative, but also in absolute terms. In addition, the growth rate of expenditure on HPE education (in fact, being the only beneficiary of changes in the educational FB) will be below the rate of inflation, or, in other words, even these costs will be reduced in real terms.

Monitoring of accredited universities, conducted by the Russian Ministry of Education, has shown that the work of the licensing system, and in particular, the national university accreditation system, is ineffective in the first place. Without its improvement neither open public tenders for the distribution of the state-set admission quotas among the universities, nor the attempt to identify the underperforming universities, will be understood in Russian society or in the university community.