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The review provides a detailed analysis of main trends in Russia's economy in 2013. 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 Educational System in 2013

The year 2013 in Russia's education system was marked by the following major developments:

- 1) enactment of the new Federal Law 'On Education in the Russian Federation' (of 29 December 2012, No. 273-FZ);
- 2) implementation of the Executive Orders of the President of the Russian Federation: of 7 May 2012, No. 597 'On Measures Aimed at the Implementation of Government Social Policy', and No. 599 'On Measures Aimed at the Implementation of Government Policy in the Field of Education and Science»;
- 3) mounting tension around the issue of the Unified State Examination (USE) and the attempts of the education system supervisory bodies to somewhat soften the attacks aimed at the USE;
- 4) completion of the second round of monitoring the performance level of higher educational establishments and their affiliations;
- 5) development, by the RF Ministry of Education and Science, of financial allocation norms for higher educational establishments, and difficulties involved in the coordination of these norms with the standpoint of the RF Ministry of Finance.

1. New Federal Law 'On Education in the Russian Federation' (No. 273-FZ), was adopted at the very end of 2012. Prior to its adoption, the law had been repeatedly written and rewritten, discussed adjusted. It seems that it was finally adopted just in order to break the interminable *vicious circle*. As a result, the version of the Law that came into force from 1 September 2013, instantly gave rise to several serious contextual and economic problems.

Pre-school education – universal comprehensive education level. Firstly, the new Law establishes that pre-school education should become a component of the universal compulsory education system (Article 63). In the summer of 2013, rather hastily, the Federal State Educational Standard (FSES) in the field of pre-school education was introduced. Its authors believe¹ that the FSES must ensure the necessary conditions for any child's pre-school development. However, the following rather tricky and delicate questions have remained unanswered:

- How should the secondary school education system treat those children who did not attend pre-school establishments and, consequently, received no pre-school education in accordance with the Federal State Educational Standard?
- In spite of all the efforts made by the RF Government and regional authorities, over the next few years it will still be impossible to enroll all Russia's children in the existing pre-school establishments, although this is explicitly required by the RF President's Executive Order of 7 May 2012, No. 599. Most probably, some unconventional and unorthodox methods

¹ The task force that developed the Federal State Educational Standard for pre-school education was headed by Aleksandr Asmolov, full member of the Russian Academy of Education, Director of the Federal Education Development Institute.

will be applied in order to comply with the Executive Order - for example, private kindergartens will be opened in residential buildings (in private apartments), where several children (5–10) will be entrusted to the mother of one of them (at least, this measure is effectively envisaged in the Roadmap for involving not-for-profit organizations operating in socially important fields, developed by the Agency for Strategic Initiatives). However, it is difficult to say how, under existing conditions, the new Federal State Educational Standard for pre-school education can actually be implemented.

- If the parents, for some reason or another, do not want to enroll their child in a pre-school educational establishment, will they be required to provide their child with tuition designed to ensure the level of 'educational competence' in compliance with the Federal State Educational Standard? How will the child's development level be tested?
- If a child, for health reasons, cannot attend an educational establishment for children (EEC), may the child's parents apply to the education system bodies and request that a tutor, capable of ensuring the appropriate educational development level as established by the Federal State Educational Standard, visit the child at home?
- What will be the required amount of budget funding to cover all these expenditures?

The question concerning the amount of budget resources to be allocated to EECs in order to enable them to operate in the new conditions and to involve more children in the official pre-school education system is by no means an idle one. The new Law separated the expenditures on a child's tuition and upkeep at a state or municipal pre-school educational establishment (these must be shouldered by parents) from the pre-school education costs covered from the state budget. This measure, according to experts' estimations, was to result in an instant three-to-fivefold increase of the amount of fee to be paid by parents to pre-school educational establishments. So, it was no longer to be affordable for children from low-income families to attend EECs; meanwhile, it is the children from this social stratum that are most in need of the services provided by EECs, in order to equalize their educational opportunities prior to the enrollment in a secondary school. Consequently, this gave rise to the issue of compensation of these costs from regional and municipal budgets, which are already overstrained due to the necessity to increase the amount of salaries paid to the various categories of educational staff employed by the state and municipal educational establishments operating under the jurisdiction of and municipal authorities (as required by the RF President's Executive Order of 7 May 2012, No. 597).

Experts¹ have put forth several compensation schemes designed to refund parents' expenditures, in particular the plan envisaging that the relevant budget expenditures should be increased by approximately 23–25%, or budget-neutral plans that do not rely on increased budget expenditure but envisage that the compensations be paid to a very limited number of families that actually need such additional funding. So far, no ultimate solution has been provided to that problem, and the education system bodies are trying to apply some purely administrative measures in order to prevent any further growth of the educational fees. So, the new Law, in this part, has been dysfunctional or, to be more precise, actively sabotaged wherever possible.

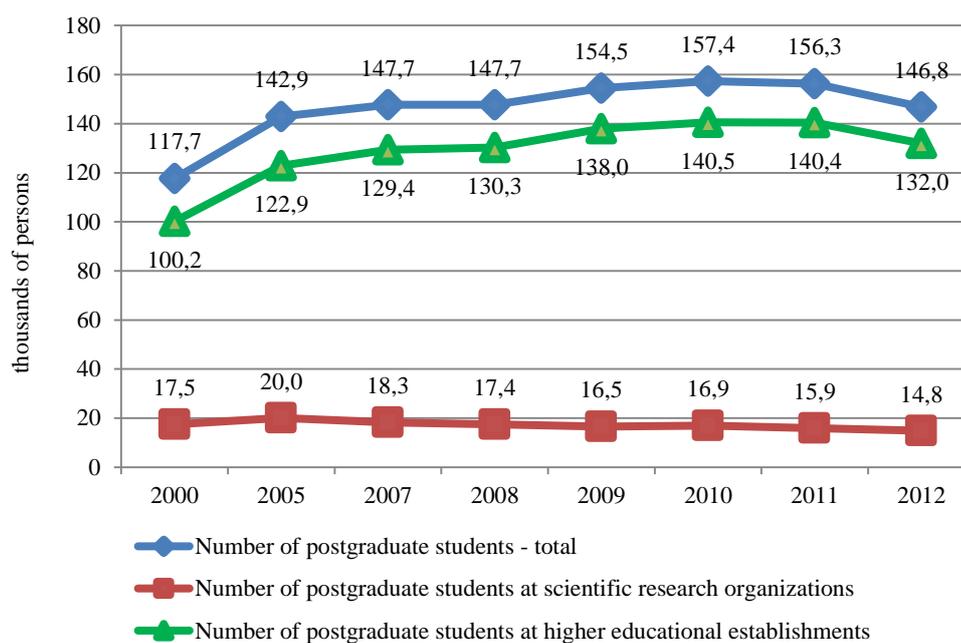
¹ I. V. Abankina and L. N. Ovchariva (National Research University - Higher School of Economics) submitted to the RF Ministry of Finance the proposals for elaborating compensation mechanisms for refunding to parents the cost of child care services and meals provided to their children by the educational establishments for children.

Alterations introduced in the procedure for charging the budget-funded students residing at the dormitories of higher educational establishments for their housing rent. Similarly grave problems arose in connection with the stipulations in Law No. 273-FZ concerning the housing rent to be paid by students for their use of dorms. In Part 3 of Article 39 it is specified that 'the amount of rental to be paid for the housing and utilities services provided for students by the dorms shall be determined by local normative acts adopted with due regard for the opinion of students' councils and students' representative bodies set up at the establishments operating in the field of education (if such bodies do exist)'. In other words, the amount of housing rent is no longer limited to 5% of the amount of scholarship paid to a budget-funded student, as it was established previously. Of course, the old norm needed to be adjusted, because the introduction of the Unified State Examination had drastically changed the existing situation, in that the inflow of students from other localities into higher educational establishment became noticeably higher, especially in major educational centers like Moscow and St. Petersburg, Tomsk and Novosibirsk, Krasnoyarsk and Rostov, Kazan and Samara, and some other big cities. These changes triggered the need for some different mechanism of covering the cost of lodging for budget-funded students, and the new Law represents the attempt to introduce such a mechanism. However, once again, no compensation was envisaged for the students affected by the new rules for their increased dormitory costs, the financial sources for the compensation were not properly defined, especially in view of the switchover of higher educational establishments to the system of financing based on normative costs. As a result, administrative pressure was exerted on the rectors of higher educational establishments to prevent any growth of the dormitory rent, or to allow it to grow only slightly. Thus, the new legal norm - similarly to that on kindergartens - is not being implemented for lack of proper economic backing.

Postgraduate education becomes the third tier of the higher education system. One more innovation introduced by the Federal Law 'On Education in the Russian Federation' is the new status of postgraduate departments, which are to become the third tier of the higher education system. The ultimate consequences of this decision have not yet been fully understood, though.

Prior to the adoption of Federal Law No. 273-FZ, postgraduate departments were for those individuals who have already completed their studies and graduated from a higher educational establishment, and so scientific research organizations could set up their own postgraduate departments and carry out thesis defenses, although higher educational establishments were still the core base for such activities. In this connection, the total share of postgraduate students studying at scientific research organizations over the period between 2000 and 2012¹ dropped from 14.9 to 10.1% (*Fig. 9*).

¹ Latest official data.



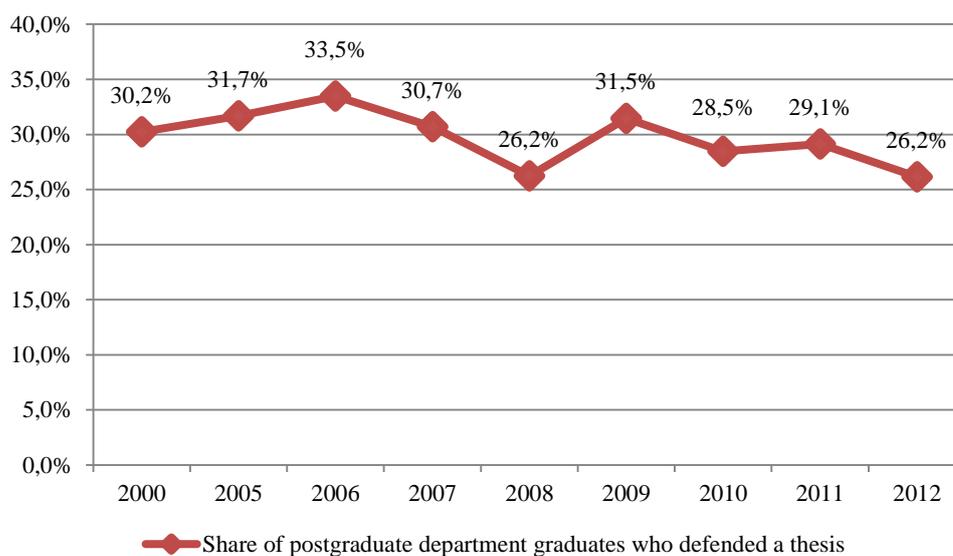
Source: Statistical Yearbook of Russia. 2013. Statistics of Russia, M., Rosstat, 2013.

Fig. 9. Number of postgraduate students studying at the scientific research organizations of Russian Academies (the Russian Academy of Sciences, the Russian Academy of Medical Sciences, and the Russian Academy of Agricultural Sciences) and higher educational establishments in 2000–2012, thousands of persons

The new status of postgraduate departments as the third tier of the higher education system requires the issuance of a special decision to the effect that scientific research organizations may also set up and implement such programs.

If, in this connection, we draw a parallel with master’s programs, it should be said that until recently those higher educational establishments that had no baccalaureate programs, were not allowed to implement master’s programs, either. Consequently, there may arise a situation where scientific research organizations will have to either develop and implement comprehensive programs up from the baccalaureate level, or to apply for a special permission to implement only postgraduate education programs (given the current viewpoint of the RF Ministry of Education and Science, the latter approach is likely to gain the upper hand). Besides, it will also become necessary to make a choice as to where and how the relevant theses will be defended, because now these will effectively be treated as the qualification papers of the graduates of postgraduate departments (for example, can the student graduating from the postgraduate department of one higher educational establishment be allowed to defend a thesis at another higher educational establishment or at a scientific research organizations, or *vice versa*)¹. In this connection it must be borne in mind that, over the last decade, the share of those who actually defended a thesis at the moment of graduation from a postgraduate department was between 26.2% and 1/3 of the total number of postgraduate students (Fig. 10).

¹ It is really difficult to imagine that the students completing their baccalaureate or master’s programs will (on a massive scale) defend their qualification papers at other higher educational establishment or scientific research organizations.



Source: Statistical Yearbook of Russia. 2013. Statistics of Russia, M., Rosstat, 2013.

Fig. 10. The Share of Postgraduate Students Graduating from Postgraduate Departments with the Defense of a Thesis, in the Total Number of Postgraduate Students, in 2000-2013, as %

In 2012, the share of those postgraduate department students who have actually defended a thesis at the moment of graduation dropped to its 2008 level, and it quite possible that this downward trend will continue over the next few years. This means that the defense of a thesis as a qualification paper confirming the completion of the third tier of the higher education system will, most probably, be replaced by some other form (this is actually what happens, at present, in the West - although for somewhat different reasons). In Russia, young men quite often choose to enroll in a postgraduate department in order to avoid conscription into the army. The bulk of postgraduate students (even full-time students) hold jobs, and frequently - in organizations or companies that have nothing to do with scientific research. Very often, the involvement of such postgraduate students in the scientific research projects of a higher educational establishment or scientific research organization is only perfunctory or symbolic. Besides, even in those cases when postgraduate students during the period of their study at a postgraduate department actually work as tutors at their higher educational establishment or participate in scientific research, after graduation (especially if they have defended a thesis), having gained a higher social status, they usually leave the higher educational establishment or scientific research organizations where they have studied and get a job elsewhere (although of course, there are some exceptions to this 'rule').

So, the new Law has introduced the third tier of the higher education system too early, in conditions when even the transition to the two-tier higher education system (baccalaureate - master's program) has not yet been completed: what really should have become the focus of attention at the current stage is the improvement of quality of the master's program and the elaboration of stricter rules for their licensing and accreditation. That is why there is a strong risk that, once they have been turned into the third tier of the higher education system,

postgraduate departments will do nothing to actually alter the organization of their current activity, thus making senseless all the innovations stipulated in the new Law.

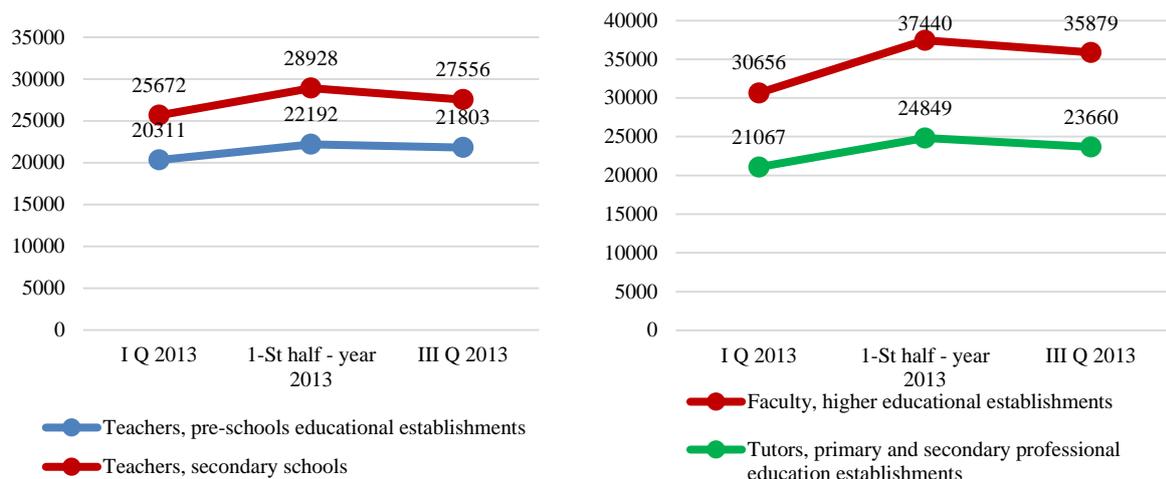
2. Implementation of the RF President's Executive Orders of 7 May 2012, No. 597 and No. 599. The May 2012 Executive Orders of the President of the Russian Federation envisaged, first of all, increased salaries for those employed in the social services sector and the introduction of 'effective contracts' in the education, public healthcare and scientific research systems.

Effective contracts. An effective contract concluded with a secondary school teacher of a faculty member of a higher educational establishment is understood as a contract setting such a salary level that will enable them to work only in one place (a secondary school or higher educational establishment) instead of seeking several places of employment, and spend a full workday there teaching students (during or in addition to classroom hours) or providing consultations to them. In the course of surveys conducted in the framework of *Monitoring of Education Markets and Organizations (MEMO)*¹ it was found out that the appropriate level for secondary school teachers is the average salary for a given region's economy, and for the professors and tutors of higher educational establishments – double that amount. There is one noteworthy point, however: in Presidential Executive Order No. 597 it is stipulated that it is the *average* salary of a secondary school teacher that should be equal to the amount of average salary for a given region's economy, just as it is the *average* salary of a professor or tutors employed at a higher educational establishment that should amount to 200% of that average. But if we deal with averages, the actual spread of salary levels between such employees can be very wide, and so this measure does not really represent an adequate solution to the problem of 'holding in their places' those real salaries are below the region's average salary level.

So, the consequences may be paradoxical – good teachers and professors will no longer have several employments, while the vacancies that will appear as a result of such shift will be filled by those who cannot secure a good salary at their principal place of employment. Besides, it should be noted that what used to be the ultimate dream at the time when the amount of actual earnings was only 60–70% of a region's average salary – 200% of that amount - may well no longer be satisfactory once that level is secured, because the principle of income elasticity of demand (rising demand in response to a change in consumer incomes) will still remain a relevant factor. Therefore it will be necessary either to introduce legislative measures preventing people from holding multiple jobs, or to invent some non-standard ways of securing the principle of 'effective contract' - among other things, by increasing the workload of secondary school teachers and the faculty members of higher educational establishments (a practice that can already be observed at schools), so as to deprive them of any spare time that can be used elsewhere.

Regular monitoring, by *Rosstat*, of the salary rate dynamics of some categories of education system personnel (including teachers at pre-school educational establishments, secondary school teachers, tutors at primary and secondary professional education establishments, and faculty members at higher educational establishments) has revealed that this index in Q3 2013 dropped on the first half-year of 2013 (*Fig. 11*).

¹ The National Research University - Higher School of Economics' Project 'Monitoring of Education Markets and Organizations (MEMO)' has been underway since 2002. See <http://memo.hse.ru/>



Source: Rosstat, http://www.gks.ru/free_doc/new_site/PublishOTKR/index.html

Fig. 11. The Average Salary Rate Dynamics Registered in the RF Education System in Q1 - Q3 2013

It can be expected that, when the results of Q4 are released, it will become obvious that the amount of average salary for all categories of educational system personnel has been increased once again, because the government continually demands that the regions should comply with the two May 2012 Presidential Executive Orders, and the shrinkage of the salary indexes in Q3 only has made these demands more urgent.

At the same time, it is already evident that RF subjects will hardly be capable of maintaining the high level salaries in the education system any further – regional budgets are staggering under the burden of increased expenditures (especially in view of the necessity to simultaneously increase the salaries in healthcare, the welfare system, and in the spheres of culture and science), and so it can be expected that in 2014, tension will be on the rise in the social sphere, including the education system.

The monitoring of the secondary education system's performance indexes in response to the increased teachers' salaries, conducted by the Center for Continuing Education Economics, RANEPA¹, demonstrates that teachers on the whole estimate the actual growth of their salaries over the past year to be negligible, while at the same, in the majority of cases, time pointing to their drastically increasing workload.

Entry of no less than 5 higher educational establishments in the top hundred of World University Rankings. Among the other goals set for the education system in the May 2012 Presidential Executive Orders, there was the entry, before 2020, of at least five 5 Russian higher educational establishments in the top 100 universities in the world, as ranked by Quacquarelli Symonds Limited. Towards the implementation of this goal, 15 higher educational establishments have already been selected, on a competitive basis, from among Russia's federal universities (FU) and national research universities (NRU)², and became favorites in this

¹ The Project 'Concept Development, Approbation and First Round of Monitoring of the Performance Level in the General Education System in the Context of Increased Remuneration of the Education System Personnel'.

² 3 federal universities (FU), 11 national research universities (NRU), and 1 university – Saint Petersburg Electrotechnical University (LETI), which is neither a federal university not a NRU.

contest, being allocated an additional subsidy for development in the amount of Rb 9bn (or Rb 600m each) in 2013 alone. For 2014 the allocation of a further subsidy to these higher educational establishments is planned, in the amount of Rb 10.5bn (or Rb 700m each). Later on, as can be seen from the Government Program 'Education System Development in 2013–2020', the expenditures earmarked for the achievement of that goal will be increased even further. This substantial amount of budget funds is allocated on the basis of 'roadmaps' prepared by the 'favorite' universities and outlining their movement towards the established goal¹. Similarly to the previously adopted Priority National Project Education, this is another attempt to follow the strategy 'money in exchange for obligations' (or, more precisely, 'money in exchange for the promise to secure the necessary results'. However, it is unlikely that such a goal can really be achieved, even by means of this heavy budget money inflow in a number of specially selected higher educational establishments.

At the same time, these measures have created unequal conditions for the other federal and national research universities and the selected 15 'favorites' - not mentioning the bulk of 'rank-and-file' higher educational establishments. Thus, it can be seen that, in Russia, the following multi-tier state higher education system has gradually begun to emerge:

- 1) 15 universities selected for the entry in *World University Rankings*, Moscow State University and St. Petersburg State University: 1st level of financial and administrative support;
- 2) 18 federal universities and 6 national research universities (not included in the list of 'Top 15' universities), as well as those higher educational establishment which, in accordance with the RF President's Executive Order, are granted the right to establish their own standards: 2nd level of financial and administrative support;
- 3) leading regional and branch higher educational establishments – 3rd level of financial and administrative support;
- 4) other higher educational establishments – 4th level of financial and administrative support.

Simultaneously, budget reform is being implemented (as established by Federal Law 83-FZ)². In its framework, higher education is treated as a type of government service delivered to the population, with the unification of the norms whereby financing is to be allocated to each higher education program, depending on the specialty and area of professional training.

As a result, at present the higher education system is developing along two opposite vectors - differentiation on the one hand, and unification on the other. Such an approach seems to be fraught with some very serious problems, because many of the adopted administrative and economic decisions are blatantly and distinctly contradict one another.

Thus, in particular, the structure of state higher education system, as it is currently emerging in Russia, is in many ways contrary to the logic of per capita financing norms that have been practiced so far (we are going to deal with this issue in more detail later in the text). Now, the principles of budget financing of higher educational establishments are increasingly relying on the estimates of education quality and the individual ranking of each higher educational establishment, instead of the 'pure quantity' of this type of government service delivered to the

¹ At the same time, it was pointed out to three higher educational establishments that they need to further elaborate their 'roadmaps'.

² Federal Law of the Russian Federation of 8 May 2010, No. 83-FZ 'On the Introduction of Alterations to Some Legislative Acts of the Russian Federation in Connection with the Upgrading of the Legal Status of State (or Municipal) institutions'

population - the traditional foundation of the per capita financing norms applied in the sphere of higher education.

3. The situation around the issue of the Unified State Examination (USE). From 2008, the USE has been becoming the center of a battlefield, because its introduction, on the one hand, is a sign of entry of Russia's education system into the global higher education market, while on the other hand it has resulted in the destruction of old privileges and the emergence of some new ones.

Besides, the USE - which until recently has been regarded as the main epitome of reform implemented in the sphere of education - is now being used as a weapon in the struggle against any further attempts to reform it, and also in the campaign against the reformers, among whom the main one has been considered to be (whether justly or not) the RF Minister of Education and Science. Thus, those who are opposed to the USE view the task of its debasement as the debasement of educational reform as a whole, and personally the Minister.

In 2013, for the first time since the onset of scandals around the USE (including the postings of the USE content on the Internet, the facts of help provided to the students taking the USE by their teachers and specially selected tutors from higher educational establishments, transfer of many of eleven-graders to rural schools where the control over the USE procedure is less strict), Head of the Federal Service for Supervision in the Sphere of Education and Science (*Rosobrnadzor*) Ivan Muraviev was dismissed from his post, together with several heads of regional bodies.

At the same time, against the backdrop of these scandals, the pressure to alter the format of the USE has escalated, together with criticism as to its ability to adequately test the level of knowledge in the field of humanities. As a result, the format of written composition was once again introduced for testing the proficiency in the Russian language, alongside the previously existing form of examination. This will evidently give rise to more corruption and create opportunities for deliberate underestimation of the test's results, with the age-old verdict that 'the theme of the composition has not been properly explored'. However, this is the agenda for the forthcoming scandals of 2014.

In addition to the composition format, preparations are underway for the introduction of procedure whereby secondary school graduates will be granted the right of choice between taking either the USE or the traditional graduation examinations at schools and entrance examinations at higher educational establishments. In this connection, no explanations are offered as to how the USE results will be coordinated with the results of examinations taken in the traditional format.

The entire situation around the USE is the upshot of the collision of interests of different social groups. The survey conducted by the Center for Continuing Education Economics of the RANEPa among the parents of students of ninth and eleventh grades in secondary schools has shown that more than 2/3 of them believe it necessary to hire private tutors in order to enable their child pass the State Final Attestation (SFA) or the USE. It is noteworthy that, as a rule, the private tutoring for the State Final Attestation has always been the prerogative of secondary school teachers, while the introduction of the USE resulted in the replacement of tutors from higher educational establishments (who formerly were traditionally employed in preparing secondary school graduates for taking entrance examinations at higher educational establishments) by secondary school teachers employed in the same capacity. The USE issue has become excessively politicized due to the attempts to apply its results as an estimate of the level of performance of secondary schools and their staff, as well as (to a certain extent) the

performance of governors. If prior to the introduction of the USE it was higher educational establishments that were blamed for creating fertile ground for corruption at the entrance examinations, now they are no longer 'the target for attack' (with very few exceptions), because the general public now pins the blame for corruption on secondary schools. In conditions when a higher education diploma has become a social norm, any obstacles to achieving this much-desired goal trigger an extremely negative reaction on the part of the parents. Now, the parents have begun to jealously follow the developments around the USE not only in their own region, but also in other RF subjects, because the higher scores gained by the school graduates in 'other' regions lower the chances of 'their own' alumni to enter the most prestigious higher educational establishments. In this connection, the areas of highest tension are Moscow and St. Petersburg: if the entry to Moscow and St. Petersburg higher educational establishments signifies an elevated status for the students and their families, for their counterparts residing in Moscow and St. Petersburg the fact of studying in, say, Tver or Belgorod means a downgraded social status.

One more factor that will further increase the opposition to the USE in the nearest future is the shrinkage, for demographic reasons, of the number of students at higher educational establishments. And the outflow of potential students to other cities and regions is already perceived as the reason for questioning the feasibility of existence of a local higher educational establishment, and consequently, the performance of its faculty. Besides, prior to the introduction of the USE the mobility of young people in search of higher educational was low, now it is on the rise, while the probability that young people will return home after their graduation from a higher educational establishment is also questionable, and so the USE displeases the regional authorities and the potential employers alike.

So, resistance to the Unified State Examination is not so much an issue associated with the education system's functioning - rather, it is a socioeconomic issue, and thus no adequate solution can be provided by the education system alone because scandals will not cease, and tension will only become higher.

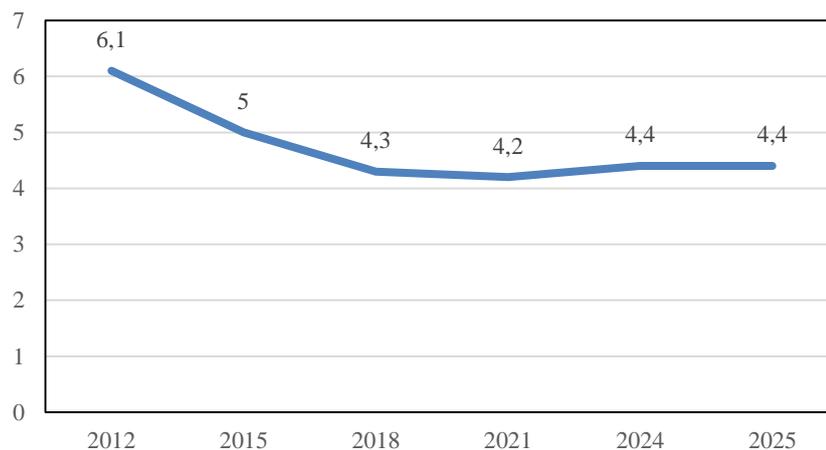
4. Monitoring of the performance level of higher educational establishments and their affiliations. In 2013, the second round of monitoring the performance level of higher educational establishments was completed. The results of the 2012 monitoring had caused sharp criticism, because the list of inefficiently performing establishments was found to contain such well-known names as the Moscow Institute of Architecture (State Academy) and Russian State University for the Humanities. In this connection, the 2013 monitoring was geared for the individual specificities of higher educational establishments. As a result, only those state-funded higher educational establishments that were well-known only in their own localities and some, a affiliations of state-funded higher educational establishments were recognized as 'inefficiently performing'. However, the main blow was delivered to non-state higher educational establishments and their affiliations. Thus, 23 state-funded higher educational establishments, 7 non-state higher educational establishments and 15 affiliations of state-funded higher educational establishments were recognized 'to be in need of optimization of their activity', while 125 non-state higher educational establishments and 184 affiliations, and 7 state-funded higher educational establishments and 57 affiliations were defined as needing 'reorganization'.

In principle, the need for a kind of 'purge' in the higher education system has been felt for a long time: many non-state higher educational establishments have traditionally become 'factories' for the issuance of high education diplomas, and not highly qualified professionals. This practice is largely shared by some state-funded higher educational establishments,

especially with regard to their part-time students. It is no secret that the non-state sector offers low-standard higher education to its students. Thus, while the law on the distribution of the government assignment for human resources between state-funded and non-state higher educational establishments was being elaborated,¹ it was pointed out that only 40 non-state higher educational establishments (out of 450) can truly aspire to achieve the control enrollment targets set for them, and so to actually receive budget subsidies to cover the tuition of budget-funded students.

The necessity for the optimization of the system of higher educational establishments is obvious (especially given the substantial recent drop in the number of students) (*Fig. 12*); however, questions arise as to why 'optimization' is undertaken on the basis of monitoring, and not in the framework of licensing and accreditation of higher educational establishments.

In this connection, it is the accredited higher educational establishments and their affiliations that are being 'optimized' and reorganized (by means of their liquidation), not mentioning the fact that they have been issued proper State licenses for the conduct of activities in the sphere of education (and the performance efficiency criteria include, in particular, indicators like total floor area of premises used for studies, per student, and faculty qualifications). Does this really mean that the procedure of monitoring is designed to replace (or reduce to a pure formality), or in the short-term perspective will actually replace the procedure of accreditation of higher educational establishments, and that the quality of education is going to be assessed specifically in this framework?



Source: the author's calculations.

Fig. 12. Forecast of the Number of Students at Higher Educational Establishments in 2015–2025 (Basic Scenario), millions of persons

It should also be noted that, in 2013, one of the main criteria applied in assessing the performance level of higher educational establishments was the successful employment of their alumni. Thus, an attempt was made to link the performance of higher educational establishments to their ability to satisfy the demand on the labor market. However, in the

¹ See the Explanatory Note to the Federal Law of the Russian Federation of 16 November 2011, No. 318-FZ 'On the Introduction of Alterations to Some Legislative Acts of the Russian Federation in the Part of Setting, for Secondary Professional Educational Establishments and Higher Professional Educational Establishments with State Accreditation, the Control Numbers of Citizens to be Enrolled at the Expense of the Corresponding Budgets within the Budget System of the Russian Federation'.

situation of a slowdown of the economic growth rate and rising unemployment figures it is unlikely that an alumnus's ability to find a job can serve as a realistic indicator of his or her professional qualification obtained at a given higher educational establishment. It should be remembered in this connection that the curriculum structure was set up four or five years ago, while companies plan their recruitment policies for a year ahead - or, at best, for the next three years. Besides, higher educational establishments provide education to both budget-funded and self-paying students, but on their entry into the labor market these two flows merge into one, while the customers responsible for the emergence of the two flows are different (the State for the one, and households for the other), and their decision-making is based on different considerations. So, something that is not effective for one customer may turn out to be effective for the other (for example, when a former self-paying student takes over, on the labor market, the place of the former budget-funded student).

It also seems that those who estimate the performance level of higher educational establishments - among other things, in the framework of monitoring - have a very-narrow-minded view of the issue, understanding it simply as the cost effectiveness of budget expenditure. Meanwhile, it is no less important - or perhaps even more important - to obtain an answer to the following question: what is better for contemporary Russian society – an individual who has received a higher education, even if not of the best quality, or somebody who has failed to receive it, and so believes himself to be a social outsider (because, as noted earlier, higher education has become a social norm)?

Besides, another fact should be taken into consideration - that the progress of society is now vectored away from production of goods (the industrial era) towards production of human resources (the post-industrial era).

5. Per capita financing norms for higher educational establishments. In 2013, the approach to the estimation of normative costs of the delivery of government services in the form of higher education was somewhat altered, as compared to the situation in 2012 when the RF Ministry of Education and Science for the first time introduced the per capita financing norms (normative costs per students) for baccalaureate, specialization and master's programs, depending on specialty and field of studies.

In 2013, when it became necessary to raise the average salary level of the faculty members of higher educational establishments to 200% of the average salary of each corresponding region, the RF Ministry of Education and Science suggested that adjustment coefficients should be introduced for each RF subject and applied to all the higher educational establishments situated in its territory. Besides, for those higher educational establishments that had been granted the right to set their own education standards, it was suggested that their per capita financing norms should be raised above the level of norms established for all the other higher educational establishments specializing in the same fields (or specialties)¹.

The RF Ministry of Finance, however, objected to the idea of establishing higher expenditure norms for this category of higher educational establishments, presenting its argumentation along the following lines: that the government services delivered by higher educational establishments – tuition under baccalaureate, specialization and master's programs – are based on universal standards (Federal State Educational Standards), and so the allocation of budget funding should be geared specifically to this standard set of services, similar throughout the

¹ See Decree of the Government of the Russian Federation of 3 June 2013, No. 437 'On Measures Designed to Ensure the Switchover to Per Capita Financing Norms of the Higher Professional Education Programs With State Accreditation'.

entire territory of the Russian Federation, on the basis of single norms. As for any higher standards deviating from the Federal State Educational Standards set by the higher educational establishment by its specially granted right for its specific educational programs, the RF Ministry of Finance Russia believes that the related excess costs should be funded from that higher educational establishment's own resources. However, for a higher educational establishment to have its 'own resources' is a purely abstract notion, because all the monies received and spent by a higher educational establishment represent targeted funding. The income derived by a higher educational establishment from its 'commercial activity' represents, in the main, the off-budget resources received from self-paying students. But these monies should be spent strictly on the tuition of those students under the contracts that the higher educational establishment has concluded with them. The funding allocated to a higher educational establishment in accordance with a government assignment for scientific research, or the funding received under a government order for a research and development project must be spent strictly on the fulfillment of that assignment or order, and so on.

Consequently, if the government refuses to provide funding for the tuition of budget-funded students at higher educational establishments on the basis of increased norms, those students would then be obliged to pay out of their own pocket for any extra services delivered in excess of the Federal State Educational Standard. However, in the event of an additional service being offered, the student has the option of refusing to receive it, or a special contract for the delivery of such a service should be signed at the moment of enrollment in a higher educational establishment, and if a budget-funded student (or their parents, or their lawful representatives) fail to sign it, the student will not be enrolled. And this may become possible only on condition that some very significant alterations be introduced in Russian legislation on education because, under Article 43 of the Constitution of the Russian Federation, any student who has passed the entrance contest to a higher educational establishment is granted the right to study there free of charge (and now the entrance contest is effectively the USE score, and not the student's consent to receive an additional paid-for service). In absence of relevant legislative acts - that is, without the introduction of increased per capita financing norms - federal universities and national research universities, as well as higher educational establishments with the right to set their own education standards as stipulated in the RF President's Executive Order¹, will not be able to enjoy that right, or it will be exercised with very severe limitations. Consequently, either the goal of increasing Russia's competitive capacity on the world higher education market will not be achieved, or the relevant higher educational establishments will be trying to achieve it at the expense of subsidies earmarked for other targets - which, in effect, will also mean a change in their per capita norms.

It should be noted that this practice has already become visible, for example, in the secondary school system in Moscow after the unification of per capita financing norms for gymnasiums, lyceums, advanced learning schools specializing in certain subjects, and ordinary schools. Now

¹ Lomonosov Moscow State University, St. Petersburg State University, higher educational establishments belonging to the category of "federal university" or "national research university", and federal state higher educational establishments entered in the list approve by the RF President's Executive Order are granted the right to independently approve their own educational standards for all higher education tiers. The requirements to the conditions for implementing the higher education curricula included in their standards, and the requirements to the results achieved by students after the completion of such programs, cannot be below the level of the corresponding requirements established by the existing federal state education standards (the Law 'On Education in the Russian Federation', Article 11, Part 10).

the best of them (as estimated by their rating scores) receive special grants, which effectively raises their per capita funding norms, while the special status of a school is determined in the framework of the rating procedure. Such a policy results in a situation where the establishments with highest rating scores begin to get rid of their inadequately progressing students, or force the parents of such students to hire private tutors, so that these students would not bring down the school's average score.

At higher educational establishments this process takes a more intricate form, but the selection of leaders in the 'race' for getting in *World University Rankings* and the allocation of substantial subsidies to the implementation of their roadmaps effectively pushes up their per capita norms and disrupts the entire logic of per capita funding allocation, which was initially presented as an attempt to introduce a competition mechanism in Russia's system of higher education.

The year 2013 has demonstrated that our assumptions (made in 2012) that the unification of financing norms will weaken the position of 'strong' higher educational establishments (those that are not entered in the special lists) and improve the position of 'weak' ones are becoming to fully materialize. In this connection, there is a threat that the overall level of higher education going to decline, not improve. One evident example is the Faculty of Mechanics and Mathematics of Moscow State University, which has been evolving for centuries to finally gain such a status. So, it cannot really be expected that if equal funding is allocated to the 'maths' specialty on a nationwide basis, a faculty of mathematics of, say, a regional pedagogic institute will be able to provide tuition at the same level as the famous MSU faculty. More likely, it will result in degradation of the latter¹.

The introduction of unified per capita financing norms for each specialty or field may deliver an especially painful blow to the medium-sized higher educational establishment implementing their own unique programs. These higher educational establishments usually do not specialize in many fields (a factor which prevents them from attracting a very large number of students), their strength is their specialized advanced learning programs (for example, learning of several foreign languages). However, it is these establishments that are indicative of the vector of development that has emerged in the last few decades: the massive-scale availability of higher education launches the process of differentiation among higher educational establishments, which begin to offer higher education programs customized to individual needs. That is why, in the developed countries, per capita financing norms are never applied in their pure form - in addition to the number of students, consideration is also given to the quality of each implemented program. The experiences of 2013 demonstrate that this is the approach that Russia must practice when allocating budget funding to higher educational establishments, otherwise they may be deprived of their development potential - and what then will become of the competitive potential of Russia's higher education system in the world education market?

¹ It is clear that MSU's Faculty of Mechanics and Mathematics will have nothing to fear in connection with the switchover to the unified financing norms, because Moscow State University, with its status of 'national asset', will be allocated financing at a much higher level; however, this is just one example, in our opinion, of how the principle of 'unified approach to financing', which takes no account of existing historical traditions, fails when applied to the sphere of higher education. Moreover, it can even destroy the achievements of the past.