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Correct evaluation of Social Policy

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Abstract

The problem surrounding Social Policy in Russia is due to internal and external factors. The authors analyse the challenges of effective social policy evaluation with different analytical materials by first given the definition of effectiveness with the aid of formula, then describe the types of social policy presented by Esping-Andersen and Abrahamson. The authors also analyze three main factors (inflation rate of oil, the rate of dollars against rubles and the pulling out of foreign investors) that lead to crises in Russia. In conclusion, the authors decide that the insufficient effectiveness of Russia's social policy is primarily associated with tight budget constraints due to the crisis.

Keywords: Effectiveness, inflation, crises, investors, Social Policy, economy, budget;

1. Introduction

The research interest to the problem of effectiveness of social policy started in the second half of the twentieth century. It is known that social policy is a system of measures used by a government to the form the living standards of the population, to reproduce a human capital, to provide social services and to develop a social infrastructure at federal, regional and local levels. Social policy is implemented with the help of administrative, budgetary and legislative measures, embodied in various social programs.

After the Second World War, many European countries actively defended the expansion idea of key public services, thereby predetermining the scientific and practical interest for creating a "welfare state" that can cope with five most serious social problems: poverty, poor health of a significant part of the population, poor housing, low level of education and high unemployment. Before speaking about the effectiveness of social policy, a few important words about the notion of effectiveness should be presented. Effectiveness is usually considered as a relative effect indicator: the ratio of the effect in volume or value terms to the costs that ensure its getting. Effectiveness is understood as relative effect, efficiency of a process, an operation and a project):

$$\text{Effectiveness} = \frac{\text{Effect (result) in volume or value}}{\text{Cost for getting the effect}}$$

However, to apply this approach for economic measures of social policy is a difficult task. Thus, it is necessary to solve the following tasks:

- to identify quantitative and qualitative characteristics that determine the effectiveness of social policy (reflecting the improvements of the life quality of citizens and society as a whole);
- to study the basic requirements for the system of indicators used for assessing the effectiveness of the social policy;
- to identify main problems that prevents the growth of the effectiveness of social policy in the Russian Federation.

1.1. Types of Social Policy

Nowadays there are several approaches for identifying types of social policy. One of the most famous approaches is the classification proposed by G. Esping-Andersen [1]:

- Liberal social policy can be seen in such countries as the United States, Great Britain and Canada. According to it, the main components of the welfare of citizens are provided with minimal interference by the State;
- Conservative social policy can be seen in Austria, Germany, and Italy. The welfare of citizens is based on budget expenditures. The main channels for managing social expenditures are in the hands of the State.
- Social democratic social policy is presented in Sweden and Norway. The social policy is implemented by the State.

In addition, there is also the Catholic model of social policy described particularly in the works of P. Abrahamson. Its main principle is the "idea of ancillary". The Christian social doctrine says the nearest authority must solve the social needs. It is important to note that these models are universal; they exist both in developed countries and in countries with transition economies.

1.2. Tools and Information sources

Having determined the main types of social policy, the task of correct assessment of its effectiveness becomes more complicated. Nevertheless, the world practice has a great experience in measuring and evaluating the effectiveness of social policy through various tools and information sources. These are international system of social indicators developed in 1970-1980:

- OECD social indicators;
- "Social Indicators Directory" of the UN Department for International Economic and Social Affairs (includes social indicators classified by type of activity);
- Data from the International Social Survey Program (ISSP);
- National statistical data.

With the help of various statistical indicators, researchers have the opportunity to measure the effectiveness and dynamics of the movement of some social policies and to assess the development trends of the society. These instruments are designed to determine the aggregated qualitative criteria state of the society and life quality of the population.

Additional difficulties in assessing the effectiveness of social policy are created by the fact that, it is important to take into account some difficult conditions to measure:

- the obtained result in accordance with the goals of society development, as well as the degree of this achievement;
- the minimum costs associated with the achievement of the goals;
- the best achieve from possible compromises between conflicting tasks (under political and administrative pressure);

- the preserve continuity of the taken measures (with the reduction of inequality, raising the level of education and the quality of medical care for the population, combating unemployment, etc.);
- all kinds of economic and social effects, seeking ways to minimize social losses;
- the already existing measures of social policies regularly in order to adjust them.

During the assessment of effectiveness of social policy, it is necessary to take into account the external and internal factors.

2. Factors affecting Social Policy Assessment in Russia

Assessing social policy in Russia, it is necessary to identify three main factors that have a significant impact on its effectiveness:

- the continuation of the financial crisis;
- the decrease in confidence of Russian economy by foreign investors;
- the reduction of actual expenditures in several areas of social policy.

The most significant (negative) factor for the social policy in the Russian Federation is the continuation of the financial crisis and its consequences. Figure 1 presents the data on the dynamic changes of inflation in Russia from 2010 to 2016.

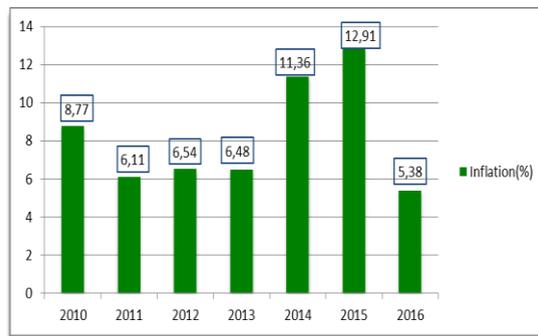


Fig. 1. Inflation in Russia (2010 – 2016). The source: CPI Inflation [2].

Figure 1 shows that in Russia in 2014 and 2015 inflation increased to almost 13%, and in 2016 there was a slight reduction (to 5.38%). Nevertheless, all inflation rates in the Russian Federation over this period were much higher than in countries with developed economies. The high inflation in Russia is largely determined by the dynamics of the ruble rate against the US dollar and the changes in the average oil price (2014-2017), as shown in Figures 2 and 3.



Fig. 2. The exchange rate of US dollar to Russian roubles (2014 – 2017). [3]

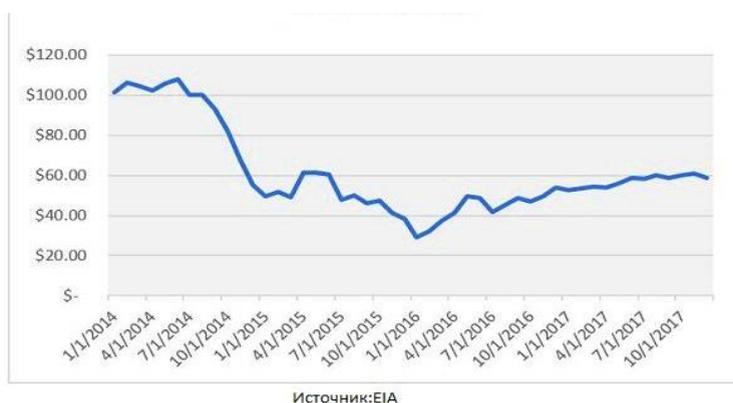


Fig. 3. Average oil price from 2014 to 2017[4].

It is known that in 2014, the price of oil in the world markets fell significantly (from \$ 100 to \$ 50 per barrel). According to the exchange rates, ruble against the US dollar grew significantly: first, it grew from 30 to 40 rubles per 1 US dollar, and then to 70 rubles in 2015 and even higher in 2016. Because of financial crisis, the Russian Federation reduced expenditures on certain budget sections, including social sectors that could not but affect the effectiveness of social policy.

Another serious problem that determines the lack of effectiveness of social policy in Russia is a declining confidence in the Russian economy from foreign investors. Figure 4 shows the dynamic of investments from foreigners in the Russian Federation for recent years.

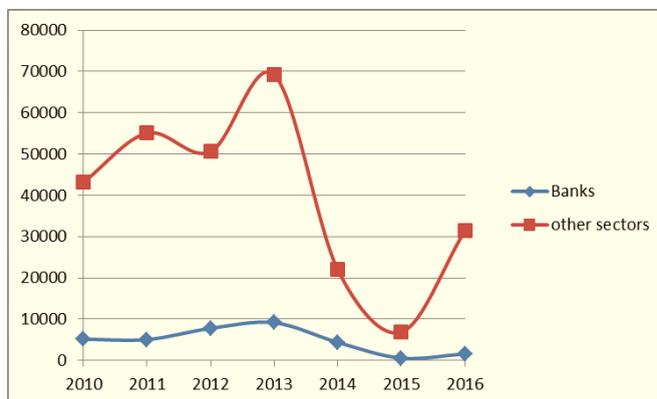


Fig. 4. Foreign investments in the Russia Federation from 2010 to 2016 [5].

Figure 4 shows that foreign investments in Russia had declined significantly. The main reasons for this were the worsening of the international political situation, the introduction of anti-Russian sanctions, as well as the previously marked drop in oil prices and inflation. Thus, the Russian Federation reduced expenditures on certain budget sections, including social sectors. Table 1 shows the ratio of public expenditure by sections in Russia in 2015, and Figure 5 demonstrates the structure of Russian budget expenditures in the year 2016.

Table 1. Ratio of public expenditures in Russia in 2015 [6].

Budgeted Spending classification	Dynamics, %
Military	132,8
Social Policy	114,7
National issues	113,4
National economy	107,8
Servicing of public debt	103,9
National security and law enforcement	103,7
Housing and utilities	103,5
Protection of the environment	100,4
Culture cinematography and mass media	100
Physical culture and sport	96,1
Education	95,3
Mass media	93,4
Interbudgetary transfers of a general nature	86,9
Medicare and health	78,6

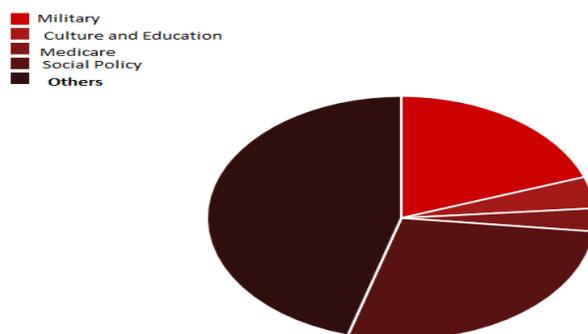


Fig 5. The Expenditure structure of Russia Budget in 2016 [7].

The ratio of spending items of Russian budget in 2016 repeats the budget structure of the previous years. The most costly sector is the national defense (3.1 trillion rubles), social policy (4.4 trillion rubles), as well as national security and the national economy (in total they account for more than 4.5 trillion rubles. In figure 5 they are in the category "others").

In 2016, the public expenditure on education decreased by more than 20 billion rubles (from 602 billion in 2015 to 578 billion rubles in 2016). About 5 billion rubles were added to the section "culture" (up to 95 billion) and more than 100 billion rubles were added to health (up to 490 billion rubles [7]).

3. Conclusion

Summing up, I'd like to mention that the main challenges of the correct assessment of the effectiveness of social policy are included in the contradiction between its economic efficiency and fairness, the public's striving for justice in contrast to upholding as much equality as possible. The social interests of society as a whole often contradict the interests of its individual social groups (the rich – the poor, the indigenous people - migrants, etc.). Other issues complicating the correct assessment of the effectiveness of social policy are the contradiction between the interests of the ruling political party and the stability of social priorities. As for Russia, it is very important to assess the reduction of inequality between the rich and the poor in order to assess the effectiveness of social policy correctly and it is a very serious socio-economic issue.

I'd like to emphasize that the insufficient effectiveness of Russia's social policy is primarily associated with tight budget constraints due to the crisis, and for a correct assessment of its effectiveness it is important to take into account the trends of the ongoing macroeconomic changes.

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