

The problems of financing of higher education in modern Russia

The article deals with the financing of higher education in the current conditions on the materials of state universities in the Russian Federation. The author proves that education in general, including higher education, cannot be considered as a commercial service sector and universities as commercial organizations. He believes that it is a sphere of intellectual and spiritual activities that creates public goods, which must be provided by the state on a par with other public goods (ensuring of the state and social security, social security of the population, environmental security, etc.). This article presents the problems in the improvement of education expenditure planning and financing according to the objectives of modernizing the country at the new stage of its development.

Higher education in Russia, financing, commercialization of universities, organization of student admitting and training, academic teaching staff salaries.



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The course for the modernization of society declared in Russia should be implemented due to the transition to an innovation economy. So, improving the quality of human capital that depends directly on the education of public at large takes a particular importance in this process. The modernization of society is impossible without qualified specialists and talented scientists, without acquiring knowledge and high-quality education of people who are, in turn, the sources of high and sustainable rates of economic growth.

In this regard, a key role is assigned to higher professional education (HPE) – the highest level of the educational system that provides a person with the guarantees of higher education and qualification in the chosen field of professional activity. The institutions of this educational

sphere are called higher education institutions (institutes of higher education) that have the forms of a university, academy, institute, etc.

Prior to the adoption of the new Federal Law “On education” that will become effective since 2013, legislative and legal principles of state policy in the field of education in Russia are regulated by the federal laws “On Education” dated January 13, 1996 No. 12-FL and “On Higher and Postgraduate Education” dated August 22, 1996 No. 125-FL, the National Doctrine of Education Development approved by the Government Resolution dated October 4, 2000 No. 751, as well as by the subordinate legislations of the Ministry of Education and Science of the Russian Federation, the Ministry of Finance of the Russian Federation, the Federal Treasury of Russia, etc.

There is no need to prove that the stable functioning of universities, the development of higher education and improving the quality of training of qualified specialists depend largely on timely financing for the above purpose. Since the development of higher education was considered as a national problem, it was financed mainly from the federal budget of Russia. According to the 2004 data, nationwide sphere of state higher education received 93% of funds from the federal budget of Russia, 6% from the budgets of the federal subjects of Russia and 1% from local budgets¹. However, there is a trend to decrease in the nationwide share of government financing of higher education in recent years: the share of federal budget in the financing of state universities' expenditure has accounted for 70 – 75%². The share of extra-budgetary funds, particularly the revenue from paid educational services, has increased due to strengthening the commercialization of state universities' activity. Thus, the share of budget financing in the structure of financing the Vologda State Technical University's (VSTU) expenditures was 49.7% in 2003 and 43.9% in 2012, the share of non-budgetary financing was 50.3% in 2003 and 56.1% in 2012. According to recent statistics, more than 2/3 of the total current expenditures of the University are financed by the funds received from paid educational services.

This dynamic has its own history. In the period of transition to a market economy (the 1990s of the 20th century), the educational system on the whole and higher education in particular had to survive due to the sustained reduction of government financial support for social sphere. Sometimes, the low wages of lectures and other employees in the state universities, as well as the meager scholarships

of students were not paid on time. There was no budgetary financing of expenditures for the organization of the educational process, the maintenance and use of buildings, buying and repairing equipment. State universities' arrear with the payments for public services and energy supply increased, and there were no actual mechanisms and sources to repay the debt. Due to the acute deficiency of governmental funds, the budgetary financing of state universities reduced under the pretence of rationalization and efficient use of budget funds, the need for "the transparency" of budget financing, the intensification of state functions in the budget process. These measures have resulted in the following:

- reduction in the number of state funded organizations that was resulted in the closure and / or consolidation of state universities, as well as transferring the functions of university financing to the regional budgets;

- detailed distribution of budgetary funds by federal authorities between the items of budget classification already at the stage of budget quarterly breakdown; allocation of budgetary funds for the specific expenditure items without the right to redistribute them, etc.

In order to solve the situation, state universities were allowed to search for additional (non-budgetary) funding sources to cover the financing gap, especially in the current expenses. The government stimulated the development of universities' entrepreneurial activity that favoured the increase in the amount of revenue from paid educational services from year to year and allowed the state universities to turn into the market-based organizations. Moreover, market-based state policy in the field of higher education resulted in the increased number of non-state commercial universities and their branches that thrive in our country over the past two decades.

In all fairness it has to be added that the reduction of the state financial support for higher education was a necessary measure in

¹ Gurov V.A., Sigova S.V. On financing of education. *Finances*. 2006. No. 8. P. 49-52.

² Kalashnikova O.V. Financing of higher education in the transition to an innovative economy. Author's abstract. Ivanovo, 2011. P. 11.

the 1990s because of the chronic economic decline and deterioration of the financial situation in Russia due to thoughtless economic reforms. However, there was an economic growth in the country after the 1998 default. Annual average GDP growth rates accounted for 5 – 6.5% in the period from 2000 to 2008. During those years, Russia's GDP grew by 68%, and the country ranked the 6th in the world according to GDP gross volume. The volume of Russia's consolidated budget increased manifold during that period, the federal budget of Russia became surplus, there was an increase in gold and foreign exchange reserves³, etc. It would seem, Russia had an opportunity to mobilize the financial support for higher education due to the significant improvement of macroeconomic and financial indicators.

However, it did not happen. Scanty scholarships were persisted. It was not implemented the provision of the 1996 Russia's law "On education" that the average wage rates of academic teaching staff should be two times higher than the average wage of industrial workers. According to this law, the share of expenditures on higher education should be at least 3% of the expenditure side of the federal budget, however, it was actually accounted for 2.5% on average in 2000 – 2004. There was no radical progress in the subsequent years.

Table 1 shows that the share of financing of higher education expenditures in the total expenditures of Russia's federal budget increased slightly – up to 3.3% in 2009, i.e. the growth was only 0.9% for six years. The share of budget financing of higher education expenditures accounted for 0.8% of GDP in 2009. At the end of 2011, it had dropped to 0.7% of GDP, which was two times lower than in developed countries (average rate of the OECD countries – 1.3%). Budget amounts of

Russian state universities for research was no more than 0.04% of GDP, while it amounted to 0.25 – 0.4%⁴ in the developed countries.

The quality of specialist training in Russia has dropped sharply over the recent two decades that is proved, for example, by the following facts. The Times Education has published the World University Rankings 2011 – 2012 based on the special score evaluation. According to this ranking, Lomonosov Moscow State University that was among 50 top universities in the world until recently found itself in the group of universities that ranked from 276th to 300th. St. Petersburg State University, followed the Moscow State University, found itself in the group of universities rounded out the list (351st – 400th positions)⁵.

It is our firm belief⁶ that one of the main reasons for the sharp decline in the quality of higher education in Russia today is the commercialization of state universities and a growing trend to increase the number of students who pay for their education due to reducing the share of free education. In fact, there is non-compliance with the requirements the RF Constitution (Article 43) that "everyone shall have the right to receive, free of charge and on a competitive basis, higher education in a state or municipal educational institution or enterprise"⁷. As we see, there is no paid higher education clause on a non-competitive basis in the Constitution.

Moreover, a number of laws run counter to the Constitution and aimed at strengthening the commercialization of state higher education institutions have been adopted in the country in recent years. For example, the Law of the Russian Federation "On Autonomous

³ See: Avetisyan I.A. Issues of the state regulation of the processes of income distribution and use in today's Russia. Economic and social changes: facts, trends, forecast. Volodga: VSCC CEMI RAS, 2009. Iss. 1 (5). P. 109-111.

⁴ Kalashnikova O.V. Ibid. P. 12.

⁵ Version. 2012. No. 11. March 19 – 25. P. 5.

⁶ The author of this article has been teaching in the state universities for 47 years. Of which, he had been working as a pro-vice-chancellor for academic affairs for 12 years in the economic university (in Soviet times).

⁷ Constitution of the Russian Federation. Moscow: RF MIA Joint Editorial Board, 1998. P. 17.

Table 1. Dynamics of higher education expenditure financing by the federal budget of the Russian Federation in 2003 – 2009

Indicators	2003	2004	2005	2006	2007	2008	2009
Volume of GDP, trln. rub.	13243	17048	21625	26903	33111	41668	40420
Volume of expenditures of Russia's federal budget, bln. rub., total in % from GDP	2358.5 17.9	2648.9 15.8	3514.3 16.2	4284.8 15.9	5983.0 17.1	7570.9 18.1	9931.4 20.4
Higher education expenditures of Russia's federal budget, bln. rub., total in % from GDP in % from the total volume of Russia's federal budget expenditures	56.8 0.4 2.4	71.8 0.4 2.6	119.2 0.5 3.4	161.6 0.6 3.8	228.3 0.7 3.8	280.0 0.7 3.7	328.6 0.8 3.3
Source: Kalashnikova O.V. Financing of higher education in the transition to an innovative economy. Author's abstract. Ivanovo, 2011. 26 p.							

Institutions” dated November 3, 2006 No. 174-FL was adopted under the pretext of improving the legal status of public institutions; it allowed the privatization of public institutions, including state universities, and thus provided for the full gradual replacement of free higher education by paid one. However, the complexity of the process of creating autonomous institutions (the Resolution of the Government should have been taken to each of them) did not allow a massive transition of public institutions, including state universities, into the status of autonomous organizations, and they did not guarantee the improvement of their financial standing because the decline in budget funding required to attract extra-budgetary sources.

The Federal Law on May 8, 2010 No. 83-FL “On amendments to certain Legislative Acts of the Russian Federation in connection with the improvement of the legal status of state (municipal) institutions” enacted on July 1, 2012 has become the logical extension of the policy aimed at strengthening the commercialization of public institutions, including state universities. This law allows the state universities to achieve a status of so-called institutions with an extended range of rights, or autonomous institutions, or government agencies. According to this law, a number of federal state-funded educational institutions of higher education which are under the jurisdiction of

the Federal Security Service and the Ministry of the Interior are automatically awarded the status a status of government agencies. These universities should be financed in accordance with the budget estimates (estimated form of financing), and the funds obtained due to other profitable activity are liable to be included into the appropriate budget. The rest of state universities are awarded the status of institutions with an extended range of rights or autonomous institutions that defines the differences in the financial aspects of their activity. For example, institutions with an extended range of rights or autonomous institutions can be provided with the funds in the form of subsidies and budgetary investment according to the assignment of the founder, and their revenues should be at their self-sufficient disposal. In fact, without investment, the overall trend is becoming clear that the budgetary financing of these universities' expenditures is reduced.

The amendment to the Budget Code of the Russian Federation made according to the Federal Law No. 83-FL eliminated the provision that state-financed organization should perform non-commercial functions and their activity should be financed at the expense of the national budget or state non-budgetary fund. According to the new amendment of the Budget Code of the Russian Federation, those state universities that have awarded the

status of state-financed public organizations perform commercial functions, and they are financed in full due to the budget on the basis of the budget estimates (BC Code of RF; article 161). And most state universities that have not been awarded this status perform commercial functions, and they are financed mainly by the revenues from their paid activity, in particular, from providing paid educational services.

Finally, Russia has found a global factor to transfer the activity of social institutions (in the sphere of education, public health, etc.) onto commercial basis: the country became a full member of the World Trade Organization (WTO) and a participant of the General Agreement on Trade in Services (GATS) at the end of August, 2012. According to the WTO – GATS rules, the citizens of Russia, unfortunately, are deprived of their constitutional rights to free education, as these social rights become expensive and inaccessible for most people services that are similar in their nature to the sale of goods in retail trade system.

Strengthening the commercialization of state universities, which means, first of all, the replacement of free education by fee paid education is one of the reasons for the sharp decline in the quality of graduates from the universities. *Table 2* proves this.

The table shows that the total number of graduates from the Economics Department of the Vologda State Technical University has increased 2.2-fold over the period from 2003 to 2006, including 1.7-fold increase in the number of graduates who got state-subsidized education and 4.2-fold increase in the number of fee-paying graduates, i.e. the growth rates of the fee-paying groups have exceeded the growth rates of the state-subsidized groups. Moreover, the share of state-subsidized honours graduates in the total number of graduates from the Economics Department accounted for 13.7% in 2006, and the share of graduates who got state-subsidized education and received excellent and good final marks was 56.2%. The share of honours fee-paying graduates was only 1.8%, and the share of fee-paying graduates who received excellent and good final marks accounted for 28.2%. It is increasingly possible to meet such graduates from the economic faculties who have no ideas about economic categories and economic laws, say nothing of the current problems of economic transition of the country to innovative development.

There is a tendency to reduce the number of state-subsidized students in the state universities of the country. So, share of these students reduced by 4% in 2006 and by 10% in 2007.

Table 2. The number of full-time graduates from the Economics Department of the Vologda State Technical University their quality classification in 2003 – 2006

Indicators	2003	2004	2005	2006
The number of full-time graduates from the Economics Department, total	152	166	189	336
Including:				
– graduates who got state-subsidized education	121	146	176	204
– graduates who paid for their education	31	20	13	132
Graduates quality:				
– the number of honours graduates who got state-subsidized education	40	49	44	46
– the number of graduates who got state-subsidized education and received excellent and good final marks	79	90	104	179
– the number of honours fee-paying graduates	1	–	5	6
– the number of fee-paying graduates who received excellent and good final marks	17	15	7	55

Source: Avetisyan I.A. Higher education expenditure financing in the Russian Federation and the directions of its improvement. Economic and social changes: facts, trends, forecast. Vologda: VSCC CEMI RAS, 2007. No. 39. P. 12-27.

The number of state-subsidized students in Russia amounted to 179 persons per 1000 people at the end of 2006; according to this indicator it was overtaken by Canada (299), Austria (227), Belgium (224), Finland (220), Spain (187), a number of Latin America countries⁸.

The new Minister of Education and Science of the Russian Federation Dmitry Livanov has called for a further reduction of state-subsidized student spaces in the state universities and principled rejection of free higher education. He has described his position as follows: "As soon as we get away from the free higher education for everyone, we will have got the mechanism to engage valued staff. For example, education loan. If good education is expensive and a person has to pay for it, he or she will be able to take out a loan, and an employer to be will repay it in exchange for commitments"⁹. In our view, such an approach of the minister to higher education reform in today's Russia, where a third of the population lives below the poverty line, and according to official statistics, the ratio of the average income of the richest 10% to the poorest 10% (the Gini coefficient) is higher than 15-fold, but in fact it is 35-fold or more¹⁰, puts an end to the availability of free higher education for many talented and gifted children from poor families. It is also impossible to agree with the minister's opinion that an educational loan can be used as a tool to replace state-subsidized higher education by fee paid education because it is almost impossible to use such a loan due to the great social inequalities in the country. Moreover, educational loans for students become risky and unprofitable for banks and employers due to the second wave of economic and financial crisis

It is well known that providing high-quality higher education, first of all, depends on the standard of knowledge of graduates from secondary schools and vocational educational

institutions, which are the main source of contingent for both public and non-government for-profit universities in the country. If earlier (in Soviet times), as a rule, only the pupils with predominant excellent and good marks entered the universities and became students, then today mediocre pupils enter the state universities paying money. Our teaching experience shows that if the students in state universities receive objective grades then about 2/3 of fee-paying students will be immediately expelled for academic failure after the first session of the academic year. But this means that that state university will lose a teacher's wage rate and has to dismiss one lecturer. If it is repeated every term, the university will have to liquidate the whole department and a lot of lectures will be unemployed. With such a system of the organization of higher education, when functioning of state universities and salaries of their lectures do not depend on the state budget funding, but mainly on the money paid for the education by students and their parents, the objective assessment of the knowledge of fee-paying students is eliminated and, therefore, there is no stimulating basis to improve the quality of higher education. Is it a reason to explain the fact that in Russia fee-paying students do not have the desire to study, and they study badly, considering that getting "a wallpaper degree" (i.e. diploma of higher education) is guaranteed by the fact of paying for education. This situation is one of the causes of corruption and bribery in the system of higher education in our country.

Former RF Minister of Education and Science Andrey Fursenko, known for his liberal and market views on the reforms in Russia's higher education system, said, "The main defect of the Soviet educational system was an attempt to form a human-creator, and now our task is to cultivate a skilled consumer who is able to use ably the results of others' creativity"¹¹.

⁸ Soviet Russia. 2007. January 16. P. 5.

⁹ Soviet Russia. 2012. July 5. P. 1.

¹⁰ Zavtra. 2012. Aug. No. 31. P. 3.

¹¹ Soviet Russia. 2012. June 19. P. 4.

Ex-minister's ignorance strike us when he tries to fling mud at the Soviet system of education, turn everything upside down and find faults in everything, even in the creative and constructive nature of Soviet educational system recognized in due course as the best one in the world. According to ex-minister, forming of a human-creator through the system of education is not a virtue but a defect. But it is well known that forming of a human-creator is a fundamental factor to characterize the quality of training. Instead of this, it is proposed to bring up the consumers who are able to use the results of others' activity (creativity, creation). What will such an approach lead to? Firstly, if the higher education system does not prepare creators, it turns out that the objects of consumption (advanced technologies and other objects of creativity) that are not made in the Russian Federation but abroad, will be used by Russia's qualified consumers from the place where they are made, i.e. from abroad. Secondly, this approach to higher education in the context of world globalization will strike out Russia from the list of potential competitors in the world market. Thirdly, it is the most important thing, this is a clear failure of plans to modernize the society and transfer the national economy to innovative development announced by the current Russia's government because the implementation of these plans requires the creative impulse and only the creators but not consumers are able to implement them.

Introduction of Unified State Exam (EGE in Russian) in schools is one of the reasons for the academic decline in schools and, naturally, the deterioration in quality of higher education training in the Russian Federation. Since 2001, EGE has been cultivated in Russia as an experiment, which is opposed by many professionals, school and academic teachers. However, despite the views of experts and the general public protest, a special federal law was adopted, and according to it, EGE was

introduced across Russia in 2003 and the oral and written exams for prospective university students were replaced by testing. At the same time, the final school exams in the form of testing became the entrance university examinations. In other words, if a pupil obtained the required score (maximum 100 points) according to the results of testing and sent a certificate in the university that he or she liked, he or she could consider himself/herself a student. Meanwhile, testing is a formal way of examination because school leavers, i.e. potential university students, learn and mechanically reproduce information without analyzing it and almost without studying the subjects, they cease to understand the nature of the question and think by themselves. In our opinion, EGE is a means of mental debilitation, cultural and psychological primitivism of the younger generation, and, finally, it has a negative impact on the quality of both general and higher education in the country.

The test method used in EGE is not particularly appropriate for testing and objective assessment of knowledge of social disciplines and humanities (history, literature, social studies, etc.), as they are not formalized due to their specific nature. It is impossible to assess objectively university entrants' knowledge of the subjects mentioned above without direct speaking to them and without an oral exam. The authorities seem to recognize the shortcomings of EGE; however, they suggest to improve this exam but not to cancel it. It is impossible to agree with this, because the negative effects of EGE emerge from its faulty nature. By the way, the developers of the law on EGE in Russia borrowed it from the former practice of the American educational system, which was abolished later in most European countries, including the USA. EGE supporters believe that it is intended to provide all the school leavers with the equal opportunities for entering the universities and reduce corruption and bribery in the education sector.

However, this is not borne out in practice: EGE results show that corruption and bribery have risen to a new level.

Doubtful innovation in higher education is the transition to the educational process in state universities according to the Bologna system (BS). Russia's state universities have adopted a two-stage educational system "bachelor plus master". This innovation is aimed at the unification of higher education and acceptance of Russia's diplomas in Europe. While there are state-subsidized, i.e. free, student spaces in the state universities only for the Bachelor's programme as a lower stage of higher education, then students should pay for their MA courses at the highest stage of higher education. The maximal term of Bachelor's programme is four years, and the term of MA course is two years. And the transition took place when there were no serious reasons to adopt BS in Russia because our schoolchildren always ranked first in the Physics and Mathematics Olympiads, and the graduates from Russia's universities such as engineers and physicists were appreciated and employed abroad despite the inconvertibility of their degrees.

We share the opinion of Andrey Fursov that "the introduction of a four-year bachelor's programme instead of five-year traditional high education turns our high school into a kind of vocational school; it brings the higher education down to earth; and if such a policy is very bad for an institute, then it is catastrophic for an university, because an university is eliminated as a social and civilized phenomenon"¹². In the United States, bachelors are trained in colleges that are similar to our technical schools. Training of bachelors according to BS rules dramatically increases the bureaucratization of the educational sphere. The case is that bachelor's programme requires a lot of time of lectures to bring their usual scientific and educational activities in accordance with the

formal requirements of bachelor's programme, i.e. there are things that are not related to the content of education here. In such a situation, low-skilled teachers are ready to cling to the formal aspect of training.

The financing problems of higher education are closely related to the financial support for universities' scientific activity, as they are not only educational, but also research centres. The most part of country's scientific potential is concentrated in the universities. The system of higher education and the realm of science are inseparable, because a today's student is a potential tomorrow's researcher. Academic scientists and researchers, especially in the state universities, do not only impart their professional and scientific knowledge to students, but they "produce" the knowledge conducting fundamental and applied scientific and technical projects, as well as preparing and publishing their textbooks, manuals, scientific articles etc. In the modern era of high technologies, when the world really strives for a "knowledge economy", the new institutional forms of between education, science and industry such as "academic university", "research institute", "research and education centre" and others are in demand.

The budgetary financing of higher education has been reduced manyfold in recent years due to the transition of state universities to market relations. Despite this, many leading state universities continue the tradition of tireless scientific research which involves leading scientists who generate new ideas and research directions. At the same time, the spectrum for research activities is expanded, and it covers many fields of knowledge – from the theoretical and fundamental to specific and applied sciences. Students continue their research activity that are resulted in publishing the collections of their research works. Finally, the top state universities rank first in training of academic, scientific and research staff through postgraduate and doctoral courses.

¹² Zavtra. 2011. December. No. 50. P. 5.

The transition of the country's economy to an innovative way of development requires a new qualitative level of the development of university's science and new methods of its financing. Therefore, in our opinion, when addressing the issue of funding support for university's science according to theoretical and fundamental areas, including social and humanitarian researches, it is impossible to set hopes upon attracting the investment of businesses because they are not interested in this. Budgetary financing should predominate here due to the developed long-term concept of the state policy in the field of higher education and science. As for financing of concrete applied research projects that are developed by major universities and research and education centres, then it is possible to involve the investments of the business community to implement them or use public-private partnership, as well as they can involve foreign leading experts and scholars following the principles of arranging the work of the Skolkovo Innovation Centre.

Of course, world globalization, high business competition, technological and scientific discoveries, which change the way of life, require the changes in standards of higher education that should be brought in accordance with the requirements of the day. The Presidential Decree "On the measures to implement the state policy in the field of education and science" dated on May 7, 2012 No. 599 is aimed at solving these tasks. The decree provides for the activities related to:

- monitoring the activities of universities to assess the effectiveness of their work in order to restructure inefficient universities;
- increase in scholarships to needy first- and second-year students who are studying on an internal basis on bachelors' and specialists' programmes (state-subsidized groups) and have excellent and good marks by the end of 2012;
- transition to normative per capita financing of universities by June 2013;

- increase in the share of employed people aged from 25 to 65 who improved their qualification and (or) were retrained up to 37% by 2015;
- increase in the share of universities and secondary vocational institutions, the buildings of which were adapted for disabled people from 3 to 25% by 2020.

The need for these and other measures was dictated primarily by the fact that a lack of governmental regulation of the labour market for the specialists with higher education was resulted in a number of non-governmental commercial universities in Russia. As a result, the total number of universities and the number of diplomas received in the country became much more than before 1990. For example, there were more than 500 universities (only in the form of state universities) in the RSFSR before the Soviet Union collapse which involved about 2.8 million students, i.e. there were 6000 students on average per one university. Today, there are 2650 universities in Russia (according to incomplete data), including non-governmental commercial universities that involve seven million students, i.e. the average number of students per one university is 2.64 thousand people, which indicates the diminishment of Russia's universities¹³. On the other hand, 20.6% of the population in Russia had higher education at the end of 2005, which was lower than in the developed countries. For example, this indicator amounted to 30% for the same period in the USA¹⁴. Furthermore, state-subsidized (free) student spaces are allocated to state universities without clear and theoretically substantiated calculation of the need for specialists. Both state and non-governmental commercial universities have been training the specialists in humanities for the recent 20 years (lawyers, economists, managers) who are not on demand in the labour market. At the same time, there is an acute shortage of highly skilled engineers and technicians.

¹³ Soviet Russia. 2012. June 21. P. 5.

¹⁴ Zavtra. 2006. No. 49. December. P. 4.

Due to unregulated labour market of specialists who have higher education and a lack of the distribution system for the graduates from the state universities, a lot of graduates are not in demand for practical work, so they join the army of unemployed people or do not work in their specialty. According to the 2004 World Bank analysis, only 20% of graduates from the Russian universities worked in their specialty¹⁵.

According to the RF President's Decree No. 599, the precondition for the implementation of state policy in higher education is ensuring the sufficient financing for the expenses on the development of state universities, as well as using new forms and methods of its implementation. Moreover, the main item of expenditure for the current functioning of state universities is the wages of their employees, especially academic teaching staff and students' scholarships. Since the main persons involved in ensuring the quality of higher education are teachers and scientists who work in state universities, it is necessary to set their wages in such a way that they would work and live worthily and have a high social status.

Unfortunately, tariff rates and official salaries of university teachers to the exclusion of degree and academic rank allowances have not increased over the years of market reforms, and they still remain low while increasing the educational and instructional load. Often a lecture has to teach 3 – 5 disciplines for the sake of more or less adequate salary. Of course, such a lecture regardless of his/her qualification can't efficiently teach all the disciplines. Ultimately, this will have a negative impact on the quality of training. In addition, many students have to work at the expense of the quality of training because of the extremely low scholarships.

It is known that education in general, including higher education, as one of the leading sectors of the social sphere belongs to a non-production sector, where material

benefits in the form of goods are not directly produced. However, the social importance of this field for society is very high, since, as noted, the effective economic development of any country depends on the education of its citizens. That is why free secondary education and free higher education on a competitive basis is a constitutional right of citizens in Russia (Article 43 of the Constitution) and one of the social functions of the Russian state because the Russian Federation is a social state (Article 7 of the Constitution). But nowadays education in Russia is increasingly derived from the social functions of the state, higher education services become a commodity, and the universities turn into trade organizations. In our opinion, the whole education system, including higher education, can't be considered a service sector. This is a sphere of intellectual and spiritual activities of the society, which allows us to acquire knowledge, educates and forms a human person who has not only higher education, but also spiritual, moral and ethical qualities. World experience shows that there are benefits (public goods) at the level of society, which are not rational and sometimes impossible to be acquired individually. Of course, these public goods include educational services. But this does not mean that educational state-financed institutions, particularly state universities, cannot receive extra-budgetary funds from the additional educational activities through their preparatory departments, training and retraining centres, experimental farms, as well as through contractual researches and their implementation, rental property, etc.

Today, all the spheres of social life, including higher education, have a pressing issue of strengthening the public financial control over budgetary expenditures. It is a known fact that low budget discipline, embezzlements, thefts, improper use of budget resources, corruption, bribery, etc. take place in some state universities due to weak, ineffective and sometimes formal state internal and external

¹⁵ Premier. 2007. March 27 – April 2. P. 16.

financial control at the level of the Ministry of Education and Science, therefore, it is necessary to focus on some issues relating to the use of new techniques, forms and mechanisms of financing for higher education.

Until recently, the current expenditures on the wages of state university employees in a public sector, including higher education, were financed through a unified tariff net (UTN), which was abolished later and replaced by a new one, so-called sectoral system of financing the public sector expenditures. That is, the individual methods of planning and financing of budget expenditures began to be used in every sector of the public sphere (education, health, culture, etc.). In order to implement a new phase of higher education reform, there is a need for the development of a new model to finance its expenditures that is adequate to today's challenges. SIFO system (State individual financial commitments), which is used in planning and financing the expenditures of state universities and which is a part of a new model of financing the higher education expenditures, is worth noticing. This system is called "a transition to a normative per capita financing of universities". It will be used since June 2013. If budgeted form of financing predominated earlier in the planning and financing of state universities' expenditures, i.e. the amount of funding was formed not on the base of the actual and expected results of budget expenditures, but by indexing and adjusting the amount of funds allocated in the previous year, then the amount of financing for each state university is formed by programmed target principle in the new format. These budget expenditures on financing of each university are argued by the purpose of spending which is permitted by the government. In this case, the purpose is determined in accordance with the task determined by the government. For example, funding for university teachers' salaries expenses in the part of training state-paid students directly depends on the number of the latter. The use of pro-

grammed target principle of funding provides a stronger link between budgetary financing of state universities' expenditures and achieving the objectives, thereby improving the utilization of budgetary funds.

The analysis of the problems investigated in this article allows us to formulate the main conclusions and suggestions.

1. In our opinion, education in whole, including higher education, can't be considered a service sector, educational services as goods, and universities should not be considered as commercial organizations. The specifics of education, including higher education, is the fact that it is a sphere of intellectual and spiritual activities of the society, which allows us to acquire knowledge, educates and forms a human person who has not only higher education, but also spiritual, moral and ethical qualities.

2. The reform of higher education and the educational system in whole implemented under the guise of modernization in Russia in recent years that is based on educational standards (models) of Western countries with the use of the Unified State Exam and the Bologna education system has a negative impact on the quality of general and higher education in the country, which brings into a question the feasibility of the strategic objectives of society modernization and the transition of economy to innovative development. We oppose the mechanical copying of the Western educational standards and propose to develop the National Doctrine for the development of education, including higher education of the Russian Federation, as well as to have our own model of its long term modernization – the model based on the best traditions of Russian and Soviet education. In our opinion, the compliance with the national roots and traditions does not mean that the country refuses to make progress and we doom ourselves to mark time. On the contrary, it means that the reform of higher education in our country should be oriented to the world's

achievements in this field, it should create the necessary prerequisites for the improvement of higher education system in Russia.

3. The unregulated labour market of specialists who have higher education was resulted in a number of non-governmental commercial universities in Russia. As a result, the total number of universities and the number of diplomas received in the country became much more than before 1990. However, universities train the specialists in humanities, while there is an acute shortage of highly skilled engineers and technicians in the country. This is a result of the fact that state-subsidized (free) student spaces are allocated to state universities spontaneously, i.e. without a clear and scientifically calculating the need for them. There is no distribution system for the state-subsidized graduates from the state universities, so a lot of graduates are not in demand for practical work, so they join the army of unemployed people or they work not in their specialty, and talented specialists go abroad. Based on this, we propose to recover the practice of planning the number of state-subsidized spaces in the state universities for the certain types of specialties based on clear and scientifically grounded calculation, as well as to put into practice the distribution system for the state-subsidized graduates aimed at the compliance of their training with real needs.

4. Since ensuring the quality of higher education is largely determined by the academic teaching staff of state universities, today an important task of the state is to increase their wages in such a way that they would work and live worthily and have a high social status, as it is done in the developed countries. The labour of a university teacher and an academic scientist is a highly skilled labour required for the current and further development.

We also propose to restore the provision of an article 54 of § 3 of the 1996 RF Law "On Education", which states that the average wage rates and official salaries ... for the academic teaching staff of state universities are set at the level that is two times higher than the average wages of industrial workers in Russia. And it is necessary to achieve the implementation of this provision at the expense of the budget funds, which will become available due to the reorganization and reduction of the number of inefficient institutions.

5. High competition, technological and scientific breakthroughs that change the way of people's life in a few years require to change the standards of higher education in the country so as to bring these changes into line with modern requirements. Therefore, the reform of higher education that is characterized by continuous and dynamic nature must be closely related to the development and implementation of a new model of financing the educational expenditures. It is impossible to improve the quality of higher education by the only increase in funding the educational expenditures. Today, more than ever, it is important to increase state financial control over the spending of budget funds allocated to finance the expenditures on higher education.

In terms of the implementation of a new phase of the reform (modernization) of higher education in Russia, a significant result can be achieved by a funding model, a part of which is the system of State individual financial commitments. According to it, since June 2013 the expenditures on higher education will be financed on the base of a programmed target principle.

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