EFFECTIVE SOCIAL STRATEGY AS A BASIS FOR ECONOMIC REFORMS IN RUSSIAN REGIONS

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Abstract
The paper looks into economic and social aspects of regional development. It demonstrates the role and place of social strategy of a region in implementing the tasks related with innovative modernization of the regional economy. It proves applicability of the social economic theory for development and implementation of economic reformation trends in a region, including for assessing activities of clusters. Main features of regional social strategy are described. Criteria of classification and typology of social strategies in a region are proposed. Methodic principles for building up an effective regional social strategy are represented. Statistics are given which prove acuteness of social problems in Russian regions and conclusions are made that federal budget expenses on social purposes cannot be reduced under conditions of insufficient regional resources.

Key words: *regional social and economic systems, regional development, modernization of economy, regional social strategy*

INTRODUCTION

In today's world the main goal of social and economic systems development is to achieve high living standards for the population, which is predicated by essence and functions of a social state. In a stable economic situation advanced countries have made quite successful steps to achieve this goal. However, crises impose serious limitations on its resource provision. Russia, due to its economic environment, has been, to an extent, an islet of social stability. However, new challenges make it essential to pay specific attention to the strategic vector of the social sphere development.

Nowadays, Russian regions face an objective to modernize the economy, which suggests a shift to a leading, innovative type of development. This goal cannot be reached unless there is an adequate quality of human capital. Therefore, in order to create presuppositions for modernization of the economy, both development of the regional social infrastructure and economic support of the population in various forms are needed.

Accordingly, processes of development and implementation of social strategies in the Russian socioeconomic system are acquiring the key value. Social strategy, as a concept, can be examined at the level of governing the entire country, regions and local territories, managing businesses and enterprises (macro, meso and micro levels). Russia is a federated system country, so socioeconomic sector is supported on the principles of budget federalism. In this connection, it is reasonable to examine the essence of the social strategy for regional development and principal directions of its implementation consistent with modernization of the economy.

ROLE AND PLACE OF SOCIAL STRATEGY IN MODERN REGIONAL DEVELOPMENT

Today, with constant change of the microeconomic situation and lengthy crises, sustainability of national and regional socioeconomic systems has become very important. Apprehension of sustainability characteristics has been changing as interconnections in economic, social and ecological subsystems have been researched. All in all, it can be said that modern scientific thought and regional management practice admit limitation of pure economic development goals. However, as far as it

concerns socioeconomic systems functioning during crises, the economic component prevails whereas social and ecological goals are put in the middle distance.

Notwithstanding the fact that the world economic crisis has affected practically all countries and influences the development of the Russian economy, Russia (unlike most other countries) has not chosen to reduce social programs considerably. Furthermore, ambitious goals are being set with regard to innovative modernization of the economy, which, on the whole, pays it way from the perspective of competitiveness. However, to face such challenges there has to be an adequate quality of human capital, a system to build it up, develop and renovate (For more details see Sharafanova & Kotov 2011, Zaborovskaya 2005a).

For modern socioeconomic systems, both national and regional ones, an important development factor is a bigger openness of external business environment. This openness implies both more interaction with foreign socioeconomic systems due to globalization and growing movement of capitals and resources between regions inside the country.

An intensive exchange with external environment conditions a certain role of human potential and human capital, since they predetermine features and facilities of geopolitical development for the national economy and provide for its long-term competitive ability. Processes of conditioning, development and use of the human capital have an implicit regional character. During these processes human potential transforms into labor force and then into human capital.

In reference to the market economy, we will consider human potential as a complex of personal qualities which can (under respective conditions) result in creating goods and services. Human potential, presented in the market labor, is a potential labor force. Part of the potential labor force, which has found application in the labor market (or has obtained value appraisal), is a functional labor force. In addition, it is a real value both for the society (as a producer of public goods) and an individual themselves (as a producer of goods for personal and family consumption). Human capital is an institutionalized form of labor force which performs as public value and represents a system of relations with regard to its creation, advancement, preservation and use. A more detailed author approach to interpretation of interrelated notions of “human potential”, “labor force” and “human capital” is presented in the paper (Zaborovskaya 2005b). Human potential of a region is a basis of human capital and represents grounds for sustainable development of the regional economy, accumulation of competitive advantages in the region and feasibility of innovations.

Since Russia is a federation, the center of gravity when tackling contemporaneous development objectives is at the regional level. The same is true for social strategy. This is where educational systems function; a range of social services is provided; an economic growth of businesses and enterprises is assured. Moreover, the federal centre is increasingly shifting the area of responsibility for social development towards regions. The background for this trend is considerable distinctions of Russian regional socioeconomic systems at the level of industrial production and its qualitative characteristics, in human potential and capital, in natural and climatic conditions, social conditions, etc., which results in significantly different budget facilities.

When regional social strategy is being generated and implemented, human capital is created, used and renovated.

Objectives of regional governments in the economic field are to release and support strong aspects, overcome weaknesses and drawbacks, effectively use competitive advantages with due consideration of the innovative modernization vector. Regional social strategy has to comply with these tasks. Opportunities, produced by regional economy (tax and non-tax budget revenues, jobs, wage levels), shape capacities of human potential and human capital, provide room for their growth. In its turn, high quality human capital becomes a momentum of an innovative economy. When investing in human capital, one wants to have the best value which results in high demands for educational systems, wage level and job content itself. So, raising high quality human capital in regional economy is only possible when evolving such a regional development strategy which accounts new challenges. Strategies at the federal level should be oriented on building up systematic rather than isolated conditions that contribute to problem solving in the field of innovative modernization of the society.

It is worth mentioning that if social capacities of a region are not considered properly when choosing areas of economic development it may result in the overloaded regional social infrastructure and thus bring about social unrest. Thus, economic and social strategies of a region are closely interrelated and an effective social strategy can fuel regional development taking into account economic modernization objectives.

HIERARCHY OF SOCIAL STRATEGIES. ESSENCE, MAIN FEATURES AND TYPES OF SOCIAL STRATEGY OF A REGION

Let us turn to the essence of social strategy. As a whole, social strategy can be examined at national and regional levels plus at the level of an enterprise (macro-; meso- and micro levels). Issues referring to social strategy of enterprises are the ones that have been researched mostly, which is due to increasing importance of corporate social responsibility.

Social strategy of enterprises (micro level) produces a number of external positive effects in a region. Workers and employees of an enterprise extensively consume social benefits and, thus, decrease loads on budget forms of social assistance provided for the population. Moreover, due to employment benefits, more money, obtained as salary or wages, can be spent on current consumption and saved, which stimulates the economy. The economy, in its turn, produces resources for operational social services. Social strategy of an enterprise can be aimed at improved living standards of the local community. Consequently, social strategy of enterprises has to be considered when regional and national social strategies are being developed and implemented (Strategies of Business 1998).

Profit-making organizations see social strategy primarily as a type of functional strategy and their aims are to raise labor productivity, increase loyalty to the company's goals on the part of employees, diminish staff turnover and consolidate qualified personnel.

If there is deficit in labor resources, the importance of social strategy is growing and turns into a competitive advantage, making companies increase employment benefits (it is vital for enterprises in regions where labor is difficult to obtain).

For innovative enterprises, social strategy becomes, to a great extent, of key significance in terms of commercial success of a company and so it is oriented on comprehensive development of an individual.

If there are crises in the external environment that make companies reduce economic activities, most of them, choose to lay off personnel (which is unfortunate) or keep it until the crisis is over and market conditions get better (through pay reduction, part-time employment, etc.). The second option gives strategic advantages in future when switching over to the recovery stage. Crisis phenomena in economy affecting enterprises result in change of requirements towards social strategy of regional development.

Effective social strategy of enterprises brings results that influence the environment. Social strategy of an enterprise can also strive for improved living standards of the local community (social strategy of the cell operator Beeline can be an example (Khiteyeva 2013, p. 1). Let us define the following *types of social strategy of an enterprise* in terms of its contents:

- social strategy as a variety of functional strategies dependent on economic strategy and oriented on goals to increase labor productivity at an enterprise;

- independent social strategy considering systematic approach to an organization as a combination of economic and social subsystems which is focused on priority development of human capital as a competitive advantage and spreads on the enterprise's employees;

- innovative social strategy focused on growing innovative activities and comprehensive development of the human capital carrier – employees of the enterprise;

- extended social strategy focused not only on the enterprise's employees (as in the above-mentioned variants), but on development of the local community.

Social strategy of the meso level is a social strategy of regional development, i.e. system of strategic decisions focused on growth of social potential in the region and improved living standards of the population. Social strategy of the region has to be elaborated in terms of nationwide social strategy and consider social strategies of enterprises in the region.

Social strategy of the micro level is the national social strategy that defines social goals and priorities of the national development. Essence of modern social strategy of Russia is well presented in the Intermediate Report on Expert Findings on Important Issues of Socioeconomic Strategy of Russia for the period through to 2020 "Strategy – 2020: New Growth Model - New Social Policy". It says that Russia can succeed in competitive struggle only through creating an "environment, favorable for human life and development and, in particular, favorable for most active, creative and entrepreneurial part of the population" (Strategy-2020, p.7).

Social strategy of a region can be seen as a long-term, qualitatively determined trend of a region, expressed in a system of strategic decisions meant to increase quality of human potential and human capital in coordination with solving problems concerning better competitive ability of the regional economy.

Let us distinguish the following *basic characteristics of social strategy of a region* (based on works of I. Ansoff (Ansoff 1989):

1. Elaboration of social strategy implies determination of the general development vector for a region and implementation of certain activities in this regard.

2. The criterion for acceptability of an activity is its correspondence with the established strategic goals both in social and economic spheres. If it contradicts with the general goal of social strategy it has to be either rejected or modified.

3. It is necessary to make provisions for a mechanism of strategy correction, since when it is being elaborated, model assumptions about socioeconomic system are used and these do not allow considering alternatives to a full extent. .

4. Strategic choice can prove to be wrong as a result of insufficient information and it is revealed through feedback.

5. In the author's opinion, one of the major causes of regional development instability is insufficient attention paid to social component of sustainability. In the long-term, economic success can only be achieved through increased quality of human potential and capital which implies a corresponding level of physical and intellectual health, education and culture.

Social strategies of a region can be classified by different features, in particular:

Depending on relation with economic development:

- social strategy of a region as part of general socioeconomic strategy of regional development. Its essence and contents are defined by economic opportunities in the region;

- independent social strategy, defining trends and limitations of economic development, based on conceptual grounds of socioeconomics;

- innovative social strategy, focused both on comprehensive development of an individual as a carrier of human capital, including an intellectual and cultural component, and generation of innovative activities.

By key items of social strategy:

- resource social strategy, mainly aimed at support and development of labor resources in the region (employment schemes, working conditions, vocational education;

- defensive social strategy, primarily focused on social support of the underprivileged and elimination of market failure consequences (social schemes oriented on disabled people, elderly population and disadvantaged families);

- advanced social strategy, focused on creation of social conditions aimed at development of the population in the region (social schemes, focused on support of families with children, development of sport, leisure, culture, continuous education).

To tackle the problems related to innovative modernization, social strategy has to be innovative and advanced. Moreover, effective social strategy implies, on one hand, development of social conditions of human vital activity and, on the other hand, influence on moral and spiritual sphere.

Obstacles preventing development of such social strategy include, first of all, resource limitations: insufficient budget funds. However, this is the case when budget deficit will have a productive character.

Let us state a number of methodological principles relevant to development of an effective social strategy of the region: principle of correspondence to the socioeconomics paradigm; consistency with social strategy of the federal centre; definition of strategic priorities with consideration of regional specifics; compliance of the social sphere of the region with the objectives of the innovative modernization; complexity; scientific relevance; reliance on well-developed system of corporate social responsibility of enterprises; efficiency of feedback on the basis of civil society activation; reliance on public initiatives; ideological support.

METHODOLOGICAL BASIS TO DEVELOP SOCIAL STRATEGY OF A REGION

In the author's opinion, methodological basis to develop regional social strategy has to be the concept of socioeconomics. According to it, "economic management processes" have to be seen "namely from the positions of public duty, moral code, legal and moral standards of behavior" (Sukhih 2008, p.7).

Connection between economic progress and mentality specifics can be seen in Max Weber's paper "The Protestant Ethic and the Spirit of Capitalism" **(**Weber 1990), where Weber says that a number of personal qualities of protestants – hard-working, necessity to implement qualities granted by God and obtain a relevant result, thriftiness, appreciation of honest business dealing – contribute to entrepreneurship and, to a great extent, shape features of business and economy of capitalism as a whole. Consequently, influence on personal qualities of an individual, contributing to moral, spiritual and cultural development, will shape features of the economy. So, objectives of innovative modernization of regional economy cannot be tackled without changing the quality of human capital. Social strategy of the region can be used as a tool here.

The term "socioeconomics" appeared in science in the mid 1990s and was related to new paradigm that explained behavior of socioeconomic systems on the basis of an interdisciplinary approach (SASE – International society for the Advancement of Socio-Economics). Moreover, different social sciences, which explained economic behavior, became associable subjects. The leading scientist who was one of the originators of SASW, A.Etzioni systematized the methodology of socioeconomics, according to which various social factors influence the economic component (SASE).

Let us briefly speak about basis positions of socioeconomics. First, at the level of national and regional socioeconomic systems, an economic subsystem cannot be examined in isolation, just through research of its economic regularities. The economic subsystem is affected by features of the entire system, so economic phenomena, in a number of cases, can be adequately explained only with consideration of noneconomic factors (for example, specifics of mentality). If we speak about economic behavior of a separate individual, it is not defined only with rational choice of the most advantageous vector, but it gets shaped under the influence of morality, culture, values, etc.

Later on this methodology evolved and was widely discussed. Important remarks has been made in M.A. Shabanova's paper, who says that the existing SASE methodology does not examine reverse influence of economy on social component of public development (Shabanova 2006). She has suggested extending use of socioeconomics from the perspective of its interpretation as an economic science.

M.A. Shabanova puts forward a number of other ideas, which, in our opinion, have to be considered when planning economic transformations. Thus, apart from "reverse" influence of the economy, she points the fact that the degree of influence on economic behavior is defined by "resource" status (government, big capital representatives, large enterprises have the largest level). Notably, this refers not only to material and financial resources, but to social status, capacity to influence political decisions, etc. This author's suggestion is to develop an economic version of socioeconomics.

So, M. A. Shabanova believes socioeconomics, being an economic science, researches into double-sided, dialectic connections between economic and social phenomena from the perspective of cost estimating and benefits as well as social limitations (it correlates economic and social expenses with economic and social result taken as a complex). Thus, the influence of social factors is valued in terms of economic losses and benefits.

Such an approach, from our standpoint, is very productive for methodological argumentation of regional socioeconomic development strategies with consideration of innovative modernization objectives. We have to mention, that with the formally proclaimed system approach to regional management, economic and social objectives in the region are still tackled in isolation.

The methodological platform of socioeconomics allows making a number of conclusions:

- interference of society and (government) in economic activities is justified and necessary;

- influence on social factors of economic development is not the same important as that on the economic component as such;

- economic reforms without a relevant social strategy are doomed to failure;

- only those economic transformations are principally possible that correspond to values of the society, cultural specifics, etc., and the latter ones are no lesser important factors for success than financial and resource components;

- even availability of adequate resources does not guarantee economic success if the model of transformations is imposed artificially (for example, inefficiency of expenses on innovative development in Skolkovo, which was meant to be Russian Silicon Valley);

- clear ideology and social development goals, support of public morals, influence on social expectations become a very important structure-forming factor that contributes to development of human potential and human capital of the required quality;

- assessment of social factors influence from the prospective of economic expenses and benefits help evaluate expenses on social strategy as productive ones (not as extra charge on business);

- paradigm of socioeconomics, interpreted as economic subject, corresponds to the concept of sustainability, which was formed on the basis of realizing the limits of uncontrolled economic growth that did not consider ecological implementations and later transformed in understanding how important it is to maintain a balanced economic-ecological-social development in the long run.

Currently the economy of Russian regions faces the task to search for ways to increase economic system efficiency, helping provide a long-term platform for balanced sustainability based on innovations. It is the way to create beneficial competitive positions of a region, including under conditions of globalization. This objective can be tackled only in case there is human potential of the necessary level and conditions have been created at the regional level to transform it into human capital, to use it and restore it.

In reliance on methodological positions of socioeconomics, one can conclude about importance to develop and implement social strategy of regional development.

To tackle the tasks of innovative modernization, social strategy of a region has to be of innovative and advanced character. In such a case, an effective social strategy implies, on one hand, development of social conditions of human living environment and, on the other hand, influence on moral and spiritual sphere. Despite the need for budget resources to implement it, these expenses should be considered

productive. Social strategy and evaluation of social effects have to accompany any decision at the regional level.

SOME SOCIAL PROBLEMS OF RUSSIAN REGIONS AND THEIR CONSIDERATION IN SOCIAL STRATEGY

Let us examine separate positions when evaluating social background of innovative modernization of the Russian regional economy and financial capacities for implementation of social tasks.

The basis of human potential is the educational level of population. For modern Russia its constant growth is common. Dynamics in educational level change for the Russian population is shown in Table 1 (data have been obtained by statistics bodies through population census). The size of population with undergraduate and graduate education in 2010 was 32.8 million people or 22.9% of the total population. In 1989 this value was 14.6 million people or 9.9% of the total population. I.e. the general growth was more than 2 times.

Table 1 - Trends for Education Level Change in Russia

Indices	Male			Female		
	million people			million people		
	1989	2002	2010	1989	2002	2010
All population at the age of 15 and above, with basic general and higher education	43.9	54.7	53.3	47.2	65.1	64.3
vocational education						
higher (including postgraduate education)	6.0	8.6	11.5	6.7	10.8	15.9
undergraduate	0.9	1.7	2.5	1.0	2.0	2.9
Secondary	8.5	13.9	16.0	13.2	19.0	20.6
Primary	9.1	8.7	3.7	5.6	6.7	2.8
general education						
Secondary (complete)	10.2	10.3	10.7	10.1	10.9	10.7
Basic	9.2	7.8	6.3	10.6	8.9	6.6

(Calculated with data of Federal State Statistics Service of Russia)

In the period between 1989 to 2010 the population with higher education increased by 1.9 times for males and 2.4 times for females. Data on the number of people with undergraduate education speak for growth in accomplishment of men (2.8 times) and women (2.9 times). The trend for secondary vocational education is similar (more than 50% growth). Number of men with this level of education increased by 90% within this period, whereas for women this value grew by 60%. At the same time the number of population with elementary vocational education, on average, halved (Federal State Statistics Service). This is a sign of considerable educational level growth and human potential increase.

At the same time, this trend means, on one hand, growing requirements towards salary level, quality of working places and, on the other hand, with out-of-date structure of the economy, results in disproportion between supply and demand for workforce. Thus, in European regions of Russia, the unemployment rate is close to natural background (about 1%) and there is excess of job openings for workers, but lack of them for people with higher education.

Disproportions in supply and demand for workforce result in nonuse of education, profession, qualification and contribute to human capital value loss. In some jobs employment is less than 50% (pedagogical education), which is caused by unattractive working conditions and, in particular, low salary for graduates. It is aggravated by considerable interregional and inter-branch disproportions in payment. Reproduction of human capital that meets the needs of the modern economy is impeded by low-paid jobs. Thus, the share of the employed with low level of payment (lower than 2/3 of hourly payment median) was 28.8% in 2012 (Federal State Statistics Service). However, these data can be affected by shadow earnings ("in envelope").

There is need for correction in the concept of payment change in health care, education, culture. Practical implementation of an effective contract institute for the budget sphere often results in a worse rather than better position of employees and, in addition, provokes the problem of labor release and retraining.

Excess of job openings for workers under conditions of globalization activates migration processes, which lead to a complex of social problems and escalate social tension. At the moment, the state, both at the federal and regional levels, has little success in dealing with illegal migration which makes migration flows from other countries practically uncontrolled. But even legal migrants produce a notable and increasing pressure on the regional social infrastructure.

Migration is getting more active also in between different Russian regions as there is great differentiation in socioeconomic development. For instance, while there is labor deficit in the European regions of Russia, the unemployment rate in Northern Caucasus regions can reach 20% of the economically active population size and living standards are considerably lower. We have to say, that the migration, common for the present day, is slowing down innovative development and is becoming a negative stimulus for creation of modern workplaces and growth in social responsibility of business.

Quality of education is a problem to discuss on its own. Thus, most Russian universities have rather a low status at the international level (Rodionov 2013). Under the conditions of globalization it can result in outflow of innovatively active carriers of human capital into foreign educational institutions. Today tuition for higher education in Russian universities is quite comparable with those in foreign educational institutions, let alone numerous opportunities to study for free or on favorable terms (of cause, with due competence in languages). This has already resulted in considerable growth of the number of students from Russia outside our country. Thus, the weekly newspaper "Arguments & Facts" refers to the data of the foundation "Open Economy": this is the reason why about 4000 people leave Russia every year. The leader is Germany, where approximately 12 thousand students from our country study.In 2001 their number was less than one thousand people (Arguments & Facts 2013, p.28).

The most important criterion of social wealth is housing. According to the official site of Gasprom, between 2005 and 2012 average provision of gas supply grew from 53.3% to 64.4%. In towns and cities it increased from 60% to 70.1%, and in villages from 34.8(!)% to 53.1%. At the beginning of 2014 the expected average level of gas provision is 65.3%, in cities – 70.9% and 54% in villages (as long as, says the website, the regions will comply with their financial obligations) (Gasprom 2013). Thus, about one third of housing in Russia is left without gas provision even under favorable conditions, which accounts for 46(!)% in villages.

At the same time, expenses of the population on gas provision are extremely high (in comparison, for example with official cost of living or average wages). It has been pointed out, in particular, in the interview given by the Leningrad Region governor, A. Drosdenko to the federal TV channel "Russia 1" (the program "Civil Society" of 06 April 2013). Thus, he mentioned that in some cases installation costs of gas service can reach as much as 250 thousand rubles, which is why in some villages gas provision level does not exceed 30% with gas pipeline being brought to the limits of the residential area. We have to say that the Leningrad Region authorities are thinking about giving assistance to the population, but only wealthy regions, which are in minority, can afford it (Energovopros.RU 2013).

According to the data, provided by State Unitary Enterprise of the Moscow Region "Mosoblgaz", in the Moscow Region as part of the purpose-oriented program "Development of Gas Provision in the Moscow Region before 2017", the average minimum installation cost of gas service for 2014 is set as 160 thousand rubles (Energovopros.RU 2014). In comparison, an average wage level in the Leningrad Region is a little higher than 26 thousand rubles, in the Moscow Region – about 32 thousand rubles per month (Federal State Statistics Service).

The level of housing can be assessed as low in the perspective of having running water, hot water, central heating and sewage, which imply a normal social standard of life quality in 21 century. According to official statistics of 1 January 2012, almost 35 million of people have no sewage facilities and 47 million people do not have hot water supply. Indices for 2012 are presented in Table 2.

Table 2 – Level of Housing Improvement in 2012, % of the total size of housing

Type of housing	Housing, equipped with:			
	running water	sewage	heating	hot water supply
Total housing	79	74	84	66
City housing	90	88	92	80
Village housing	49	40	61	27

(Federal State Statistics Service 2012. Housing improvements).

Moreover, distinctions between regions are very big. Thus, for instance, the level of complex housing improvements in 2011 was 13.1% in the Republic of Altai, 24.2% in Kalmykia, 50.1% in the Amur region.

Ramshackle and hazardous housing is a really acute problem and there is a high interregional differentiation, too. In particular, the share of ramshackle and hazardous housing in the Republic of Ingushetia is 20.3%, in the Arkhangelsk Region – 8%, in the Moscow Region – 1.3%, and an average of Russia – 3%. Consequently, their needs for the regional budget expenses are different.

The most important objective is to overcome poverty of the population. It is believed that there are several aspects here. First, it is the established subsistence line or, in the point of fact, official poverty level. Its official value in the 3 quarter of 2013 was 7429 rubles. It can hardly be seriously considered as a criterion of minimum economic security (which, in fact, it is meant to be). This value is more likely to be the one than reflects actual capacities of the state to provide assistance for the poor. In 2011, 12.7% of the population (the subsistence line was 6369 rubles) had income lower than the poverty level, in 2012 – 11% of the Russians (the subsistence line was 6510 rubles). It is obvious that higher subsistence line will immediately result in higher official poverty level (in contrary, artificial restrain of this value creates an illusion of social well-being) (Federal State Statistics Service 2013).

The poverty level is different both in regions of the Russian Federation and inside federal districts. In particular, in North-West Federal District, in 2012 the area with highest poverty was the Pskov Region (15.6%), with the lowest one – St. Petersburg (9.2%). In the Volga Federal District: in the Mary-El Republic it was 20.4%; in Tatarstan – 6.7%. In the Siberian Federal District: in the Republic of Tuva – 28.9%, in the Kemerovo Region – 10.7% (Federal State Statistics Service, Regions of Russia 2013). Human capital in the regions also has a number of negative characteristics, among others: lower (comparing to the developed countries) life expectancy of the population, differentiated by regions; high level of alcoholism and drug addiction of the population, high crime rate.

Therefore, the objectives of the regional governmental bodies differ a lot, the same as capacities for social strategy implementation.

Under these conditions, most Russian regions cannot implement social strategy effectively without financial participation of the federal centre. However, federal budget expenses on social purposes are being cut.

Specification of separate items of expenditure of the federal budget is presented in Table 3. It is noticeable that expenses of the federal budget on education, health care, physical culture and sport are diminishing (expenses on these items in 2015 are lower than in 2013). Herewith, growth of expenses on social policy gives some hope, the same as numerous measures of social support, accepted recently both by the federal centre and regions.

Table 3 - Specification of the federal budget expenses on spheres related with development of human potential

Items of expenditure	2013		2014		2015	
	Billion RUR	2013 against 2012	Billion RUR	2014 against 2013	Billion RUR	2015 against 2014
Education	627.1	1.02	569.3	0.91	591.9	1.04
Health care	506.5	0.91	457.4	0.90	373.1	0.82
Physical culture and sport	52.3	1.23	30.9	0.59	33.0	1.07
Social policy	3963.2	1.01	4116.8	1.04	4563.4	1.11

(Resolution of the Accounts Chamber of Russia 2012).

Decrease in the federal budget expenses is partly related with the fact that funding of these items is transferred to the regional level. However, due to weakness of the regional budgets (most regions are not donors) and a large number of issues to be solved, it does not meet the needs of innovative development of the regional systems under conditions of globalization. Problems of cost-efficiency are being tackled exceptionally in terms of the budget sphere organizations whereas there is need for complex review of the entire expenditure structure with due consideration of the call of time and optimization capacities.

CONCLUSIONS

The data provided and analysis of other indices of the state statistics bring about the following conclusions.

1. Social background of the Russian regional economy, on the whole, cannot be recognized as favorable one, because living standards of a large part of the population call for considerable improvements.
2. Economic progress of a region can be insured with implementation of an advanced social strategy.
3. Interregional differentiation prompts to define priorities for regional social strategy.
4. Social strategy in most regions can be implemented only with active assistance of the federal centre, which makes cuts in the federal expenses on social purposes inacceptable. Transfer of expenses at the regional level has to be done with due consideration of social problems and economic capacities of a region.
5. Moral, spiritual and cultural degradation of human capital can place a question mark over innovation development, which is why cultural and educational policy of the federal centre and

regions, ideological support of positive human qualities, family values are the basis of the economic system of the new type.

6. Reforms in the systems of education, health care, culture should be transparent; clear to their participants and not have an exceptional purpose to minimize budget expenses at any cost (in particular, this refers to villages).
7. Main efforts should be made to overcome poverty related not only to the income level, but also living conditions, in particular, housing (with consideration of the regional specifics).

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