

## **The Development of Socially-Important Markets in Russia on the Basis of Public-Private Partnership Mechanisms and Cluster Approach**

<sup>1</sup>S. Shahovskaya Larisa, <sup>1</sup>A. Morozova Irina, <sup>2</sup>I. Guchina Yuliya and <sup>1</sup>S. Peskova Olga  
<sup>1</sup>Volgograd State Technical University,  
<sup>2</sup>Volzhsky Polytechnical Institute Branch, Volgograd State Technical University, Volzhsky,  
Volgograd Region, Russia

**Abstract:** In study, it is described features of development of the socially important markets on the basis of the mechanism of the public and state partnership and cluster approach. The cooperation between the state, representatives of business, science and education caused by the course of evolution of organizational and legal forms of implementation of business activity and the general regularities of development of society at the present stage introduces certain amendments in the developed idea of interaction of economic subjects. Priority areas for formation of system of state regulation of actions on SIM in regions of Russia have to communicative be connected with the population. Search of the approaches and tools allowing to lift an innovative and financial component of its activity is necessary, the association of all available societies and the state of resources of development are necessary. The role of mechanisms in the social relation the state partnership and approach of group has to increase in this context. On the basis of material prerequisites of development of cluster branch and interindustry partnership in process of creation or involvement in borders of economic activity of the company and subjects of small and medium business are revealed. The current trends of globalization stimulating growth of the international competition, including for investment resources on the one hand and increase of network, informal communications between subjects as the answer to these questions on the other hand, allow to define cluster policy as activities of public authorities for development of the purposes, the principles and methods of stimulation, investments, the organizations and developments of clusters and network interrelations with the purpose of increase of competitiveness of national (regional) economy. The cluster policy unites industrial policy, regional policy, policy of support of small business, policy on attraction of foreign and internal investments, innovative, scientific and technical, educational and other politicians.

**Key words:** State regulation, socially-important markets, public-private partnership mechanisms, cluster, policy

### **INTRODUCTION**

Social orientation of the modern politics and the economy determines the need for a deeper investigation into Russian peculiarities and functioning problems of the Socially Important Markets (SIM) of goods and services. Generally in the modern economy, the vast majority of industries related to the social sphere, serve and satisfy the people's social needs. In this regard, a significant share of existing markets can be attributed to socially-important as almost every market has its own socially-important segment submarket which can be considered as a separate market.

If we talk about the social sphere, it must be recognized that this area having been formed in Russia on the basis of the residual financing for many years is one of the most underdeveloped sectors. The economic reforms carried out in recent decades only deteriorated the situation, bringing the total resource potential of the

social sphere to a level beyond which in fact, the normal processes of human reproduction and society stop. The world average costs for the maintenance and development of the social sphere are 35% of GDP; the figure for Russia today does not exceed 20% of GDP (Belokrylova and Skorev, 2003).

In these circumstances, it is obvious that the development of industries, providing the population with socially important-goods and services should be considered as a priority national task which is multifaceted and diversified. The solution of this problem is possible only on the condition of systematic and integrated approaches of reforming of these sectors through the development of socially, economically and technologically sound concept of market modernization of social sphere, improving the principles and methods of state regulation and the involvement of the population into its transformation, development and functioning.

### **FORMATION OF THE CATEGORY “SOCIAALLY IMPORTANT MARKET”**

Since, the category of “socially-important market” has no generally accepted interpretation, we propose to consider it as a special system, the functioning of which is aimed at satisfying the most important needs of the individual and society, providing qualitative and socially-equitable development.

That is the distinctive characteristics of socially-important market are: the universality of the consumption of goods and services produced by its subjects; direct dependence of the quality of life on the quality and availability of services produced on the SIM; utility of goods and services presented in these markets has a social character; public participation in making the decision on the measures of social consumption and partly in the production of socially-important goods and services. These features are always institutionally formalized as they are related to the correlation problems of the public interests with the possibilities of the state: the state is responsible to the society for the provision with social benefits that determines the need of SIM state regulation.

Recognizing the economic feasibility of the application of the SIM state regulation methods (conducting effective socio-economic, monetary, structural investment, scientific-technical and preferential tax policies; improvement of the system of public procurement, subsidies, loans, guarantees for the development of socially-important services; social standards development on a rational level, the creation of public information marketing centers for the SIM development; licensing, certification and standardization of the public goods production), it should be noted that the state should only create the institutional conditions for the sustained development of innovative areas of production and provision of socially-important services.

Along with this the state, developing the government orders market (B2G), we should monitor the activities of enterprises and organizations working in this area to ensure not only the quality of socially important goods and services but also their accessibility to all the segments of the population. Moreover, it is necessary for the state or municipal service to act as a collective consumer expressing citizens’ needs for the public goods in the relevant area, carrying out contractual relationship with the producers of these goods.

Priority areas for the formation of the state regulation system of activities on the SIM in Russia’s regions must be communicatively linked with the population the consumers of public goods and services that it is advisable to involve them into identifying consumers’ preferences, using both traditional (benchmarking) and

new management tools (crowdsourcing) which can convert the energy of the crowd into the energy of creation.

### **FUNCTIONING OF SIM IN MODERN CONDITIONS OF ECONOMY**

In this case, the relations between the authorities and entrepreneurial community will be mediated by the population of the regions where the business is based and it will be directly incorporated into the process of production, consumption and quality control of manufactured goods and services. This would allow all level authorities to move from the “manual” management to the “pointed” only within the SIM. The SIM functioning and management in Russia should be legalized by the means of state-legal, private and public institutions (legislative acts, the various forms of social business responsibilities and civil society).

Such institutional and organizational mechanisms will help the SIM to develop not in the isolation but in the interaction mutually adapting. For example, the regional education market will be developing on the basis of the needs of the regional labor market, the latter in its turn will set the pace and direction for the development of the first; food market development will be focused on the market of health care services which ultimately may have an impact on the health status of the region population, etc. In other words, a cluster approach can be used in the SIM development in the regions of Russian Federation. While the SIM is developing, it is contributing to the development of the related “pair” markets, adapting them to each other and making the whole sectors of the regional economy develop.

Let us illustrate this with an example of one of the most strategically important SIM in the “knowledge economy” the Market of Educational Services (MES). The functioning of the modern MES and its subjects is influenced by a number of historical institutional conflicts (institutional traps), the most important of which is the conflict between the “old” system of education and the “new” labor market (Bermus, 2005; Ignatova and Yekimova, 2009; Korotaev and Bozhevolnov, 2010). The reason for the conflict was the fact that in the time of the economy reformation the educational system and the labor market moved from the cooperative to the competitive operation modes thus, the development of the education market “prevented” the labor markets from developing.

It is obvious that the formation of the modern knowledge-based society requires innovative changes not only in the activities of the organizations working in the education system but in the system itself. Globalization and unification processes taking place in all spheres of life cause openness and variability of

education, its personalized nature, the development of self-education, lifelong training; self-learning becomes a leading form of education. All the mentioned factors form the basis of a new educational paradigm (Morozova, 2010).

It is important to note that the implementation of this concept will require not only the creation of a feedback system between the society (labor market, consumers of educational services) and the subjects of educational market (educational system) but also it will entail the need to create new forms and integrated structures implementing training programs. The optimal option of the integration of labor market subjects, business-community and the state, representing public interests is the educational cluster in our opinion. The educational cluster is a system of continuous and mutual learning in the innovation chain science-technology-business-society which creates the greatest synergy, primarily for the development of the territory on which it was created.

#### **CLUSTER POLICY AS MECHANISM OF DEVELOPMENT OF SIM**

The modern world practice of clustering in the educational system allows to talk about the existence of three types of clusters (Ignatova and Yekimova, 2009; Korotaev and Bozhevov, 2010; Manuylova, 2007): research (merging of science, education and business the activity is based on applied research); entrepreneurial (networking), focused on the use of distance learning technologies, especially E-learning tools; research and entrepreneurial which combines the entrepreneurial motivation (commitment to innovative high-risk activities) and in-depth research practice and it essentially represents a symbiosis of the first two types of clustering. In our opinion, the most preferable type of cluster combination nowadays is a research and entrepreneurial type, since it corresponds to the strategy of interaction of the MES subjects, regional and business community and therefore, it can best solve the problem of provision with socially important goods and services (in this case, educational) and integration of socially important markets (in this case, labor and educational markets).

In our opinion, the clustering of the educational market should include the following steps in practice: continuous monitoring of needs in educational services based on feedback from the labor market subjects, especially from the business community representatives (which fits into the framework of marketing strategy of interaction and social partnership); introduction of the "educational service quality system" by the customers the labor market subjects; creation of the database of the labor market situation, the structure of demand for personnel in the labor market (this database should be

established and continuously updated by the relevant structures of the region authorities); integration development of the MES and LM subjects (permanent scientific seminars, business seminars, round tables, etc.). Our proposed clustering steps of MES "fit" into a marketing scenario of educational cluster creation and functioning (assessment of possible demand for this service, the positioning of the group of organizations on the market, making good working conditions for customers in the system). Due to the consistent implementation of all the mentioned above steps not only an active adaptation of the MES subjects to the innovative requirements of the modern development is possible but also the quality progress of educational services satisfying the international standards.

It is particularly important to emphasize that the database on the structure for personnel demand in the labor market must be created and updated on the basis of continuous monitoring by the power structures that will allow to have reliable and updated information about the needs of the population in socially important goods and services and available resources for that.

At the federal level and in the regions, it is advisable to keep this information in the target automated social banks of population's data. This will create a single information space for all the parties in interest and move to an objective forming of target complex social programs. Only this way, feedback can be established excluding inadequate measures which facilitate the degradation of the sphere of production of socially important services. Conceptual content of the creation strategy of educational cluster is presented in Fig. 1.

We should add that the creation of educational cluster will also allow to move towards resolving another institutional conflict lack of an effective conjugation between the MES subjects and state institutions, monitoring the quality of educational services as it is often carried out without taking into account the assessment of target audience the recipients of services and on formal matters, so-called "institutional mimicry" in education is sustained. This situation promotes an asymmetry between the supply and demand on the market of educational services which impairs the functioning of the "pair" MES the labor market: people cannot find work on the specialty even with a high level of education.

It is important to notice that direct participants of cluster integration gain the "internal" benefits; in addition, educational cluster forms a number of important "external" effects at different levels.

For the state it generates human potential development of innovation in the economy; helps to reduce the level of unemployment among university graduates by improving their competitiveness in the labor market; in the long term, it increases the demand for specialists in the country and the state due to the

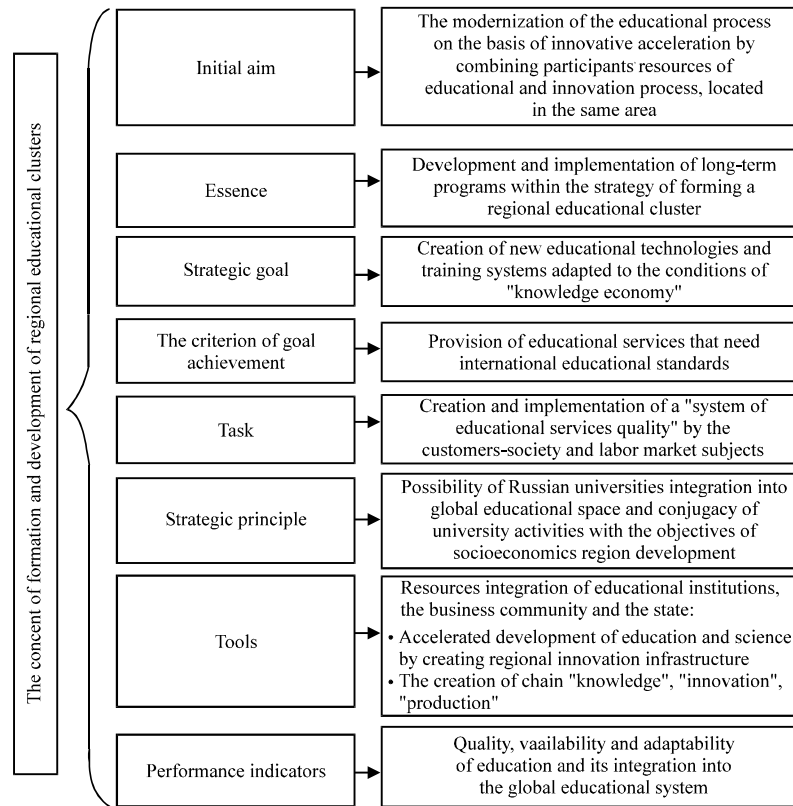


Fig. 1: Content of creation strategy of educational cluster. Made on materials (Peskova, 2011)

development of human capital. Innovation State (regions) Development Centers come into service as the part of the educational integration.

For individual customers of educational services it satisfies the needs in high-quality education, strengthening the applied element and increasing the scientific focus of the educational process that facilitates the process of integration into the labor market making it more efficient.

For the market, it allows to modernize price control mechanisms and it gives the opportunity to implement innovative ways while providing us with educational services which meet modern requirements of enterprises the subjects of the labour market.

#### INTERACTION OF CLUSTER POLICY WITH INSTITUTE OF CIVIL SOCIETY

Taking into account clear social orientation of educational cluster it's necessary to search for the approaches and tools to enhance innovative and financial aspects of its activity, it's necessary to unite all the available development resources that the society and the government have at their disposal. The role of Civil Society (CS) institutions should be increased as it's aimed at controlling the production and marketing of a variety of

socially useful needs. It's CS that can identify and eliminate the obstacles for the SIM development and production of public goods.

A key tool in our opinion, may be public-private (in this case, public-private partnership) which is able to integrate financial, technological, innovation, management and human resources not only in federal and local government institutions but also in different business structures and to create a mechanism of additional motivation for domestic and foreign investors (Peskova, 2013).

An important point should be considered when organizing a cluster there must be an authorized body on management (regulation) and project supervision done by the cluster participants, the body would carry out the current operational coordination of all the cluster participants and projects of public-private partnership.

Public-Private Partnership (PPP) is to create the conditions for sustained innovative development of the production sphere and the provision of socially important services to form the institutional environment of partnership between the state, society and manufacturers to establish a system of social (public) control not only of the quality of socially important goods and services but their availability to all the segments of the population (Fig. 2).

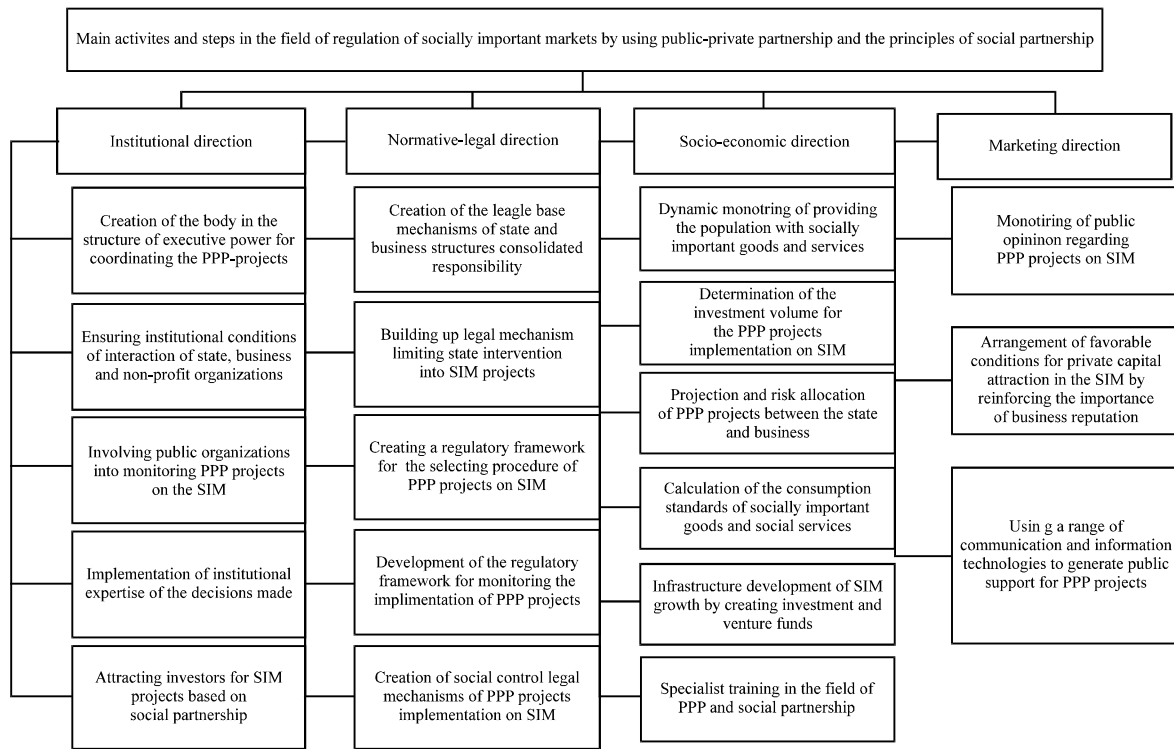


Fig. 2: Main directions and steps in the field of SIM regulation on the basis of public-private partnership and social partnership (source auth)

**CONCLUSION**

The application of the cluster approach in the system providing the development of socially important industries together with the PPP use can be regarded as the basic model of the transition to a new level in providing the public with socially important services.

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