

The Formation of the Operating Interaction Mechanism of the Public and Corporate Finances in the Sphere of Social Service of the Population: Methodology, Theory and Practice

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ABSTRACT

In this article the existing mechanism of cooperation between state and corporate finance in the field of social services are analyzed. The methodology of the formation of this mechanism, the legal aspects and the project approach are included. The factors that hinder the development of this mechanism are detected. They are: Shortcoming of existing federal legislation; low wages and high load per social worker; outdated material and technical base of social service institutions; undeveloped market of social services. Also, the scheme to attract private investment in social services is formed based on public-private partnership: Concession agreement; long-term lease; personnel outsourcing or out staffing.

Keywords: Corporate and Public Finance, The Mechanism of Cooperation of Finance, Social Services for the Population

JEL Classifications: H44, H42, M54

1. INTRODUCTION

In modern conditions, the development of the sphere of social service of the population in Russia is defined by the access of separate categories of citizens to receiving the corresponding services for activity maintenance and it is generally defined by availability of the state financial funds. The system of social service provides the facilities to the country population within the constitutional guarantees, as a rule, free of charge, except private establishments. And, of course, the State, according to the Constitution of the Russian Federation, is obliged to assume burden of creation of the absent institutions for the concrete period in case of need and to be constantly engaged in maintenance and development of the available economy potential of social welfare by the process of emergence of new needs for a certain type of public services. That is why effective operation of the interaction mechanism of the public and corporate finances in the sphere of social service of the population allows to liquidate various gaps in financial security of appropriate programs, to increase service quality on the mutually advantageous basis.

As a result, the aim of the article is to carry out the analysis of the operating interaction mechanism of the public and corporate finances in the sphere of social service of the Russian Federation population, including methodology of its construction and to reveal shortcomings of its functioning on practical examples.

2. METHODS

The complex of the general scientific principles, approaches and methods is applied for realization of the aim and research task. The main cognitive methods were: Empirical methods of literature study; desk researches; an abstract and logical method (by theoretical generalizations and development of conclusions); a method of induction and deduction (by determining essence, the content and a role of social service of the population in development of the social sphere); economical statistical methods (by research of indicators of the sphere of social service development); grouping (by the determining and comparison of the problems revealed in the sphere of social service of the population).

The problems of interaction of corporate and public finances were considered by the majority of native authors, such as V. Varnavsky, L. Yefimova, D. Zaytsev, A. Boyko, V. Vorotin, N. Grinchuk and other works that were considered earlier by the author in the article defined the public-private partnership (PPP) as one of the effective instruments of interaction of the public and corporate finances. However, in general, the mechanism of interaction of the public and corporate finances wasn't considered by authors and the question concerning embedding of such tool as PPP in this mechanism isn't considered (Karsakovich, 2015).

The most powerful source of a covering of social orientation expenses are budget funds. The state stimulates, localizes or limits these or those social programs by establishing forms and methods of planning and use of state and local budgets.

Social expenses are included into structure of both the state and local budgets, but their types, total amount and specific weight as a part of the relevant budget considerably differ. Functioning specific and a special role of local budgets are reflected in composition and structure of their expenses as despite the differentiation of social expenses in different levels budgets, the majority of the funds, which are aimed at groups of people or the specific person, are directed to local budgets channels (Kovalev, 2010).

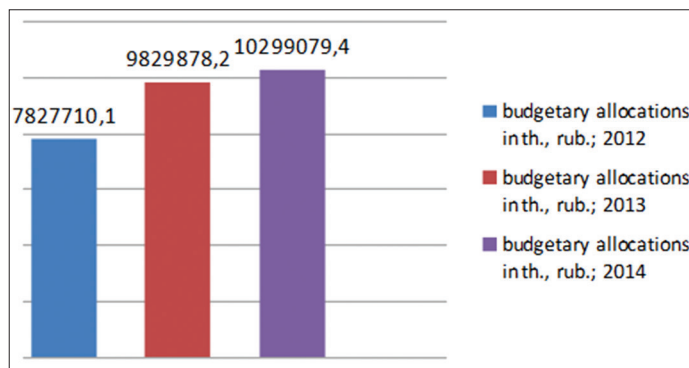
So, federal budget execution for expenses on social service by the Ministry of Labour and Social Protection of the Russian Federation in dynamics of 2012-2014 are presented in Figure 1 (Execution of the Federal Budget Expenditure by the Ministry of Labor and Social Protection of Russian Federation for the years 2012-2014).

These expenses were aimed at providing of the work of all establishments of social service system. The funds that are received from providing chargeable social services including partial payment become the second important financing source. The third aspect, which is also considered in financing social service organizations, is charitable contributions and donations.

3. RESULTS

Considering the above-mentioned financing sources the author's idea of the operating mechanism of financial security of social service system in the Russian Federation is represented in the

Figure 1: The expenses of the federal budget on social service in dynamics of 2012-2014



scheme on the Figure 2. Further, we will consider each element of this mechanism closer and we will distinguish shortcomings in its work. As it can be seen from the offered scheme, the Act of the Russian Federation No. 442-FL "About the bases of social service of citizens in the Russian Federation" (Federal Law from December 28, 2013 No. 442-FL "About the bases of social services for citizens in the Russian Federation") became a basis of such mechanism. It is also important to consider legal aspects of operation of such mechanism.

So, on the basis of the budgetary legislation of the Russian Federation (Budget Code of Russian Federation from July 31, 1998 No. 145-FL) and an order of purchase execution of social services for providing the state and municipal orders in the social service sphere the financing of social services which are realized by socially oriented non-profit organizations (NPOs), by non-state institutions, by individual entrepreneurs is carried out by granting of subsidies from the relevant budget.

The citizen has the right to address to another supplier of social services who isn't included in the individual program, but is in the register of suppliers in the subject of the Russian Federation, for example, on the basis of the Ministry of Social Protection of the population data only in the Moscow region in such register by the beginning of 2015 were included 204 suppliers of the social services which are under authority of the territorial subject of the Russian Federation (The Register of Social Service Providers of Moscow region).

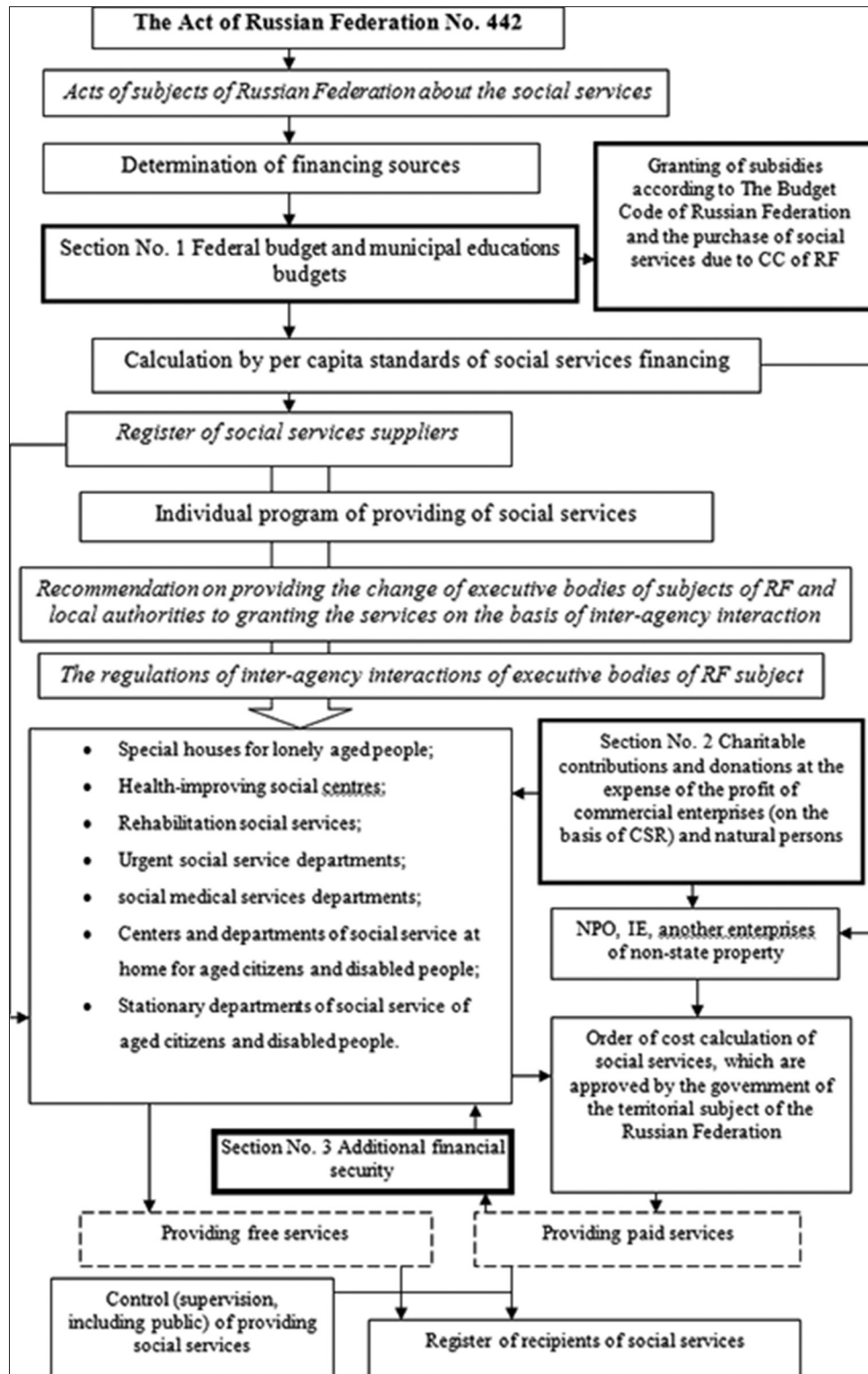
At that, it should be noted that expenses on providing social services according to the cost of the individual program, which is calculated according to per capita standards of social service financing, are compensated to the supplier.

Methodical instructions by calculation of per capita standards of financing of social services are approved by the Government of the Russian Federation (Government Resolution of The Russian Federation from December 1st, 2014 No. 1285 "About the calculation of capitation financing of social services" the guarantee system). The order of cost calculation of granting types of social services and forms of social service is carried out on the basis of the per capita standard of financing of social service, which is approved by authorized body (government) of the subject of the Russian Federation.

As a result, author singles out following points as the main indicators for an assessment of efficiency of financial security social service system of the population at the state and municipal levels:

1. Percent of citizens satisfaction with rendering of social services by social service institutions, from total number of the citizens who addressed for receiving the corresponding social services
2. Level of an average salary of social workers in establishments of social service in comparison with an average salary of the region
3. A part of the rendered social services for aged citizens and disabled people by non-state establishments of social service, in the total number of the same category of the citizens who

Figure 2: The operating mechanism of financial security social service system of the population of the Russian Federation



4. The part of buildings and constructions (fixed assets) which demand reconstruction or are at a breaking point, shabby buildings in a total amount of buildings and constructions of establishments of social service for citizens of advanced age, disabled people, persons without definite place of adobe and occupations

5. A part of the non-state organizations, individual entrepreneurs who render social services, in total quantity of establishments of all ownership forms of social service.

By every index the dynamics of their execution according to the Ministry of Labor and Social Protection is presented and the plan for 2015 is created in percentage. Therefore, in Figure 3 positive dynamics and rather high rates of relatively stable increase of the

percent of citizens satisfaction with rendering social services by social service institutions are kept (growth within of 0, 2-0, 8% annually). In addition, the level of an average salary of social workers grows significantly in establishments of social service in comparison with an average salary of regions of the Russian Federation, there is annual growth by 10% in comparison with previous years (The Ministry of Labor and Social Protection of The Russian Federation).

In Figure 4 falling of an indicator of existence of the buildings and constructions which demand repair for stationary establishments of social service by 0.5% annually, is obviously traced. On the other hand, the number of the non-state organizations rendering social services increases and respectively there is a proportional growth of number of the rendered services to aged citizens and disabled people.

As a result, for improvement of quality of satisfaction of needs of elderly citizens and disabled people in social services by social service institutions, on the basis of the analysis of dynamics of financial security assessment indicators of this sphere an important aspect is adaptation of social service system of the population to the changing legal social and economic conditions,

Figure 3: Indicators of an assessment of financial security of social service system of the population at the state and municipal levels

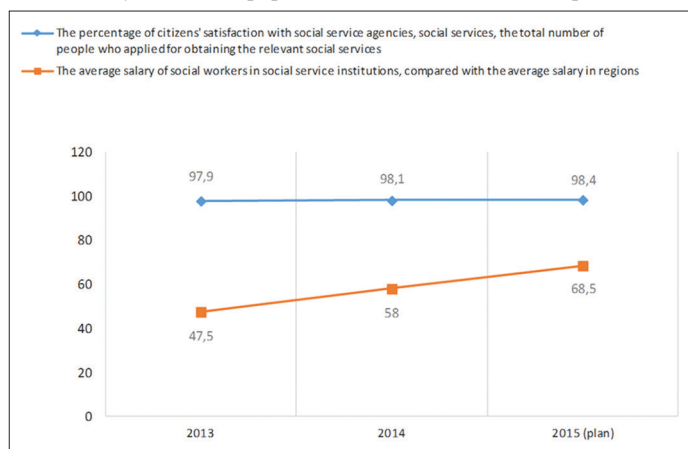
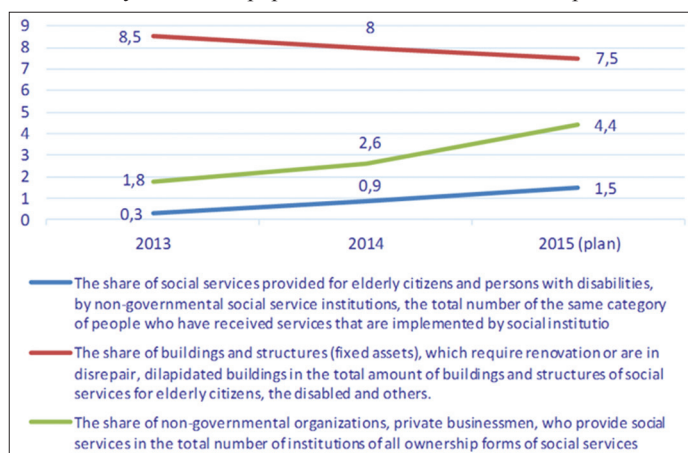


Figure 4: Indicators of an assessment of financial security of social service system of the population at the state and municipal levels



including the organization of effective interaction of the public and corporate finances. Ensuring of this process requires carrying out arrangements for updating and harmonious development of legislative base at the federal and regional levels.

In addition, we will note that in the law (Federal Law from December 28, 2013 No. 442-FL “On the basis of social services for citizens in Russian Federation”) implementation of interdepartmental interaction by providing social services on the basis of the regulations approved by public authorities of subjects of the Russian Federation is supposed. On the basis of article 7 of the Act (Federal Law from December 28, 2013 No. 442-FL “On the basis of social services for citizens in Russian Federation”) Ministry of Labor of Russia approves recommendations on realization of interdepartmental interaction of public authorities of the territorial subject of the Russian Federation concerning the providing social services. In turn, the territorial subject of the Russian Federation approves the corresponding regulations of interdepartmental interaction of public authorities of this territorial subject of the Russian Federation in connection with realization of powers of the subject of the Russian Federation in the social service field.

The Act (Federal law from December 28, 2013 No. 442-FL “On the basis of social services for citizens in Russian Federation”) contains the norms providing control (supervision) in the sphere of social service, including public control.

However, this mechanism doesn’t work effectively in connection with the revealed factors:

1. The existing Federal Law No. 442-FZ (Federal Law from December 28, 2013 No. 442-FL “On the basis of social services for citizens in Russian Federation”) doesn’t allow to satisfy fully needs of the population in social service with high quality. At the beginning of 2013 only 17.5 thousand people were in waiting list for receiving services in stationary establishments of social service. Almost the same number of 17.9 thousand people were standing in a queue for receiving social services at home that has made in the first case 6.5% and 0.12% in the second case from all number of the registered for receiving social services.

This situation exists because in the existing acts (Federal Law from December 28, 2013 No. 442-FL “On the basis of social services for citizens in Russian Federation”; Budget Code of Russian Federation from July 31, 1998 No. 145-FL; The register of social service providers of Moscow region; Government Resolution of the Russian Federation from December 1st, 2014 No. 1285 “About the calculation of capitation financing of social services” the guarantee system) there is no list of the corresponding bases for a specification of those citizens who need social service. As a result, the right of citizens for social service is determined with the help of the approved types of social service, and the content of these social services isn’t concretized. Thus, there is an inequality of the citizens’ rights for obtaining the corresponding quality of social services in region as in different territorial subjects of the Russian Federation social service is realized on the basis of various internal acts.

2. Low salary level and high commitments on one social worker in social service system forms deficiency of qualified personnel.
So, by the end of 2014 the size of an average monthly salary of the social worker made 58% of the level of an average monthly salary in the Russian Federation. But, the loading on one social worker in the context of all regions doesn't decreasing what indicators testify: 10.1 in Tula region, 10.6 in the Leningrad region, 11.1 in Kaliningrad areas at 6.9 in the Russian Federation in general.
3. Availability of the operating establishments of social service with out of date material base.
In the end of 2014 8% from total number of social service establishments need reconstruction, these are more than 200 buildings, more than 120 buildings and constructions are in critical and shabby condition.
4. The market of social services doesn't develop fully. The low share of the operating non-state enterprises (socially oriented NPOs, individual entrepreneurs, philanthropists and volunteers) testifies it. And it is only 2, 6% or more than 80 establishments of social service in non-state property.

Almost in all regions the number of the citizens receiving social services free of charge increased. But, only in 15 subjects of the Russian Federation additional categories of free services recipients are defined legislatively.

Active work on modernization of social service has begun in absolute majority of territorial subjects of the Russian Federation. It was shown in implementation of the new projects, ideas and initiatives directed at positive changes, at improvement of society life – both for certain people and for the whole state. So, due to desk research results it is revealed that at the heart of methodology of creation of interaction mechanism of the public and corporate finances in the sphere of social service of the population design approach works effectively. So, only in 42 territorial subjects of the Russian Federation by 2015 the state and municipal private partnership is successfully developed for introduction of innovative social practices in regions. As a result of introduction and distribution of social projects 10 thousands of the social sphere employees are involved and representatives of non-state sector are joining more actively. The analysis of the projects presented at a forum of social innovations in the region (Forum of Social Innovations for Regions) confirms that in 99% of projects financing from budgets of various levels was used. But only 1% was attracted by other sources of financing (charitable contributions, direct investments). We will consider these projects closer.

4. DISCUSSION

The construction project of an annex (further the Center) to the building of State Budgetary Institution SO “Samara Regional Gerontological Center” became a practical example of interaction of corporate and public finances. In addition, the room of an annex is transferred to the investor for free use, which is 100% of rooms - to a payback period of investment expenses by providing social services for 60 beds according to the contract for social stationary service (it allows to receive 75% of labor part of

pension). After achievement of the period of payback such tool as the concessional agreement which allows 50% of rooms turns on and it is transferred to the date of profit reception after the termination of a payback period, thus 50% of rooms are transferred to state budgetary institution (the remained 50% of rooms are transferred to state budgetary institution after period of validity of the concession agreement).

The similar project is developed in Moscow for KONKOVO boarding house in which veterans of war and disabled people undergo rehabilitation. Besides, this boarding house will have considerable economy of money due to involvement of experts out of the number of staff on terms of outstaffing. Thus, in similar projects interaction of the public and corporate finances is carried out within the following scheme represented in Figure 5.

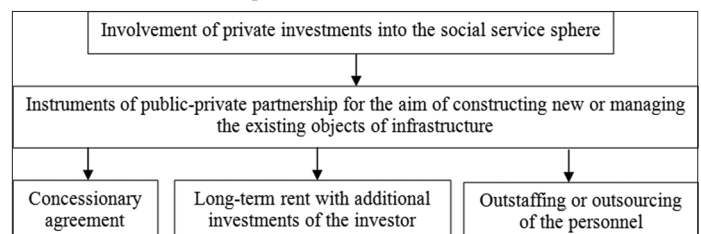
As a result, by means of design approach it is possible to build the effective mechanism of interaction of the public and corporate finances in the sphere of social service of the population, which will allow to solve the following problem directions from a position of the government:

1. Construction of new places for removing a problem of the growing waiting list;
2. Replacement of the existing shabby/emergency fund;
3. A solution of the problem of budgetary funds deficiency due to involvement of private investors' financial resources;
4. Transfer to business the maintenance burden of socially significant objects.

Thus, despite the lack of system legal regulation, the increasing development is gained by PPP in social service. PPP as practice shows, leads to optimization of costs maintenance of a system of social service state organizations, increase in volumes and improving in the conditions of the market competition the quality of the social services provided to the population.

Application of tax privileges, which at the federal level are absent due to the lack of the corresponding legislative norm, becomes the main stimulating mechanism of corporate finance involvement to the sphere of social services. However, in the concept of development of charity and volunteering in the Russian Federation (Order of the Government of Russian Federation from July 30, 2009 No. 1054-r “About the Concept of promoting of volunteering charity work in Russian Federation”) approved by the Order of the Government of the Russian Federation in 2009 a point on introduction of tax privileges on charitable donations of legal entities is designated. There is such point in the existing concept of long-term development of the Russian Federation

Figure 5: Scheme of involvement of private investments into the sphere of social service



till 2020 (Order of the Government of Russian Federation from November 17, 2008 No. 1662-r “About the concept of long-term socio-economic development of Russian Federation for the period till 2020”). The relevant bill is necessary for realization of tax privileges at the federal level. However, there are appropriate authorities of territorial subjects of the Russian Federation for the introduction of the effective tax privileges and they are defined within the tax code of the Russian Federation (Tax Code).

But, except tax privileges there are other ways of their development in practice of the interaction organization of the public and corporate finances. So, public recognition becomes essential incentive for involving of corporate finance to the sphere of social service. Studying the international experience of conducting corporate business in regions, the solution of social problems is set up by all means.

In this case, it is possible to apply various organizational decisions within corporation. So, for example, within one company the special division of social problems is created. Besides, the legislation of the Russian Federation allows to create corporate charity foundation as, for example Honor and Dynasty charity foundations (Charitable Foundation “Honor”; Charitable Foundation “Dynasty”) which will be able to realize more large-scale social projects. In some cases, the corporate sector can direct the target financial resources within realization of the principles of corporate social responsibility through funds of local community (Partnership of Community Foundations) and achieve goals in the sphere of social services.

The Ministry of Economic Development of the Russian Federation in 2014 created the concept of development of the corporate social reporting, within its realization it is offered to stimulate joint-stock companies which has a share state ownership, to the publicity concerning realizing social programs to involve to cooperation all potential stakeholders (interested parties). In this cases, information resources and media support play huge role. So, within work of the Russian Union of Industrialists and Entrepreneurs more than 100 organizations place such reports in public (Russian Union of Industrialists and Entrepreneurs).

The general contribution to charity from corporate charity foundations in the countries with the most developed traditions in this sphere according to the International Organization SESR (Committee of Support of Corporate Philanthropy [Sesriem]) makes to 1-2% of gross domestic product of the European country (Germany, Switzerland) these are about 2 billion dollars a year that is comparable to all expenditure of the budget of the Russian Federation on social service of citizens in the amount of 10,229 billion rubles. Dynamics in this sphere in the Russian Federation remains positive, according to the Ministry of Economic Development NPO grew during the 2-year period from 2012 to 2014 by 16.5%, the average number of volunteers for 36%, there are more than 113 thousand socially oriented non-profit organizations in total in the country (Ministry of Economic Development of Russian Federation). However recognition of such organizations or publicizing of activity of charity foundations remains at a low level. From a position of government bodies there

is no information campaign for advancing of charity supporting, volunteering, activity of socially oriented non-profit organizations and charity foundations questions in society, work with them has to become the popular, standard and prestigious direction. And only after gradual promoting of this direction, it is possible to speak about efficiency of interaction of the public and corporate finances in the sphere of social services.

5. CONCLUSION

The analysis of the existing mechanism of financial provision of social services to the population Russian Federation suggests that a separate mechanism of interaction of state and corporate finance in this area is at the formation stage and it is presented by the author as a sequence of actions, functions of specific members and building the relationships between the state authorities and business:

1. The situation analysis in the sphere of social services is carried out by the Ministry of Labor and Social Protection of Russian Federation and executive authorities of Russian Federation. Including the measures that are continuously carried out to ensure savings of financial resources, the formation of reserves funds for example for unforeseen expenses, that are made to eliminate emergencies and to restore the lost property by direct interaction with the Russian Ministry of Emergency Situations.
2. The provision of improving the legal framework in the field of social services by the Ministry of Labor and Social Protection of the Russian Federation, including the proposals in order to change the law in particular, that one that provides the gradual introduction into a system of social services of such instrument as PPP. In their turn, the public authorities of Russian Federation must build mechanisms of cooperation with non-governmental organizations, including socially oriented non-profit, philanthropists and volunteers for mutually solving problematic issues in the field of social services.
3. Improving the organization and management of statistics of basic indicators that in complex characterize the system of social services. Organized by the Ministry of Labor and Social Protection of the Russian Federation in appliance with the Federal State Statistics Service and the executive bodies of the Russian Federation in the sphere of control of financial flows in the form of charitable help from the corporate sector into social services.
4. Reduction of the waiting list for social services can be achieved by updating the material and technical base of the social services system. This area is built on the basis of co-financing from the budgets of various levels and attracting the corporate finance in the form of charity.
5. Involvement of the corporate finance increases the responsibility of the Ministry of Labor and Social Protection of Russian Federation concerning the improvement of quality in the field of social services. This direction is realized by means of the organization of monitoring and evaluation of the quality of the providers of social services by specially created commissions, which include control and monitoring public authorities, involvement of experts in health, education and other non-profit organizations. Also, the executive authorities of the Russian Federation may establish boards of trustees of institutions of social services, and may

develop methodological recommendations for determining the key performance indicators of social service providers and employees of social services, including their leaders. The financial reward of these employees also depends on the implementation of social services achieved from the key performance indicators (qualitative and quantitative). For its turn, it is recommended that the Ministry of Labour and Social Protection of Russian Federation must adopt a common system of performance indicators of social service providers.

Evidently from the above interrelationships the main advantages of financing the sphere of social services based on attracting the corporate finance are to reduce the waiting list for social services and improving their quality.

This trend is confirmed by the results of the Ministry of Economic Development of Russian Federation, which are also aimed at improving the availability and quality of social services by increasing the flexibility of their financing. That is the concept of the work of the ministry that determines that not only government agencies can get government funding for the provision of social services, but also NGOs, which have proved their effectiveness and stability, as well as business organizations. The selection is made on a competitive basis or through the mechanism of targeted consumer subsidies - vouchers (Interview with the Director of the Department of Innovative Development of the Ministry of Economic Development of Russian Federation Artem Shadrin "Results of activity of NGOs is significant not only in the social plan, but also in terms of budgetary efficiency").

In this case, the person receives the right to choose the organization, public or private. An example of such a voucher in medicine can be called a birth certificate in the framework of the National Project "Health" (National Project "Health"). To the Ministry of Labour and Social Policy, this will be an important instrument for the usage of such a mechanism in the provision of social services in the system of social services.

According to the results of this study, in spite of all positive changes that are taking place in the social sphere, they are not systematic. Social services and, moreover, the system of social services does not fully meet the modern requirements. Still relevant is the problem of the availability and quality of social services. Less than 2% of all social services share the services provided by NGOs. Incentives and mechanisms for involving into the social sphere by the private investor are not fully used. There are no clear mechanisms for the transfer of state property into temporary private ownership, also the performance standards for social services by private organizations are not defined, the risk of financial loss by the contract parties is still can be found. There is no federal legislation on the basis of PPPs, municipal-private partnership in the social sphere. So there are the new goals and objectives for the author of the article that must be resolved in further investigations.

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