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**STATE POLICY OF FORMATION OF WAGES BUDGET IN  
RUSSIA**

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***Abstract***

This article discusses the causes and conditions of wage differentiation in modern Russia. On the basis of numerous facts and figures, including examples of school teachers' and higher school teachers' salaries, it shows the state policy on the formation of state employees' wages. The authors argue that, despite the multifactorial problem, including the fall in oil prices, Western sanctions, etc., the state wage policy has real prospects for the successful implementation of the planned programs. These are the adopted implementation programs, the importance of the fulfilment of the May decrees of the President and the Strategy for Socio-Economic Development of the Russian Federation till 2020. In article 7 of the Constitution of the Russian Federation adopted by the general national voting on December 12, 1993 it is stipulated that the Russian Federation is a social state whose policy is directed to the creation of conditions providing welfare life and freedom of development of each person. From the Constitution we deduce that the main goal of the social state is to create welfare living conditions to all citizens. Frankly speaking in the last two decades in Russia certain attempts have been made to create conditions for life improvement of the citizens. In the Russian Federation, labour and health of the people are protected. A minimum salary index has been established, provision for family support, childhood and motherhood, disabled people and senior citizens, the system of social services is developing, pensions, grants and other guarantees of social support have been established.

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## 1. Introduction

For everybody it was no secret that teachers are forced to earn additionally on part-time jobs like tutoring, even there are cases of criminal activity (corruption) because of scanty salaries. Even in big cities, such as Moscow and St. Petersburg, teachers complain of a huge volume of work (often connected with bureaucracy) and insufficient payment for their work. But when people who are supposed to protect your rights by doing everything possible to improve your life but accuse you then that is too much.

Meanwhile practice has showed that: without good teachers in schools or higher education institutions there will be no quality education also. The great Russian teacher Ushinsky K.D. claimed that work of the teacher is the modest which is one of the greatest achievements of history. The teacher imparts knowledge on new generation, cultivating love for their country and other high qualities of personality in children. Therefore the teacher's work has to be paid with honour. Otherwise, the Russian education will lose talented teachers, and there will be nobody to manage "one of the greatest affairs of history".

Almost the same situation occurs with salaries in the higher institution of learning as a result the uncompleted reforms. According to the federal law of August 26, 1996 No. 125-FZ "About higher and postgraduate professional education" an average salary for teachers in the higher educational institution has been established to which does not exceed two times the average salary in the industries. In 2008 the salary was about 25 - 27 thousand rubles a month. However teachers of higher institution of learning did not receive such a salary established by law because as a result of the reforms connected with "monetization of social benefits", the article 30 specified in the law lost its legality from January 1, 2005.

In comparison with the imperial and even Soviet period the teachers' salaries of the top specialists in new Russia has sharply decreased. Lomonosov M.V., being professor of the Moscow University, received the IX rank of "titular counselor" that gave him an honorary title of the personal nobleman and a worthy material security. For special merits in domestic science Lomonosov M.V. was made the V rank by Catherine II which finally gave him hereditary nobility. The nobility during Peter the Great's era did not only mean acquiring big plots of land with serfs/slaves, but also the retirement period provided decent pension. Similar attitude of the state was towards professors and continued during the imperial Russia till the end of the monarchy. Between the XIX and the XX centuries, the salary of a professor of higher educational institution equalled 3000 rubles that was a half of the governor's salary. For 25 years of honest work the pension of professor of higher educational institution equalled his former salary. In case of his death his pension was received by the widow and children. In the Soviet Union a higher educational institution professor had salary equivalent to 450 rubles, which was only 50 rubles less than that of the minister's. It was natural that young scientists sought to complete postgraduate studies, defend dissertation, trained themselves for work in higher educational institutions. Such salaries proved that the vocational training quality of experts was significantly higher. The fact has not been challenged by anybody today (Ignatov, 2006).

There is absolutely different attitude towards teachers of higher educational institutions in modern Russia. "We have adopted a lot of issues from the West today: Unified (Common) State Examination, two-level system of training: bachelor-master", noted the president of Moscow State Legal Academy Kutafin O., academician of RAS. We are not considering only the level of salaries of teachers. And in

fact, this only the thing that, by and large, we needed to copy from the West ..." [2]. The elementary school teacher in Germany earns between 38 300 to 51 500 euros a year, and the monthly income of the school teacher in France reaches 3000 euros which according to Central Bank rate of the Russian Federation exceeds 200000 rubles. The salary of teachers of higher educational institutions abroad is also many times higher than in the Russian Federation occupying the same social status. So, professors and associate professors in higher educational institutions of Germany receive on average 4650 euros and when converted into rubles exceed 300 thousand. Young teachers are contented with the modest 2800 euros. In the USA and Singapore professors of universities receive 48-54 thousand dollars a year, the highest paid have 90-100 thousand dollars annually or over 500 000 rubles a month. The highest paid teachers are in Luxembourg (Moiseyev, 2014). Their average annual income is between 80 to 100 000 euros, or more than 600 thousand rubles a month.

## 2. Problem Statement

Problems with the payment of teachers in Russia are not being addressed properly. The government does not want to take an example from Europe in paying teachers. The Minister of Labour and Social Welfare M. Topilin reported on the salary of teachers of higher educational institutions to the president Putin V.V. at a working meeting in September, 2016: "About the teachers' salaries of higher educational institutions, it had already reached 54 thousand rubles, about 170 percent (our indicator which is 200% can be achieved, so far the result we already have is 170 percent); in principle we on track". I also have to add: "Now we are working on the budget necessary for 2017-2018 to fulfil decrees in full".

According to the Presidential Decree of the Russian Federation of Putin V.V. on the 5/7/2012 #597 "About actions of the execution of the state social policy" by 2018, it was entrusted to the government to bring the average salary of teachers of higher educational institution to 200% of the average salary in the region by 2018 (Putin, 2012). And if we double the current 27280 rubles (the average salary in the Belgorod region), then by 2018 the salary of teachers in the higher educational institution should be not less than 54000 rubles. According to employees of the higher educational institutions, the salary of professor in the state university today doesn't exceed 35 thousand rubles a month. According to the Ministry of Education and Science, teachers of higher educational institutions performing the established academic responsibility earn monthly of about 35.8 thousand rubles, teachers of schools receive an average of 27.5 thousand rubles (Putin, 2012).

In this regard the implementation this problem solution stated in "The strategy of social and economic development of the Russian Federation until 2020" known as "Strategy 2020" is staticized. This document, approved by the Government of the Russian Federation in 2008, it was indicated that the salary of the teacher (including at the higher educational institution) should not be less than 2700 US dollars by 2020, (i.e. in some 3 years) (Putin, 2008). At the current rate of the Central Bank of Russian Federation it is equivalent to about 170 000 rubles. Almost similar to the same amount the teacher in imperial Russia received. The prime minister of the Russian Federation Dmitry Medvedev, speaking at a plenary session of the All-Russian teachers' meeting in August, 2016, said that the teachers' salaries lately have been brought to an average in the regions, but there are still lots of issues, in particular the fall

in salaries. He promised that the government and he, in particular, will do everything possible in order to resolve such problems. The Situation is even worse with the salaries in Russian agriculture. According to the former minister of agriculture of the Russian Federation Alexey Gordeev, the salary level in agricultural industry is 2.5 times lower than the average in national economy. "It is abnormal and humiliating", – the former minister believes.

At the kindergartens tutors website (there is such a site in the Internet) there is a broad debate among this category of teachers of Russia. There is hue cry from the bottom of heart of kindergarten teacher of Novotochina Natalya Andreevna of November 13, 2012: "I have a higher education, 2<sup>nd</sup> category and of about 5 year-teaching experience of a salary of 7800". Another teacher Kochetkova Natalia Revovna writes, "I have a higher education, service period of 32 years, highest category – from October 1, 8600... It is just a joke!" "Wow!!", comments her colleague on this message. All words about salaries how come that they aren't lower than the living standard wage and from January, 2013 the average salary has to be 19 thousand? These are not salaries but tears". The tutor from the Kemerovo region, Pekker Irina Petrovna writes, "I have a higher education, 31 years of experience. My salary is 4460 for September. Since October "they have forgotten" to increase salaries but it will just be about 4700, Novokuznetsk Kemerovo region!" "I consider the tutor's salary not worthy too; – it is noted in one of comments on the website. The tutor also gives classes (conducts educational process), moreover, the tutor conducts training of children not only during specially organized activity, but also during the course of the day. The tutor also spends the whole day with children. Therefore I consider the salary of a tutor needs to be equated to a salary of the teacher" (Gilmanova, 2012).

The assistant teacher's position is not particularly prestigious however it is very necessary. The load of the assistant to the main tutor is rather huge. The duties have increased greatly as parents' requirements demanded more comfortable conditions for their children: the responsibility for wet room cleaning, hygienic pupil's maintenance, organising the tables is conferred her responsibility during meal, and sometimes and dish washing. However the work of assistant kindergarten teachers is estimated by the state as something minor. It hardly exceeds the established living salary level about 10 thousand rubles a month. It is planned that in 2017 the salaries of junior tutor have to be equated to average salaries indicators within the region. The salary of cultural workers, especially in rural areas is considered to be low. The Russian Federation Government has recently promised that from October 1, 2012 museums employees will already be receiving not less than 12.4 thousand rubles, library workers will get 14.3 thousand rubles, theatrical and spectacular organizations will be paid 12.5 thousand rubles, archival institutions will get 13.4 thousand rubles. How the average salary of cultural workers increased in 2013, the Minister of Culture Medinsky V. reported. According to him, the average salary of employees of federal institutions of culture in a year has increased by 50 percent. Summing up the first results of the activities at the ministry in a year, the minister noted that salary increase was the main task of department. "It happened not only due to additional financing, but also first of all due to reorganization of cultural institutions work", the Minister of Culture told, having specified that the search for non-budget sources for the necessary purpose. According to the minister, the new salaries scheme of his workers has brought the necessary result. "If in 2012 the average employees' salary of cultural institutions was less than 20 thousand rubles and then judging by data of April 1 this year, it has

increased by 50% and has now reached 28 thousand", said Medinsky. He has assured that "by the end of the year salaries will increase".

However data from all the regions indicate the opposite. So, Elena Aleksandrovna from Murmansk writes, "In our municipality neither in 2014, nor in 2015, did wages to cultural workers increase for 5.5% that violates the May Decrees of the Russian President". From Saky (Republic of Crimea) Lyudmila Sergeyevna reports that for December, 2015 the wage to cultural workers was 12000 rubles but the accounts department indicated that there was no money". It is easy to compare the salary of 28 thousand according to the minister and 12 thousand according to the cultural workers. A considerable difference was seen. This comparison is based not on only one source. The analysis of the salary situation of workers in the cultural sphere was carried out by experts in 2013. The fact that the Russian culture is financed by the residual principle was well known long before. When planning the State budget, unlike other more important and monetary areas of the Russian economy, the culture has nobody to defend it and lobby its interests. Thus, the cultural workers steadily are placed in the last position the salaries level among other Russian state employees.

Such situation resulted as a result of the drastic shortage of personnel in those provinces where the salary of state employees in general is much lower than the average around the country. Somehow to correct the situation, the President of Russia Vladimir Putin decided to allocate extra budget funds to increase the salary of state employees.

### **3. Research Questions**

The issues of the study were the low salaries of teachers, cultural workers and other state employees, as well as ways to increase them.

### **4. Purpose of the Study**

The purpose of the study is to analyze the remuneration of teachers, university professors, other public sector employees, compare their salaries with the salaries of colleagues in the European Union and other countries, so that the leadership of the Russian Federation makes the right conclusions.]

### **5. Research Methods**

Comparative method showed that the salaries of Russian teachers are several times lower than not only in developed but also developing and even some African states. Institutional method allowed determine which authorities and authorities prevent salaries of Russian civil servants.

The Forbes magazine began to publish ratings of the highest paid top managers in Russia in 2012. The technique of calculating the Forbes ratings was noted that the final assessment of remunerations of top managers has taken into consideration of short-term remuneration (salary, awards and other payments), long-term remuneration (dividend payments), earned reward of member of the boards of directors of company subsidiaries and also paid remunerations from abroad. According to the resolution of the Russian Federation Government No. 1405 of December 18, 2014, heads of state companies of Gazprom, Rosneft, the Russian Railway, RusHydro, Transneft, Aeroflot, Sberbank and VTB are obliged

to publish income data information in "the Internet, on the official organizations sites". This resolution caused a wave of protests of highly paid heads of state corporations. The income data publication was actively opposed by, for example, the former head of the Russian Railway Vladimir Yakunin, threatening his resignation. The president of Rosneft Igor Sechin was also an active opponent of disclosure of the fabulous income. As a result, at the end of March, 2015 the top managers of state-controlled companies reached an agreement with the Russian Federation Government of the possibility not to disclose their incomes to the public: the government made amendments under which heads of the companies with state participation will report only to him. According to our perceptions, such government decision will only promote corruption whose level in Russia is one of the highest in Europe. In contradiction to corruption curb measures of the Russian Federation it risks to remain among the countries of national shame. Only top managers of the non-profit and budgetary organizations, state corporations and companies, of 100% proprietorship to the state are obliged to publish these data in the media according to the Russian government decision. On the Forbes request to disclose the remuneration of heads any of the listed companies hasn't yielded any result.

The level of salary and other remunerations of heads of state corporations can be obtained from various open sources. So, the corporate standard of Rosneft about payments and salaries to top managers, the president of state company Igor Sechin monthly receives from 15 to 20 million rubles (Sabitova, 2015). The document also provided a 150% annual reward of the salary to the head of the company. The Simple calculation shows that the revenue of the head of this state corporation can reach 360 000 000 rubles or on 1 million a day, including days off and holidays. The salary of other top management of Rosneft: the first vice-president receives from 30% up to 50% of the president's salary of the company, vice-presidents – from 20% to 40%, and all remaining top managers from 10% to 35%. In December, 2014, the Russian Federation Government obliged 65 state companies to publish income and property data of top managers on the official sites. At that time this information was provided to tax authorities and the government which ensured its "publication". A considerable part of state companies already publishes income statements of the heads, with the exception of Rosneft, Gazprom and the Russian Railway.

The huge salaries and unprecedented awards almost irrespective of work results the head of Gazprom state corporation Alexey Miller also doesn't differ. In spite of the fact that the profit of the Gazprom Company in 2008 considerably fell he received for work during the crisis year a record of \$5.3 million. On the salary, Miller could be compared to only the chairman of the board of directors of Norilsk Nickel Alexander Voloshin, the Chief of the Russian Presidential Administration (\$5.5 million in 2008). 2.8 million dollars will be received by Miller as the chairman of the board of directors of Gazpromneft. The ordinary shareholders of Gazpromneft can't understand such a generosity in relation to top managers of the company. The New Region portal cites words of the shareholder Alexei Navalny who considers that "it is the wild sum in the conditions of crisis". It should be noted that in April the Prime Minister Vladimir Putin and the president Dmitry Medvedev actively urged the companies to refuse the payment of bonuses to top managers or at least to limit their levels. But the rich have their concepts about decency and rationality. Miller's salary as head of Gazprom at that time wasn't revealed. In the report information concerning the remuneration of all top managers of the gas monopolist in 2008

was 49 million rubles of the board member (\$1.97 million on average during 2008). Thus, the sum of Miller during crisis was paid out to himself a semi-annual reward (the 13th salary) exceeding 150 million rubles (more than \$5.3 million).

In official documents of the company, the annual basic salary of the chairman of board of JSC Gazprom Alexey Miller is \$1.4 million. Twice less than that of the chairman of the board, \$700 thousand a year, six vice-chairmen of the board, the chief of staff of board and the chief accountant of Gazprom earn. The basic salary of eight board members and CEOs of twenty largest subsidiaries with the exception of Sibneft) is \$500 thousand a year. Other managers who are CEO of 20 more "subsidiaries", five deputy heads of the office of board, three advisers to the chairman of the board, the head of the secretariat of board of directors and the chairman of tender committee get paid the sum of \$400 thousand annually. In 2016 the salary of the chairman of board of Gazprom Alexey Miller, according to Forbes, increased from \$25 million to \$27 million, and taking the first rating place among the highest paid heads of state corporations. We get to know a lot through comparison and if the salary of the teacher is compared to that of the head of a State Corporation, it is seen that the difference will be several hundreds of times more. A simple example is: if the income of the head of Rosneft, of Sechin I.I. which is equal averagely 86400000 rubles a year is divided by the Russian teacher, which equals 240000 rubles it is observed that the difference is 360 times. So the huge differentiation in income is seen in capitalist Russian society.

## 6. Findings

The analysis shows that the sharp differentiation in income influences negatively on the relationship of considerable mass of the population to the government, legislators, state bodies or public managements, the authorities in general. Undoubtedly, this is the prime cause of the hidden present relation to the authorities which have given 2-3 percent of the population the chance to amass huge fortunes and put others on the survival verge. This made the deputies of State Duma from CPRF faction come to such a conclusion. Therefore it was not accidental that the Nobel laureate Alferov Zh. (member of Communist Party of the Russian Federation (CPFR) when opening the working session of the fifth convocation of the State Duma urged deputies "to battle against and win over poverty".

The number of rather poor population of Russia steadily continues to increase. Only 20% of the wealthiest population part has gained from the reform results in Russia. The parts of the population with average (close to average) income not only haven't grown richer, but haven't also restored their welfare level which they had in 1990. The relative poverty index doesn't coincide with index of absolute poverty, and the absolute dynamics and relative poverty are apart. Today we are in a situation when there is no fall in relative poverty in the process of economic growth which in accordance with social logical terms is just absurd state.

## 7. Conclusion

As the practice of the last decade of Russia's social and economic development has shown, unfortunately, there has not been a rise in the level and quality of life of all Russians on the basis of the implementation of state social policy. Doctors, school teachers, higher education teachers, kindergarten

workers, persons responsible for cultural and educational activities, especially in villages, are in a difficult situation due to low salaries. The level of real incomes of these categories of civil servants is now lower than in the Soviet period. The reason for this situation is that the Russian state still does not cope with its main function - to properly redistribute income from the sale of raw materials. The growth of the economy has a weak effect on the growth of salaries of civil servants.

Because of these and other mistakes in the social policy of the state, including because of discrimination in wages, the inequality of Russians is growing. For example, heads of state corporations receive every 30 days more than a university professor can earn in ten years.

The main problem of inequality and poverty of the population, in our opinion, lies not the planes of shortage of financial and other resources, insufficient filling of budgets of different level, and in mechanisms of their distribution and redistribution. One of such effective mechanisms is a significant increase in wages.

According to the authors, the increase in the salaries of teachers, doctors, teachers of higher educational institutions, kindergarten teachers, cultural workers and other categories receiving salaries from the budget, in the current situation should occur at times, and not at the percentages announced by the government. The fact is that the government, implementing the May decrees of the president, planned to raise the salaries of these categories in 2018 by only 23%. In translation for a hard currency, this increase does not exceed \$100 on average. Such a meager increase in the salaries of state employees does not solve the problem of poverty among Russians, is not able to increase their low quality of life and purchasing power.

Meanwhile, the purchasing power of state employees is of great importance not only in the social sphere, but also for the economic development of Russia. According to the latest data, in 2017 there were over 30 million state employees. The increase in incomes of the fifth part of the country's population will significantly increase the population's demand for goods and services produced in Russia. Enterprises will be able to increase production and sales of not only clothing, footwear, other consumer goods, but also food products, even those for which teachers and doctors, other above mentioned categories, simply did not have sufficient funds. In addition, these 30 million citizens with a substantial increase in official salaries will be able to purchase additional services, including the correction of their health in sanatoriums and boarding houses on the seashore, in paid clinics, as well as regular visits to massage parlors, beauty salons, fashionable ateliers and so on. Of course, these and other services, while almost inaccessible to low-paid categories of Russians, including state employees, will be able to improve the level and quality of their lives, improve their health and social optimism.

Moreover, with a radical change in the remuneration of doctors, teachers, teachers of higher educational institutions, scientists will improve their attitude to their work for the better, will become an important material incentive for achieving new results in their work and innovations. Indeed, reducing their extra workload, which they resort to to feed their families, will give more time for their self-improvement, professional development, qualification, etc.

With the increase in wages, which to some extent assesses the social significance of a certain category of workers, the authority of teachers, doctors, scientists, university professors and other above-mentioned categories of civil servants will undoubtedly increase.

Multiple increases in labor remuneration will positively affect the improvement of pension provision for Russian state employees whose pensions can not withstand any criticism. The state, having substantially increased salaries, will be able to provide them with a decent old age. Having received additional money, the employee can increase the accumulative part of his future pension without prejudice to the family budget, take an active part in the implementation of other pension programs offered by both the state and numerous non-state funds.

Thus, the multiple increase in the salary of civil servants will, in the opinion of the authors, have a positive effect on the further socioeconomic development of Russia.

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