

Economic growth and poverty in the region: international experience, approaches and managerial mechanisms

Abstract. The article describes poverty as a socio-economic phenomenon in the country. The causes of poverty in the developed countries are reflected, taking into account the specifics of its reproduction. Theoretical and methodological aspects of the study of poverty in the territories and forms of its manifestation are investigated. This research sets the direction for reducing poverty in the territorial context and ways to improve the living standards of the population in conditions of economic sanctions and falling incomes.

Keywords: Poverty; Territorial Inequalities; Level of Life; Quality of Life; Rich; Poor; Regions; Economic Growth

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Економічне зростання й бідність у регіоні: світовий досвід, підходи та механізми управління

Анотація. У статті вивчається бідність як соціально-економічне явище в державі. Розкрито причини бідності в розвинених країнах з урахуванням специфіки її відтворення. Розглянуто теоретичні й методологічні аспекти дослідження бідності на певних територіях і форми її прояву. У дослідженні запропоновано напрямки щодо зниження бідності і підвищення рівня життя населення в умовах економічних санкцій і падіння доходів.

Ключові слова: бідність; територіальна нерівність; рівень і якість життя; багаті; бідні; регіони; економічне зростання.

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Экономический рост и бедность в регионе: мировой опыт, подходы и механизмы управления

Аннотация. В статье изучается бедность как социально-экономическое явление в государстве. Отражены причины бедности в развитых странах с учетом специфики ее воспроизводства. Рассмотрены теоретические и методологические аспекты исследования бедности на определенных территориях и формы ее проявления. В статье предложены направления по снижению бедности и пути повышения уровня жизни населения в условиях экономических санкций и падения доходов.

Ключевые слова: бедность; территориальное неравенство; уровень и качество жизни; богатые; бедные; регионы; экономический рост.

1. Introduction. With the development of the territories at the international space, phenomenon of poverty determines the state of life and personal orientations of people, the state of the territory, the division between rich and poor with the rapid reduction of the middle class in the society.

The phenomenon of poverty is widespread not only in the countries with transitive economy and low standard of living, but also in developed countries like the USA, China, Germany, Japan and others. Particular attention should be paid to the methodological synergy of study of the relationship of economic growth and poverty from the macro-economic perspective. The situation of poverty in Russia is characterized by extremely unfavourable trends. In connection with the strengthening of territorial asymmetry in the socio-economic development of subjects of the Russian Federation (the absence of the middle class), the fight against poverty is on the list of issues about which much has been said, but few constructive practical steps have yet been suggested to reduce it. The lack of clear mechanisms to reduce poverty and slowdown of the economic growth in the Russian regions (states) stipulate the problem. This is the case in many countries in the world. In today's world, economic growth is heavily dependent on commodity supply and demand of fixed assets (disposal and recovery), equity and debt, the quality of the means of production, the level of skills of the workforce, tangible and intangible assets (in volume), the ratio between wages and labour productivity. Each of these

indicators (the value) generates both positive and negative effects on the state and development of the state (the level of welfare of the population), which ultimately should not side-step issues related to poverty of citizens residing at the certain territory.

2. Formulation of the problem. In modern conditions, many states have been fighting for many decades, and in some countries for centuries, against socio-economic inequality in its territory, which manifests itself in exact income, consumption, savings of the population, the presence of private property, economic and social potential of the area and many other factors, processes and phenomena that generate inequality, and as a result, poverty in the area. One of the key factors in determining the path of socio-economic development in Russia and other countries come to the fore incomes. A large gap in this indicator particularly increases causing the divide of the population into rich and poor. Taking into account the socio-economic situation prevailing in the country, one can be confident enough to talk about the future of a separate region and the country as a whole. Today in Russia, one of the key challenges is falling incomes, accompanied by an increase in the number of people falling into poverty. A very sharp differentiation of the working population by the level of material well-being is dictated by the large «distortions» in wages by industries in the different subjects of the Russian Federation and absence of the elaborated mechanism for inequality regulation. The decline in production,

reduction of costs in the budget, not the aligned mechanism for indexation of pensions, and many other circumstances inhibit the process of poverty alleviation. World practice shows that if the ratio of the incomes of the richest 10% of the population and 10% of the poorest population is greater than 1:10, the area (the state) is entering a stage of social upheaval. Currently, in the Russian state there is a large gap in income that goes beyond the scope of this proportion. According to the data from 2015, 10% of the most affluent citizens were 16.8 times richer than 10% of the poorest ones, which is 1.6 times higher than the maximum allowable values recommended by the UN. In this respect Russia is close to the countries of Southeast Asia and Africa.

The disparity in incomes of the population largely determines the volume and structure of consumer demand. This is an inverse relationship: at the same total income of the population, the higher the differentiation (inequality) is, the less is the aggregate consumer demand. The higher differentiation is, the faster a large proportion of the population reduces their consumption expenses, so that the majority of the population, which reached a certain level of consumption saturation, directs its financial resources to own savings.

3. Brief Literature Review. Today, the relevance of anti-poverty programs has not lost its force, but instead intensified the efforts. In 1970, the founder of the relative approach of the poverty (deprivation and median versions), British scientist P. Townsend (1979) [1] provided in his work a detailed account of poverty in society. Comparative approaches between absolute and relative poverty, poverty measures, its measurement, non-market methods of its impact on the market on the examples of several countries are considered in works of David Stark (1989) and Ha-Joon Chang (2015) [2-3]. Inheritance of poverty, its reproduction from generation to generation is described by Oscar Lewis (1961), who coined the term «culture of poverty» in the study of poor urban Mexican and Puerto Rican families in the middle of the 1960s [4]. Pearson J. (2002) described poverty as limited chances of people in the labour market to access to the social services [5].

O. I. Soskin (2010) in one of his works focused on the formation of the tax system in the country to maintain the economic balance and to reduce poverty in the context of the implementation of social programs and commitments on the part of the authorities [6]. Russian scientists and experts, such as S. G. Anisimov (2010), V. I. Grishin (2013), G. Y. Gagarin (2013), Y. V. Vertakova (2011), S. G. Emelyanov (2011), S. S. Zheleznyakov (2011), A. N. Mikhailov (2011), M. A. Nasonova (2011), A. Zubarev (2011), E. V. Kharchenko (2012) in their scientific papers [7-15] proposed methods and approaches for measuring the level and quality of life, suggested policy measures to reduce poverty and asymmetries in the territorial aspect.

4. Purpose. The aim of the article is to diagnose poverty in the administrative subjects of the Russian Federation and propose direction for its smoothing in the region.

5. Results. Talking about the current economic space of Russia, we should consider not only the level of material security, but also the imbalance between supply and demand for goods and services, and in particular one should pay attention to the price differentiation for comparable goods and services in different regions of the country. Today, many economists and experts say and describe rich Russia, going its own way in terms of deployed import substitution programs in different sectors of the economy. The other part speaks about poor Russia, with the unsolved economic and social issues, as well as with unfinished programs of the socio-economic situation stabilization in the different periods of the reforms. A large proportion of the income part of the budget of the Russian Federation is formed by the export of hydrocarbons and other minerals. Considerable income from the sale of these resources goes to the private individuals who have received the right to exploit natural resources [16]. As a consequence, we can see the rapid stratification of society, the rapid growth of poverty, enriching a small group of people and a large gap between rich and poor. These factors and others keep back economic growth in the regions of Russia and the country as a whole, increasing inequality between the regions in socio-economic section, what eventually

postpones the solution of the strategic objectives of the Russian Strategy 2020.

Poverty in the state or a region should be understood as an economic status or condition of an individual, when his existing needs (vital) cannot be satisfied (achieved) because of the lack of capacity to meet them.

For the Russian state, which is characterized as a vast territory populated with 190 nationalities, the issue of poverty diagnosis remains one of the priorities for many of its regions due to huge differences in the level of socio-economic development. The social phenomenon of poverty imposes restrictions on the employment of citizens to work with decent pay, receive quality services in hospitals and educational institutions (including premium ones), involvement (socialization) of children and young people in sports, cultural events and other social projects and programs, in which they may find themselves. Low income generates social tension in the society, which negatively affects the development of the territory.

In the economy of the country, there is an increase in unemployment, the existence of part-time employed citizens, an increase in the number of citizens who fall out the line of normal life (in the category of the poor), more rapid stratification of citizens in terms of income. These trends are observed in the years 2014-2015 and will continue in 2016 as economists and experts claim. They can significantly «undermine society» and engender sharp social conflicts.

Many countries use the absolute, relative and subjective approaches to determine poverty with subsequent adjustment and fiscal policies, developed and adopted state programs aimed at improving the welfare of citizens and reduction the number of people falling into the category of poor.

Evaluation the poverty rate in Russia is possible through the subsistence level, which allows us to estimate the magnitude of the standard of living and, as a result, poverty in the observed area. Regional and national authorities develop and implement social programs based at this figure.

Over the past two years, one can witness a slowdown of salaries of the population in different sectors of the economy and loss of productivity. After the crisis of 2008, there was a significant growth in citizens' wages (labour productivity in the economy did not grow as rapidly) in 2009-2013. The imposition of sanctions against Russia and lowering the price of export commodities caused the increase in the unemployment rate in 2014 of 4.6% in Kursk region (the national increase was 5.5%), the increase in the proportion of people with incomes below the subsistence level (10.8% of total population in the country, and 9.0% in Kursk region).

In 2015, the poverty rate in Russia, as the Ministry of Economic Development claims, grew by 1.4%, due to higher prices of food and non-food products and the reduction of citizens' income. The unemployment rate in Kursk region, compared with other regions of the Central Black Earth Economic Region, is shown in Figure 1. The lowest unemployment rate at the end of 2014 is observed in Lipetsk, Belgorod and Kursk regions. In statements for the 3rd quarter of 2015, a favourable trend occurred in Lipetsk and Belgorod regions (however, taking into account the crisis and the reduction of wages to workers).

The poverty rate is calculated as a proportion of the population with incomes below the subsistence minimum in the total number of citizens in Kursk region (in 2014 the cost of living amounted 6632 rubles). It decreased by 4.2 times compared to 2008, according to categories of citizens that go beyond the subsistence minimum. Figure 2 shows the dynamics of the population by per capita cash income in Kursk region

In our opinion, the top priority of any region is to improve the quality and standard of living of the population in any administrative subject of the Russian Federation. In the development of anti-crisis programs of territories (municipalities) development, one should pay attention to the problems of poverty and the causes of this social phenomenon.

It is necessary to manage processes of sharing benefits and prevent «skew» in the development of economic sectors, as asymmetry in the distribution of income among people employed in the sectors of the economy (big spread in wages)

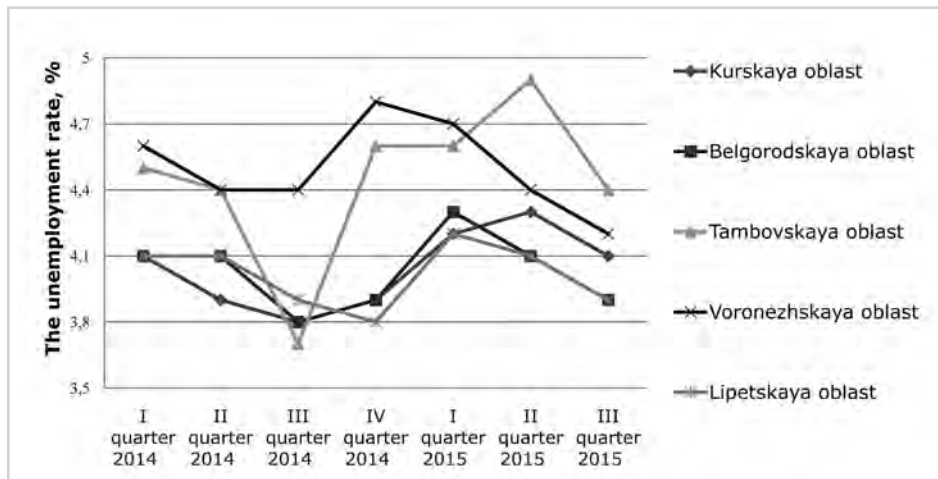


Fig. 1: Comparison of the dynamics of unemployment in the Central Black Earth Economic Region

Source: Authors' own elaboration based at the Russian Federation Federal State Statistics Service

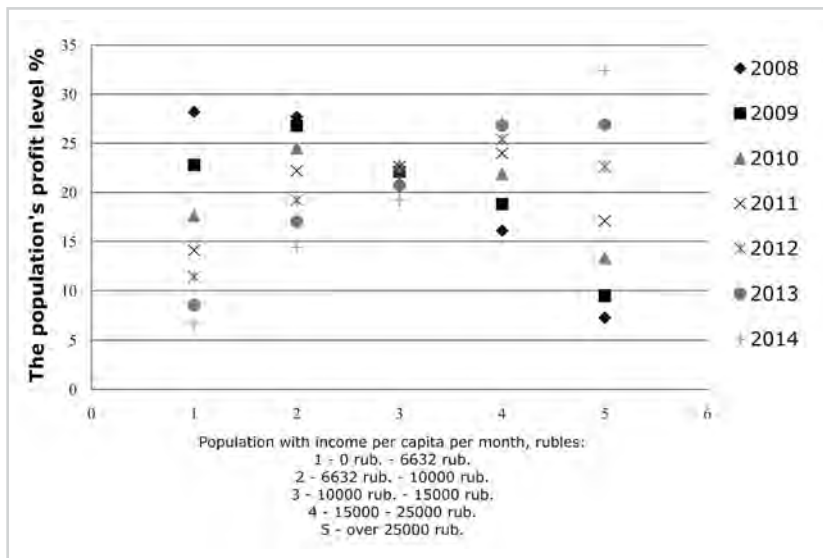


Fig. 2: Changes in the number of population by average per capita income in Kursk region

Source: Authors' own elaboration based at the Russian Federation Federal State Statistics Service data

as well as the allocation of grants and subsidies to the regions, will lead to the fact that even when economic is growing, the poverty may not reduce, but even increase.

6. Conclusion. To stabilize the situation in the country in the context of socio-economic development of territories, increase the level and quality of life, we need to pay attention to the problems of the population in Kursk region and the remaining 84 other regions of Russia. Avoiding the problem by the authorities and the business only enhances the growth of poverty and social conflicts.

The fiscal policy of the Russian Federation subjected on the reallocation of funds from the «strong» municipal areas (regions) to the «weak» ones should have an impact on the development of the territories and the fight against poverty. The financial resources involved in solving this problem should be used efficiently and be sufficient to begin the process of self-development of economically weak areas.

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