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## Public expenditures' efficiency evaluation on vocational education in terms of recession: Russian Perspective

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**Keywords:** recession, competence-based approach, graduates' employment, public expenditures on vocational education, public expenditures efficiency

**Summary:** Public expenditures on vocational education is a highly crucial issue, especially in terms of global economic turbulence. An indicator for public expenditures' efficiency on all levels of vocational education is graduates' employment in accordance with their major. The research is based upon National Statistical Reports and annual OECD reports "Education at Glance". Among research results there are elaborated recommendations for Russian government (the Ministry of Education and Science) on efficient money spending in terms of recession, such as occupational guidance, students adaptation via master-classes, practical training, coaching or obligatory working in accordance with a chosen major for 3-5 years.

Education is one of the most important **social welfare** on which a great amount of public finances is spent. In Russia every 9<sup>th</sup> ruble of consolidated public finances is assigned for education. At the same time, there is a crucial issue of public expenditures' efficiency – what results both citizens and society will gain if they pay taxes? How Russian government is trying to cope with increased expenditures in terms of global economic turbulence?

We are holding a view, that **education** is a welfare necessary for both personality and society. Vocational education financing in Russia is supported by both public and private finances. In this context, personal needs satisfaction in vocational education is to be provided through private imbedding, while economy's demand in qualified staffing through public finances.

At present, **Russia** is pursuing **Innovation Development Strategy 2020**<sup>1</sup>, which presupposes anticipated growth of hi-tech industry. It is obvious, that target-oriented vocational education is highly necessary both for priority fields of economic development and successful Strategy implementation.

During 2007 – 2010 public **expenditures** on vocational education had raised constantly despite the financial crises 2008 (Table 1). In 2010 public expenditures amounted to 18,04 billion dollars, providing vocational education for enrollment of 10 million people, where 7360 mln goes for tertiary education.

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<sup>1</sup> Innovation Development Strategy 2020 (2010). Draft by Ministry of Economic Development. Available at: <http://www.economy.gov.ru/minec/activity/sections/innovations>. Accessed on 30 May, 2012.

**Table 1. Public expenditures on vocational education in Russia (in bln.\$)<sup>2</sup>**

Vocational education	Average number of students per year (in thousands) <sup>3</sup>	2007	2008	2009	2010
Tertiary	7360	8,02	9,82	11,57	12,59
Secondary	1667	2,36	3,13	3,4	3,4
Primary	1103	1,93	2,38	2,22	2,05
<b>Total:</b>	10130	12,31	15,33	17,22	18,04

Comparing public expenditures on vocational education in Russia with those in the OECD member-states, it is necessary to highlight that public expenditures on primary, secondary, tertiary vocational education as a percentage of GDP in France amounts to 4,9%, in the USA - to 4,8%, in Great Britain - to 4,8%, in Canada - to 4,6%, in Germany - to 3,6%<sup>4</sup>. In Russia public expenditures on vocational education levels amount to 2,9%<sup>5</sup>, what is 18-49% lower than in developed countries. At the same time expenditures on tertiary vocational education are excessively high and amount to 60% of the whole sum spent on vocational education.

An indicator for **public expenditures' efficiency** on vocational education is graduates' employment in accordance with their major. This means that public expenditures on vocational education are spent effectively for teaching necessary staff, that is especially important in terms of global economic turbulence and recession.

In the Table 2 below certain **trends in Russian economy** can be visible in terms of primary, secondary and tertiary vocational education. It is clear that percentage of graduates' employment on all levels is decreasing after 2008 and is conditioned on by objective realia of socio-economic development of Russia in terms of recession. At the same time, amount of graduates' starting with 2010 increased 100.000 people for both secondary and tertiary vocational education. This alarms that young generation is still interested in upper levels of vocational education.

Hence, today on Russian labour market there is a misbalance in terms of Russian graduates quality which is not corresponded to employers' demand. This dilemma was also confirmed by the Director of the Federal Service for Labour and Employment, Uriy Gertzy, who claimed that the only decision can be found in competence-based approach implementation for tertiary vocational education students as well as skills development for primary and secondary vocational education students. Moreover, competence-based approach development in Russia nowadays is conditioned on by the **Bologna process** and introduction of innovative harmonized competence-based curricula as well as new type of economy, "knowledge economy", development.

<sup>2</sup> Russian Treasury. Available at: <http://www.roskazna.ru/>. Accessed on 30 May, 2012.

<sup>3</sup>National Statistics Reports. Primary vocational education. Data on enrolled figures at primary vocational education institutions, Moscow, Russia, 2007, 2008, 2009, 2010.

National Statistics Reports. Secondary vocational education. Data on enrolled figures at primary vocational education institutions, Moscow, Russia, 2007, 2008, 2009, 2010.

National Statistics Reports. Tertiary vocational education. Data on enrolled figures at primary vocational education institutions, Moscow, Russia, 2007, 2008, 2009, 2010.

<sup>4</sup> OECD "Education at a Glance" ( 2011). Available at: [http://www.oecd-ilibrary.org/education/education-at-a-glance\\_19991487](http://www.oecd-ilibrary.org/education/education-at-a-glance_19991487). Accessed on 30 May, 2012.

<sup>5</sup> Ibidem

**Table 2. Full-time graduates' employment indicators for 3 vocational education levels at the expense of public finances<sup>6</sup>**

Years	Primary vocational		Secondary vocational		Tertiary vocational	
	Full-time graduates' employment	Graduates' employment in %	Full-time graduates' employment	Graduates' employment in %	Full-time graduates' employment	Graduates' employment in %
<b>2007</b>	548821	62%	153192	61%	278670	78%
<b>2008</b>	426829	63%	147323	61%	290910	78%
<b>2009</b>	428004	56%	148335	53%	297414	74%
<b>2010</b>	375052	54%	289997	56%	393755	71%

So far, it is clear that graduates' employment indicator reflects public expenditures' efficiency: for primary and secondary vocational education half of public expenditures is spent inefficiently, while for tertiary education this amounts only to 30%. To perceive such misbalance is highly important especially in terms of recession. In most cases in Russia students, who studied at the expense of public finances, got a self profit having upgraded their vocational education level, but for sure didn't bring any profit for Russian economy.

For example, Russian state had been financing tertiary vocational education of a school teacher for 5 years, but then a graduate became a manager at office. This is the case of inefficient public expenditures. Why **tertiary education graduates** are not planning career beforehand in accordance with an educational path? There are several reasons:

Firstly. As far as concerned tertiary vocational education, diploma is a sign of a higher social status in Russia. Consequently, once chosen major is often irrelevant, because tertiary vocational education is important per se.

Secondly. There are negative socio-economic factors for low graduates' employment indicators in accordance with the major, that is low salary, bad working conditions, lack of demand for a certain occupation on labour market etc.

Thirdly. There could be some personal reasons, for example, graduates' competences/skills do not correspond to employers' demand and expectations.

In the OECD member-states a **competence-based approach** was implemented several decades ago, thus, the graduates demonstrate higher employment percentage in accordance with their major, consequently, a mechanism of public expenditures on education is more perfect. Especially this case is relevant to the Nordic Countries, where graduates' employment in Norway, for example, is more than 90%<sup>7</sup>. Besides, in Nordic Countries tertiary vocational education is often not the limit and lots of graduates continue developing their competences thanks to lifelong learning system. Annually 60% of Finnish and Swedish graduates continue their vocational training (post-tertiary vocational education) while in other European Union countries - only 40%<sup>8</sup>. This resulted in less than 6 months **graduates' unemployment**

<sup>6</sup> National Statistics Reports. Primary vocational education. Data on enrolled figures at primary vocational education institutions, Moscow, Russia, 2007, 2008, 2009, 2010.

National Statistics Reports. Secondary vocational education. Data on enrolled figures at primary vocational education institutions, Moscow, Russia, 2007, 2008, 2009, 2010.

National Statistics Reports. Tertiary vocational education. Data on enrolled figures at primary vocational education institutions, Moscow, Russia, 2007, 2008, 2009, 2010.

<sup>7</sup> OECD "Education at a Glance" ( 2011). Available at: [http://www.oecd-ilibrary.org/education/education-at-a-glance\\_19991487](http://www.oecd-ilibrary.org/education/education-at-a-glance_19991487). Accessed on 30 May, 2012.

<sup>8</sup> Ibid

duration in Nordic Countries<sup>9</sup>. Such system helped governments of the Nordic countries to cope with recession and preserve public finances.

In conclusion, nowadays, in Russia there is an acute necessity for boosting public **expenditures efficiency** on all levels of vocational education. This can be reached through a higher quality of Russian graduates which would correspond to employers' demand. Implementation of this goal presupposes various types of activity already supported by government unit (the Ministry of Education and Science), that is **career and occupational guidance**, earlier students adaptation to employment (master-classes, practical training, coaching). Among more drastic measures there is a suggestion for a graduate either to return money or to work in accordance with a chosen major during 3-5 years. All these measures in complex will help Russian government to cope with recession, to preserve public finances and to **offset the effects of the recession** on the budget.

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<sup>9</sup> OECD "Education at a Glance" ( 2010). Available at: [http://www.oecd-ilibrary.org/education/education-at-a-glance\\_19991487](http://www.oecd-ilibrary.org/education/education-at-a-glance_19991487). Accessed on 30 May, 2012.