Education Development Trends in Russia

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For a long period of time, the sphere of higher education in Russia was an extensively growing market which satisfied public demand and in addition to government funding attracted extra funds from families and private funding sources. However, the financial crisis, demographic recession, and rising instability of family incomes had a profound effect on the market of educational services. These processes have impacted the sequentially-linked main stages of the educational system, which have directly led to changes in the structural components of the educational market and its transition to a shrinking market. Based on the recent researches, the paper discusses these new characteristics of the education market. Finding solutions to overcome the deficiencies of the existing vocational training system to ensure the competitiveness of graduates in the labor market, as well as the assessment of trends in social demand for higher education in Russia, are pertinent topics for this research reflecting the situation of emergence from a real crisis.

Keywords: Russia, education market, social demand, consumer spending

During the decade from 1995 to 2005, the sphere of higher education in Russia was an extensively growing market which satisfied public demand and in addition to government funding attracted extra funds from families and institutions.

In the 2011-2012 academic year, there were 6,490,000 students in higher education institutions in Russia. At the end of 2011, the network of public and private higher educational institutions of various disciplines numbered 1,080 higher education establishments (634 of them public and 446 private).

The consequences of the financial crisis, a demographic decline and the rising instability of family incomes have had a profound effect on the market of educational services, which, under the pressure of these developments, has decreased dramatically. The primary reason for this was a decrease in the number of students in different segments of the Russian educational system. The demographic decline led to a reduction in the number of secondary school graduates which had a direct influence on the enrollment rate of higher education institutions. The drop in universities’ enrollment rates led to a decrease in the total number of students, followed by a structural change in the modes of study available (full-time, part-time, or distance). At
the same time, the preschool education segment, after a drastic decline in the early 2000s, has experienced an annual growth in the number of preschool children.

These processes have impacted on the sequentially-linked main stages of the educational system, which have directly led to changes in the structural components of the educational market and its transition to a shrinking market whose key parameters are characterized by different priorities. Structural changes within the levels of education from 2006 to 2011 have led to a change in the market conditions of vocational training, which at this stage can be characterized as a shrinking market.

The study of trends in public demand in Russia has revealed significant differences in the various development periods of higher education and its outcomes are important to outline the prospects of further development in view of prevailing trends.1

Finding solutions to overcome the deficiencies of the existing vocational training system to ensure the competitiveness of graduates in the labor market, as well as the assessment of trends in social demand for higher education in Russia, are pertinent topics for this research reflecting the situation of emergence from a real crisis (Helms, 2008; Knight, 2011; Douglass, 2012; Bailey & Bekhradnia, 2008; Salmi & Hauptman, 2006; Asia-Europe Foundation, 2010).

Consumer Spending on Education

The financial crisis has caused a decline in families’ purchasing power for high quality education in Russia, and educational loans in the coming years are not being introduced on a mass scale. In such a situation, educational institutions are clearly losing financial resources, first and foremost budget subsidies calculated using standard per capita principles, as well as income gained from paid educational activities.

However, despite of the crisis, the structure of paid educational services over an extended period of time from 2000 to 2010 remained relatively stable and proved to be completely insensitive to change (see Figure 1).

Annual spending of the population on educational services fluctuated slightly from 7.1% in 2007 to 6.7% in 2010. Expenditures on education fall into the category of services structurally stable for the population. In addition, its share is only slightly higher than the amount spent on medical services, but is not subject to such significant influence as transportation, public utilities, or communications services.

If the monetary value of paid services and consumer prices in the education system are assessed, these figures clearly reflect the declining dynamics of growth rates (see Figures 2-3, Table 1). With the upsurge in paid services from 2005 to 2008, the total amount spent by the population on education and the rates of growth clearly exceeded the rate of inflation for that period, and the high priority given to educational services was shown by the rates of increase.

Following the economic recession, the education sector saw a dramatic decline in the financial activities of the paid services sector, whose growth rates were lower than the rate of inflation. It was this period that signaled the reduction in demand for these types of educational services (see Figure 3).

Consumer price indexes for preschool education services fell from a high of 132% in 2005 to 108% in 2010. Sharp price reductions in preschool education during the crisis and post-crisis periods affected the inflow of

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1 The study was carried out as a part of the Program of Fundamental Studies 2012, Higher School of Economics, Moscow, and used data from the project “Creating high-tech production of innovative software and hardware systems for the effective management of enterprises and industries in modern Russia”, Contract No. 13.G25.31.0033, 07.09.2010, with financial support from the Russian Ministry of Education and Science.
extra-budgetary resources signaling its further reduction. It should also be emphasized that preschool education is one of the growing segments of the educational services market. Thus if the growth rates of paid services in the education system are looked at, the education services market has shrunk over the last few years and in real terms is not being compensated by any additional influx of funds.

**Figure 1.** The structure of paid services provided to the Russian population. Source: Federal State Statistics Service (2008, 2011a).

**Figure 2.** The volume of paid services in the education system. Source: Federal State Statistics Service (2010b, 2011a).
Table 1  
USD Exchange Rates and Inflation Index

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Official exchange rate: Russian Rubles to USD 1 (at the end of the year)</td>
<td>28.2</td>
<td>30.1</td>
<td>31.8</td>
<td>29.5</td>
<td>27.7</td>
<td>28.8</td>
<td>26.3</td>
<td>24.6</td>
<td>29.4</td>
<td>30.2</td>
<td>30.5</td>
<td>32.2</td>
</tr>
<tr>
<td>Inflation on the consumer market (%)</td>
<td>20.2</td>
<td>18.6</td>
<td>15.1</td>
<td>12.0</td>
<td>10.9</td>
<td>9.0</td>
<td>11.9</td>
<td>13.3</td>
<td>8.8</td>
<td>8.8</td>
<td>6.1</td>
<td></td>
</tr>
</tbody>
</table>

Note. Source: Central Bank of the Russian Federation.

Figure 3. Consumer price indexes for educational services. Source: Federal State Statistics Service (2011a); Higher School of Economics (2010).

The differentiation and distribution of the population’s income by decile and fractile groups of households have been looked at (see Table 2)\(^2\).

Table 2  
Consumption Expenditure of Households Related to the Level of per Capita Income by Decile Groups per Household Member per Month (RUR)

<table>
<thead>
<tr>
<th>Year</th>
<th>First</th>
<th>Second</th>
<th>Third</th>
<th>Fourth</th>
<th>Fifth</th>
<th>Sixth</th>
<th>Seventh</th>
<th>Eighth</th>
<th>Ninth</th>
<th>Tenth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>908</td>
<td>1,351</td>
<td>1,669</td>
<td>2,019</td>
<td>2,383</td>
<td>2,898</td>
<td>3,618</td>
<td>4,490</td>
<td>5,495</td>
<td>8,668</td>
</tr>
<tr>
<td>2005</td>
<td>1,159</td>
<td>1,704</td>
<td>2,117</td>
<td>2,518</td>
<td>2,988</td>
<td>3,624</td>
<td>4,517</td>
<td>5,491</td>
<td>7,087</td>
<td>11,187</td>
</tr>
<tr>
<td>2006</td>
<td>1,433</td>
<td>2,081</td>
<td>2,579</td>
<td>3,091</td>
<td>3,644</td>
<td>4,377</td>
<td>5,433</td>
<td>6,670</td>
<td>8,240</td>
<td>13,286</td>
</tr>
<tr>
<td>2007</td>
<td>1,790</td>
<td>2,573</td>
<td>3,158</td>
<td>3,757</td>
<td>4,406</td>
<td>5,421</td>
<td>6,815</td>
<td>8,536</td>
<td>10,740</td>
<td>18,212</td>
</tr>
<tr>
<td>2008</td>
<td>2,347</td>
<td>3,356</td>
<td>4,098</td>
<td>4,850</td>
<td>5,682</td>
<td>6,908</td>
<td>8,729</td>
<td>10,773</td>
<td>13,129</td>
<td>22,295</td>
</tr>
<tr>
<td>2009</td>
<td>2,675</td>
<td>3,763</td>
<td>4,591</td>
<td>5,412</td>
<td>6,332</td>
<td>7,741</td>
<td>9,469</td>
<td>11,556</td>
<td>13,838</td>
<td>21,496</td>
</tr>
<tr>
<td>2010</td>
<td>3,136</td>
<td>4,434</td>
<td>5,371</td>
<td>6,312</td>
<td>7,305</td>
<td>8,718</td>
<td>10,666</td>
<td>13,156</td>
<td>16,398</td>
<td>25,719</td>
</tr>
</tbody>
</table>


\(^2\) Groups: Group 1—with the lowest income; Group 10—with the highest income.
Group 10 has the highest income and, consequently, the highest consumer spending. If the expenditure on educational services is looked at exclusively, however, it is this group which shows differences in the payment of these services, evidence of the fact that it is exactly these high-income households who tend to reduce their spending on education (see Figure 4).

![Figure 4](image_url) Household spending on education services related to the level of household income per capita by decile groups. Source: Federal State Statistics Service (2011a).

For low-income household groups (e.g., Group 1), expenditure on education is a relatively stable part of their overall consumer spending and remains constant, despite of low levels of income.

Following the distribution of consumer spending by decile groups, the distribution of household expenditure on education by fractile groups (20% fractiles)\(^3\) has been looked at.

According to fractile groups of households, the distribution of overall spending by the highest-income group in relation to other population groups reached 47.7% in 2010. Therefore, Group 5, the highest-income group, concentrates nearly half of its overall income, while Group 1 spends a total of 5% of its overall income.

The households with the most stable level of spending on education, spending consistently on all levels of education, are in Group 4. In contrast, low-income households choose to pay for preschool and general education (additional services and meals). However, an analysis of expenditure by education level also confirms the high-income group’s decreased spending on higher education and vocational training in the post-crisis period (see Figure 5). Education becomes less of a priority as families restructure their budgets following the crisis, and it is primarily high-income groups who cut their spending on education, especially higher education.

When comparing the annual cost of services (see Figure 6) in the education sector, the non-public school

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\(^3\) Five groups: Group 1 has the lowest income; Group 5 has the highest income.
sector shows evident growth. It is one of the most expensive sectors of education and accounts for the education of just 1% of children. In large part, this is because the termination of municipal service tariff preferences and property tax benefits for these types of schools have caused them to increase the cost of their services. The service costs of other sectors of education show a much smoother rate of growth. It is clear, however, that growth rates for educational services are unlikely to reach the levels seen during the pre-crisis period.

![Figure 5](image)

**Figure 5.** Household expenditure on education services by fractile groups (20% fractiles) with different levels of per capita income in 2008 and 2010 (based on the selective analysis of household budgets). Source: Federal State Statistics Service (2011a).

![Figure 6](image)

**Figure 6.** The cost of education services. Source: Federal State Statistics Service (2011a, 2011c).
So it can be seen that families, especially high-income ones, tend to reduce their contribution to education funding, while the amount spent on education by lower-income households remains stable.

**The Education System: The Structure of Educational Activities and Funding Trends**

Preschool education is the only growing segment of the education sector. In comparison, the primary and secondary vocational education segments are shrinking, with a reduction in the number of students (see Figure 7). Up until 2008, the number of students in higher vocational education remained stable, but after 2008 there is a decreasing trend.

![Figure 7](image)

*Figure 7:* The number of students in different segments of the education system in Russia. Source: Federal State Statistics Service (2010a, 2010b).

The decrease in the number of first-year students in vocational education institutions is less than the decline in the number of school-leavers (see Figure 8). After 2006, the number of students who finished school became lower than the total number of students enrolled in further vocational education institutions. At the same time, higher education institutions did not experience a sharp annual decline in student admissions and were in a better position compared to institutions of primary and secondary vocational education. Only after 2007 were higher education institutions faced with the inevitable consequences of the demographic decline, which had a direct impact on the number of students enrolled and indirectly caused structural changes in the modes of study selected by students (Balykhin, Surovov, Markova, & Konovalov, 2005).

Since 2007, there has been a reduction in the number of full-time students, which is now lower than the number of part-time students.

Since 2005, the number of students whose study costs were covered by the government has been decreasing, while the number of fee-paying students grew during the pre-crisis period until 2010, when it saw a decrease (see Figure 9).
According to the 2010 population census, there were 493 university students per 10,000 people in Russia; in 2008 a high ratio of 529 students was seen. At the same time, in 2010 the ratio for Moscow was 1,014 students per 10,000 people (Moscow 1). And if those people living with temporary registration and work
permits are taken into account, it totals 850 students per 10,000 people (Moscow 2), indicating a high concentration of students in Moscow. For comparison, Figure 10 shows the number of students per 10,000 people in other countries.

![Figure 10. The number of students per 10,000 people in other countries and in Moscow, 2010. Source: Druzhilov (2011); R&F Agency (2011).](image)

It is important to note that since 2011, the structure of enrollment in higher education establishments has changed due to the Russian education sector’s transition to a new system of academic degrees with the introduction of bachelor and master programs. This process began in 2007, when a new higher education law was brought into force (Russia, 2007), which in 2011 led to the enrollment of 81% of students onto bachelor degree programs. So far, this shift is not noticeable in the structure of university graduates, but the transition to a two-tier system has now taken place in Russia (Dobryakova & Froumin, 2010; Abankina & Filatova, 2008).

The funding of higher education institutions from different sources was on the increase, hitting a high of RUR 581 billion in 2009, but this fell by 2.9% in 2010 to RUR 565 billion. In addition, funding from the government is on the rise at a rate of 2.8% per year, providing a stable source of income for higher education institutions which covers its primary needs and requirements (Abankina, 2008; Government Funding for Higher Vocational Education, 2008). In 2010, there was a marked decline in extra-budgetary funds, as well as funding from the public (see Figure 11).

Budgetary funding is therefore ensuring the continued financial support of higher education, while research grants and family contributions have decreased (Vossenshtein, 2003; Kuzminov & Rudnik, 2005). When comparing 2007 and 2010, grant support from extra-budgetary funds has decreased significantly from 22.6% to 1.9% (see Figure 12).

In 2007, financial support from families accounted for 54% of all extra-budgetary funding. In the
post-crisis period, it was virtually the only source of extra-budgetary revenue for higher education institutions, amounting to 74% of all extra-budgetary income. However, changes in consumer behavior became evident and the families began to reduce their spending on education, clearly demonstrated by the 9.8% decline in 2010 as compared with 2009 (see Figure 11). A reduction in the number of students in higher education and the number of families willing to finance higher education programs has also led to a drop in consumer demand.

Figure 11. Distribution of funding to higher vocational education institutions. Source: Federal State Statistics Service (2011a, 2011b).

Figure 12. Structure of extra-budgetary funding in higher vocational education (billion rubles). Source: Federal State Statistics Service (2011a).
Mergers and Acquisitions of Higher Education Institutions in Russia

The demographic decline and structural changes in the Russian economy have given rise to major changes in the Russian higher education sector, which has experienced a wave of organizational transformations through numerous mergers and acquisitions (M&A).

For some countries (Great Britain, the USA, South Africa, Finland, Austria, etc.), the wave of M&A in higher education is already over and a variety of methods and experiences have been accumulated and discussed (Etschmaier, 2010). Russia only had limited experience in this field. For example, in 1993 two higher education institutions were merged together to become the Novgorod State University, and in 2006, the merger of several higher education institutions led to the formation of the Siberian and Southern Federal Universities. In 2007, the N. Krupskaya Mari State Pedagogical University was incorporated into the Mari State University.

From January 2011, the Russian government and the Russian Ministry of Education and Science have launched an active process of M&A in higher education (M&A, 2010), with the adoption of a special government order. The ultimate goal of this integration process in higher education is to improve the quality of education through the consolidation of financial, physical, and intellectual resources. The concept of reducing the number of higher education institutions is entirely in keeping with the new draft federal law “On Education”.

In Autumn 2010, there was an amalgamation of the Academy of National Economy under the Government of the Russian Federation and the Russian Academy of Public Administration under the President of the Russian Federation, along with all of its regional branches. The merged higher education institution was named the Russian Presidential Academy of National Economy and Public Administration. In 2011, a further 10 regional higher education institutions of public administration also became a part of the academy.

In 2011, 15 Russian state universities officially announced their reorganization. As a result of this reorganization process, 16 higher education institutions were modernized through the acquisition of 23 higher education institutions and the merger of four universities. Six pedagogical institutions located in regional centers became a part of traditional universities. The acquisition of nine technical universities also took place, mainly in the major cities of Moscow and Saint Petersburg.

The Pskov State University was formed as a result of the amalgamation of two higher education institutions—the Pskov State Pedagogical University and the Pskov State Polytechnic Institute, and the M. V. Lomonosov Northern (Arctic) Federal University was established after the merger of the Pomor State University and two institutions of secondary vocational education. The process of integration in Russian higher education has continued into 2012.

The Impact of the Economic Crisis and Demographic Decline on the Development of Education in Russia

In 2001, the Russian government took measures to make education a priority sector. Those decisions have resulted in a considerable increase in spending on education in the consolidated budget, from 9.7% in 2001 to 13.3% in 2005, an increase of 2.8 times in absolute terms, and this increase made it possible to significantly develop the country’s leading higher education institutions (see Figure 13).

However, the subsequent five years clearly show the declining dynamics of the share of expenditure on
education, the result of compensatory decisions, and the effects of the crisis. The economic recession caused a decline in the Russian education sector and an increase in the information asymmetry of educational services.

During the decade from 1995 to 2005, public demand for higher education grew rapidly: with the increasing number of students, as well as emerging and developing private higher education institutions, the Russian higher education sector experienced an education boom.

![Figure 13. Dynamics of GDP, the consolidated budget and consolidated budget expenditure on education. Source: Federal State Statistics Service (2010c)](http://info.minfin.ru/kons_rash_isp.php)

However, since 2006, the trend has gradually started to change. At first, these changes were only evident in non-state higher education institutions, but since 2007 they have also occurred in the state vocational education segment. Two key factors, the demographic decline and the financial crisis, have caused a sharp decline in public demand for vocational education. The wave of demographic decline arrived at higher education institutions just as the financial crisis began. These two adverse factors operating simultaneously have accelerated and strengthened the effect, and the education market has quickly turned into a shrinking market.

Developments in the situation of regional higher education institutions have also been critical. For example, in 2002 in the Voronezh region there were 28,000 secondary school graduates (the 11th grade). In 2011, there were 11,000. There are 40 state higher education institutions in the Voronezh region as well as institutions of secondary level vocational education and 11,000 graduates do not even fill the available state-subsidized places. In addition, the number of graduates who could study in Voronezh is further reduced by

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those who leave the city to enter into higher education institutions in Moscow and Saint Petersburg.

There is a similar situation in the Kursk region. In 2006, there were 18,000 secondary school graduates and in 2011 this number fell to 6,500. The region has 35 state higher education institutions, plus a number of strong non-state high schools and institutions of secondary level professional education. In total, Kursk has 30,000 subsidized places for just 6,500 secondary school graduates. The situation is the same throughout Russia. In the regions of northwest Russia, it is even more dramatic. For example, in Petrozavodsk (the Republic of Karelia), the number of secondary school graduates would fill just one state higher education institution, so they are all suffering from under-enrollment. Moreover, the Republic of Karelia finds it difficult to keep its graduates at local universities because of the very strong competition from higher education institutions in Saint Petersburg, and there is a strong tradition of going there to study. In the border areas of Karelia, it is becoming popular to get a secondary level professional education in Finland, which aggravates the situation even further.

In 2006, the function of public demand for vocational education reached a “tipping point” in the non-state sector of full-time education, characterizing the fall in growth rate. In 2007, the “tipping point” appeared in the full-time education sector of state institutions of higher education. The market was still growing during this period and it would have been an opportune moment for the government-led compensatory mechanisms and restructuring processes, which would have prevented adverse trends. Unfortunately, however, this is not what happened. On the contrary, the measures that were deployed have masked the changes in the system. The higher education system received additional government funding as the market for distance learning continued to grow, and the full-time education sector continued to shrink. This meant that reduced enrollment figures in full-time vocational education segment were disguised by injections of government funds.

During the demographic decline and the financial crisis, favorable non-market conditions for the government funding of universities have been created, which in turn has slowed down the process of restructuring and decreased competition for quality in the education sector. In reality, higher education institutions experienced financial losses due to a reduction in public demand (a decrease in the enrollment of both state-funded and fee-paying students) and a huge reduction in contractual work to carry out research and development on behalf of businesses, and these losses were replaced by budgetary resources. As a result, universities momentarily became unresponsive to the dramatically changing trends in the education market.

From 2007 to 2008, the function of public demand on vocational education became negative and began to decline. In fact, since 2008 the vocational education market has been classed as a “shrinking” market, meaning that the “peak” or decline of the market has already begun. The education sector now faces a real challenge to reverse the unfavorable trend before it reaches a point of no return. A small demographic increase will impact higher education institutions by 2020, the number of school graduates in 2020 will reach the level of 2004-2005 then increase slightly until 2023-2024, when it will once again begin to decline.

In this way, if higher education institutions cannot find a way to compensate for the loss of financial resources from reduced student’s enrollment, curtailed research, and development contracts as a result of the financial crisis, by 2015-2016 non-state higher education institutions will reach a point of no return, and state higher education institutions will reach this point by 2017-2018. The growth of government funding that was characteristic of the years from 2006 to 2010 is not expected to return.

Over the next 10 years, the budgetary policy for higher education will be more restrictive as the
government strives to reduce its budget deficit and address its other priorities, including the pension system, military reform, and public health services. The expenditure of higher education institutions will increase due to repair expenses and tariffs, etc. for the maintenance of property and the operation of expensive equipment acquired during the sector’s growth stage. As a result, higher education institutions will once again be chronically underfunded, without any immediate and stable funding sources to address their financial deficit in the medium term.

At the beginning of the global financial crisis, it seemed that the higher education institutions in Moscow would be in the strongest position to survive the crisis and the demographic decline, as on the one hand, they were the country’s leading universities with a strong reputation among entrants and their parents, and on the other hand, the financial position of families in Moscow was relatively stable in comparison with other areas of Russia and unemployment in Moscow was lower than elsewhere. It seemed that higher education institutions elsewhere in Russia would suffer more as a result of the demographic decline and the financial crisis, and would be unable to sustain competition with universities in the capital. However, the situation has developed quite differently.

Regional institutions of higher education and even those in Saint Petersburg have turned out to be less sensitive to the changing trends of the education market and consequently did not experience a significant drop in enrollment numbers. Enrollment in Moscow’s higher education institutions fell much more sharply. Moscow’s lack of available student housing, its high cost of living and relatively small student scholarships have prevented many graduates from studying in Moscow. Without financial support from their families, it is impossible for a student to move to and study in Moscow. During the financial crisis, Moscow was unable to attract more entrants from other regions to compensate for the reduction in graduates from Moscow’s schools. Thus, the influence of the financial crisis and the demographic decline was more noticeable in Moscow than in other Russian cities.

It is worth noting that many higher education institutions have developed a range of educational programs in recent years, with a variety of possibilities for continued education. During the financial crisis, such a strategy allowed universities to compensate for reduced first-year student enrollment. However, in the higher education institutions of Moscow and Saint Petersburg, the number of graduates continuing their education is at a very high level (20%). In comparison with regional higher education institutions, where this share has risen from 11% to 14%, the higher education institutions of Moscow and Saint Petersburg have no potential to grow.

Let us now take a detailed look at both ends of the Russian education system. In 2003, expenditure on preschool education was 18% higher than expenditure on higher education. In 2010, however, these two stages of education swapped places. Thus, the sector with the greatest financial need and highest demand (preschool) lost out to the sector in decline (higher education). Throughout this period, financial resources did not go to the growing market of preschool education, but to the shrinking market of higher education. Over the last decade, no action has been taken to assess the growing market of preschool education and develop a suitable strategy to deal with inefficiencies in the higher education market. At the same time, efforts were made to attract financial investment for applied and scientific research. From 2005 to 2010, this was a significant breakthrough in the field of higher education, which was marked by high growth rates. However, these financial investments were such a small proportion of overall expenditure on education that it was difficult to recognize them as constructive.
Conclusions

The development of the education sector in Russia in the 15 years leading up to 2008 was characterized by a growing demand for educational services that educational institutions were able to satisfy, attracting funds from both public and private sources.

New management mechanisms and approaches aimed at maintaining the quality of education have been introduced in secondary schools. The preschool sector has branched out and the new educational programs and modern educational methodologies introduced have increased their role in the provision of education, training, and care.

However, after 2008, vocational education in Russia experienced the relentless pressure of the financial crisis and demographic decline. The negative impacts of these phenomena have changed the development trajectory of higher education in Russia and accelerated the process of its transition from a growing market to a shrinking one. It is natural that in these conditions, the main vector of development is associated with structural optimization, the amalgamation of educational institutions of different levels, the diversification of funding sources and changes to management systems in higher education. Therefore, the integration processes in the field of higher education, officially launched in 2011, should improve education quality and ensure the competitiveness of university graduates in the labor market through combining financial, technological, and intellectual resources.

The restructuring of higher education should be aimed at improving quality and competitiveness. To maintain consumer demand, vocational education institutions should take the initiative and develop advanced educational programs. The higher education institutions which are currently in the best position are those with a multidisciplinary approach and diversified strategy. They are able to recruit strong students and secure the enrollment of both state-subsidized and fee-paying students. Independence and competent resource management allow these institutions to maintain their competitiveness in the market. Today, more and more institutions of secondary professional education joining higher education establishments and developing integrated training programs can be seen. The issue of regulating university graduates according to the industries and business with “employment deficit” is seriously debated (a university graduate is supposed to work for three years at a certain enterprise otherwise they must return the money spent by the state on their training). It is unlikely that this administrative measure would be able to overcome the structural imbalance of supply and demand in the labor market, but public debate on this issue is still going strong.

At present, the government has prioritized certain specializations, including engineering and hi-tech ones, increasing not only the number of state-subsidized places, but also the cost of training. However, the labor market is not yet able to offer a sufficient number of competitive jobs for graduates in these fields. An engineer’s salary in Russia remains low, and the career dynamics are not competitive in comparison with those in the service industries. With contradictory signals coming from the labor market, families are not in a hurry to change their priorities and focus more on the professions which in their opinion are in demand—economist, manager and lawyer.

In conclusion, it can say that under the conditions of a shrinking market, a competent policy of restructuring may lead to structural changes in the education system, but the lack of public and expert consensus on these issues causes opposition and resistance from the professional community, families, and employers. In this situation, the effects of restructuring are put on hold indefinitely. Changes are influenced by
multidirectional trends defined by such external factors as demographic decline, reduced public demand, employers’ dissatisfaction with the quality of education, and consequently, the low motivation of students to continue their education.

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