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Production Projects under Public-Private Partnership in the Sphere of Economic Security of the Penitentiary System: Issues of Financial, Personnel and Operational Management

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Abstract:

Purpose: The aim of this article is to present the processes of economic security of the Penitentiary system of the Russian Federation.

Design/Methodology/Approach: Research methodology is based on the works of world known scientists (specialists in the sphere of penitentiary production, law and administration), systematic approach and dialectic method. Authors used a wide information base that consists of legislation and statistics of the Russian Federation.

Findings: Authors justified separate spheres, within which the abstract isolated control functions of the prison industry are to be implemented (finance, personnel, technology). Authors analyzed the prerequisites of the Penitentiary system's economic security provision. For this reason, several significant problems that have the character of contradictions were determined.

Practical Implications: The research results may be implemented into Russian legal and socioeconomic framework to improve and increase the penitentiary systems's economic security.

Originality/Value: The main contribution of this study is the highlighted interconnections between Russia's economic security and the development of the Russian Penitentiary system's production sector.

Keywords: Penitentiary production, Public-Private Partnership, economic security, labor, food security, correction, penitentiary system, penal law.

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1. Introduction

Russia's penitentiary policy is a dynamic object. Processes of its transformation are ongoing. Changes in public policy are aimed on finding the optimal forms and methods of achieving several goals, which are also periodically reviewed. Significant changes that took place in all spheres of social and political life of the Russian Federation in the early 1990s, launched a large-scale reform of the penitentiary system (hereinafter PS). At the same time, the dynamics of processes in the field of production activities in the PS indicates the lack of clear directions for further development. In this regard, the problem of transformation of the state penitentiary policy in the sphere of convicts' labor organization and production becomes essential for the study.

The removal of the production sector of the PS from the system of centralized national economic planning has had a destructive impact on the entire structure of penitentiary production. The degradation processes of convicts' labor organization in penitentiary institutions had also acquired the appropriate character. The dynamics and parameters of the processes of compression of the manufacturing sector corresponded to the scale of the relevant processes in Russian national economy. It should be noted that the study of the processes of production organization in the penitentiary system of the Russian Empire, the USSR and the Russian Federation (Kalashnikov 2015; Pogudin, 2010) makes it possible to formulate a reasonable conclusion that the situation in the studied area has always fully corresponded to current situation in the national economy. Penitentiary production has never functioned in isolation from the national economy, and the level of organization of labor (its productivity) and production has always largely corresponded to similar parameters of the civil sector of the national economy.

2. Methodology

The study was carried out based on complex use of a wide range of scientific research methods. The statistical data of the Federal penitentiary service of Russia (hereinafter FPS), as well as the Russian legislation regulating organization of production activity in penitentiary institutions were used as the information base of the research. The methodological basis of the study grounds on the works of penologists, devoted to questions of organization and management of industrial activities in prisons (Makarova, 2013; Nicholson & Sellers, 2007; Simioni, 2018; Ezrokh, 2017; Koryakin, 2017). Among the used methodological approaches to design of the research framework were the following:

- ✓ *dialectic*: contradictions that define the dynamics of social relations in the sphere of development of the productive sector of the PS were determined;
- ✓ *system*: the development of practical recommendations on the organization of public-private partnerships in the penitentiary industry was carried out based on a systematic association of several original scientific provisions;

- ✓ *structural logic*: during the research were justified separate spheres, within which the abstract isolated control functions of the prison industry are to be implemented (finance, personnel, technology).

3. Literature Review

Problematic of the organization of productive activities in the PS of Russia was a subject of researches, that were carried out by Antonyan (2015), Peremolotova (2014), Gryaznov (2015), Detkov (2003), Kalashnikov (2015), Makarova (2013), Pogudin (2010), Sokolova (2015) and Yunusov (2014). Despite the significant attention paid to issues of labor organization and production activities in the penal system, problems of forming appropriate public policy remains poorly understood and requires significant development. It is also notable that significant attention to issues of organization of productive activities in penitentiary institutions is also paid in English-speaking periodical literature. In this case, noteworthy works are by Simioni (2018), Ezrokh (2017), Koryakin (2017), Wacquant (2012), Rupeika-Apoga *et al.* (2019) and Batista (2009).

Foreign experience in the organization of production in deprivation of liberty places was also considered during the research work. In this case, are worth to be mentioned the works of Nellis (2001), Nicholson and Sellers (2007), Fosten (2017) and Lacey (2008). Systematization of experience and results of previous researches requires integration with modern realities. Proposals to improve the processes of economic security in the production sector of the penitentiary system should be based on the results of analytical work and at the same time be aimed at solving perspective problems.

4. Discussion

Attempts of forceful reforms aimed at the integration of the production sector of the Russian PS into the market economy of the country began almost immediately after the transition from plan to market model of the economy. Since 1993 the work on activation of foreign economic activity of subordinated enterprises, institutions and organizations has been started in the PS. In parallel, took place a search for optimal organizational and legal forms of business development in the system. Urgent measures to reform the production sector of the PS and attempts to integrate it into the not yet formed Russian market were determined by rapidly degrading situation with financial, food, logistics and other types of support in the institutions of the PS. All this negatively affected the processes of convicts' labor organization. Rapidly increased unemployment in the manufacturing sector of the PS. At the same time destructive processes were observed in society that contributed to the degradation of the criminal situation in the country. The number of incarcerated convicts started growing rapidly. At the same time, the crisis phenomena in the economy and growing budget deficits gave no contribution to the improvement in financial, food,

logistics, etc., types of support of the penitentiary institutions. In turn, independent, organized self-risked business activity with full self-sufficiency, of course, also did not affect the improvement of the material base and supply of deprivation of liberty places. Later, along with the improvement of the state finance situation, provision of the FPS institutions changed greatly. But low rates of the production sector's budget financing remained. All problems in the sphere of penitentiary production started to accumulate and layer.

The current stage of development of the Russian PS is characterized by the presence of several significant problems that have the character of contradictions. In particular, the contradictions between:

- ✓ a decrease in volumes of budgetary financing of the FPS and the growth of the financing needs in food and clothing provision of incarcerated convicts;
- ✓ a decrease in the level of employment of incarcerated convicts (including the fall in the level of output in the production sector of the PS) and a high level of recidivism of crimes related to unsatisfactory parameters of re-socialization of convicts (including the parameters of correction and re-education of imprisoned criminals);
- ✓ the need to enlarge the production sector of the PS (in order to ensure the employment of incarcerated convicts) and the high cost of job places creation, associated with the reduction of expenses on priority food needs (capital investments are naturally not mentioned);
- ✓ needs in effective problems solution of food self-sufficiency of the PS and the strategic gap (approx. lag – long the unsatisfactory dynamics of development) of the prison production sphere;
- ✓ introduction of new legally enshrined types of criminal punishments not connected with deprivation of liberty (which largely involves organization of convicts' labor, particularly compulsory labor), and practically non-existent infrastructure of their execution (low rate of creation and expansion of the correctional centers' network).

Main program document that define the strategic background of Russian PS's functioning is adopted in 2010 Concept of development the Russian Federation's PS until 2020 (hereinafter – Concept 2020). Among the priorities outlined in the Concept 2020 are the problems of improving the processes of labor adaptation of convicts, as well as the issues of improving the material and living conditions of their detention. These areas of development are relevant from the point of view of bringing the conditions of detention of convicts in Russia to high international standards, as well as improving the efficiency of the activities of the PS. In our opinion, the effectiveness of the activities of the penal system should be understood as a reduction in the recidivism level, including such a variety as post-penitentiary crime. In this case, a significant role is played by the means of correction used in the PS. One of the main means of correction is socially useful work used in the framework of labor adaptation procedures. Such procedures can be carried out only

on the base of production sector. In this situation, economic security and public efficiency of the PS greatly depend on the stability of the production sector, that simultaneously plays the role of the industrial base of system's self-provision and supports the procedures of convicts' correction. It should also be considered that the work of convicts is directly related to the material and living conditions of their detention. Among the measures to improve the conditions of detention of convicts and detainees, the concept 2020 identified the following:

- improving the organization of food provision of convicts and detainees, ensuring constant monitoring of food quality;
- ensuring food security and the independence of the PS from fluctuations on the food market by constantly increasing the level of self-sufficiency of institutions of the PS in the total amount of funding for food.

The focus on increasing the level of self-sufficiency in basic food products of the PS primarily involves the organization of appropriate production activities in the penitentiary institutions. Article 18 of the law of the Russian Federation "About the institutions and bodies executing criminal penalties in the form of deprivation of liberty" (Hereinafter – the Law N 5473-I) clearly defines labor adaptation centers as the basis of the production sector of the PS. At the same time, the production activity of the centers of labor adaptation is primarily aimed at fulfilling the mandatory requirements of the Penal legislation on the involvement of convicts to work (article 103 of the penal code of the Russian Federation). This sphere of activity of PS institutions is initiative and independent, is carried out at own risk considering the responsibility determined by the legislation. It should also be noted that the list of types of industrial activity to which convicts can be involved is exhaustive and strictly determined by the Government of the Russian Federation.

Accordingly, the self-sufficiency of the food security system implies independent, proactive, risked production activity of the PS institutions to implement the state order for the supply of food. It should consider the fact that PSs' institutions are state-owned, which significantly affects the characteristics of their economic activities and terms of economic security provision. The institutions of the PS do not actually have the working capital to advance it into the production process. Long-term underfunding of the processes of fixed assets' renewal, as well as a significant need for the acquisition of new funds to start unusual for institutions activities in different spheres of production – determine a significant deficit of capital assets. At the same time, the Law N 5473-I imposes several requirements on the production activities of labor adaptation centers, which should be taken into account. These requirements in general determine economic security of the PS. The institutions of PS are obliged:

- to provide incarcerated convicts with working conditions in accordance with laws and other normative legal acts of the Russian Federation, standards, directives and regulations of the FPS;

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- to individually carry out the obligations that appear from the contracts with the counteragents;
 - bear responsibility in accordance with the legislation of the Russian Federation for violation of contractual obligations, property rights of other business entities, environmental pollution, non-compliance with safe working conditions, non-compliance with sanitary and hygienic standards and requirements for the protection of life and health of people.

At the same time, it should also be noted that labor adaptation centers of the PS institutions also have some rights in the organization of their production activities. The most significant and meaningful in modern conditions are the following rights of PS institutions that determine their economic security provision:

- attract on a contractual basis and use financial means, other property, including property rights, results of intellectual activity, including exclusive rights on them (intellectual property), assets of individuals and legal entities;
- independently choose suppliers of material and technical resources and consumers of products, set prices for raw materials within the limits defined by the legislation of the Russian Federation, except for products manufactured by order for the supply for state needs;
- approve the staff of the workers and personnel employed in own production activity of these organizations, and to employ them and to dismiss from position in accordance with the labor legislation of the Russian Federation;
- to dispose the produced goods, except the products manufactured by the order for the supply for state needs, and all profits (income) remaining after payment of mandatory bills to the relevant budgets and state extra-budgetary funds.

The autonomy and independence of the production units of PS's institutions did not contribute to the significant development of their production base. The development of this kind of situation has resulted in an increase in the unemployment rate among convicts, as well as difficulties in placing a state order to meet the food needs of the penal system in the production units of the system's institutions.

5. Results

The development of public-private partnership procedures is one of the priority areas for resolving the current situation. Attraction on the contractual basis (according to the norms and restrictions imposed by the Law n 5473-I and other regulations) of private partners will allow to override difficulties with deficiency of fixed assets and practical absence of circulating funds. At the same time, access to the public procurement market is often defined as a strategic step to ensure the development and economic security of private production structures. In our opinion, the further development of production activities in the PS, as well as the processes of convicts' labor organization (up to now), took place within the framework of the

model of choice between self-sufficiency and competitive procurement of goods and services for budget funds. At the same time, the increase in the share of competitive procurement led to overspending of budget financing (always – a scarce resource), and several attempts to reduce costs by increasing the share of self-sufficiency led to an even greater increase in budget expenditures.

In our view, the experience of the early 1990-s and the subsequent period of the development of productive activities in prisons should be considered from the point of view, that consider low perspectives of further work in the framework of the model of choice "self-provision production – tender". A more perspective model of choice is the "internal organization of production in the system – competitive attraction of companies to the organization of production and convicts' labor". The intensification of production activities of the PS on the principles of free enterprise in the early 1990-s took place in a situation of remaining fixed assets and working capital deficit. In modern conditions, the manufacturing sector of the PS is experiencing a significant shortage of all types of production assets. It should be noted that the level of potential in the organization of competitive labor and production, both in the early 1990s and now remains low.

In modern conditions the PS faces aggravation of several contradictions and problematic aspects of material and technical provision of penitentiary institutions. With the reduction of budget funding, the deepening of a few accumulated problems and the materialization of strategic threats, the urgency of finding ways to improve the efficiency of spending existing resources in the PS is high. Even though the PS has achieved a sufficiently high level of self-sufficiency in a significant number of commodity nomenclatures, a serious part of the supply is carried out by third-party suppliers. At the same time, with a certain degree of conditionality and simplification, intra-system deliveries are also carried out within the framework of public procurement procedures. Thus, the problem of increasing the efficiency of the use of scarce resources in the PS should be considered in the plane of solving the accumulated problems in the field of public procurement, as well as the organization of effective intra-production. In the conditions of decrease of the state order volumes to produce PSs' institutions during a long time was observed the accumulation of a significant backlog in the renewal processes of production logistics. The result of these processes was a substantial aging of production assets in the PS. Equipment has accumulated significant moral and physical deterioration.

In these circumstances, increasing the production capacity and business activity of enterprises of the PS require huge investment. In the situation of reduction of budget financing of current needs, investment opportunities in the renewal of production assets are extremely limited. The search for sources of investment should be carried out within the framework of public-private partnership procedures, which can combine private entrepreneurial interest and limited competitive advantages of the PS. However, access to effective partnerships depends to a large extent on the

availability of appropriate staffing in the field of IPU bodies and institutions. Solving the problems of interested and motivated private contractors finding, organizing the negotiation process, economic and legal justification and ensuring partnership require specific competencies that can provide the implementation of the entire complex of required activities. Special attention should also be paid to the problems of effective marketing of enterprises in the market of intra-system supply, as well as in the search for consumers among enterprises, institutions, organizations of other departmental subordination. The use of the advantages of the enterprises of the PS during the bidding for the supply of goods, works and services through public procurement procedures is currently not widespread, largely due to a lack of revitalization in this direction. Despite the fact that within the framework of public procurement procedures there is material and technical support of state bodies and institutions, these processes are market-based and, accordingly, require the use of a wide range of competencies of employees of the PS, typical of specialists in the field of marketing and commerce. Goods works and services of bodies and institutions of the PS require promotion in the public procurement market. At the same time, the product promotion procedures are the functions of specialists with several specific competencies in this field.

6. Conclusion

In our opinion, the most promising areas of solving the above problems and contradictions are the following:

1. Formation of public-private partnership institutions in the PS. In this case, we are talking about combining private investment, technology experience, personnel, finance and production assets with the existing few competitive advantages (including preferences in participation in tenders for public procurement; the presence of a Bank of agricultural land comparable to the corresponding areas of the largest Russian agricultural producers; the possibility of guaranteed redemption of part of the products). Here it is necessary to speak about the prospects of the direction of development and justification of new organizational and legal forms of management, implying joint production and economic activity of the FPS institutions and private enterprises.
2. Activation of a wide range of forms and methods of work organization within the existing types of non-custodial sanctions. The solution to this issue is largely determined by the creation of conditions for productive work of many convicts who do not represent a significant social danger in their detention. Here we should also talk about the possible introduction of a number of new criminal penalties associated with the active involvement of convicts to work in remote areas (with a severe shortage of labor resources), classified for priority settlement (in general we are talking about the territories of the far Eastern Federal district).
3. In the processes of training, retraining and advanced training of the FPS personnel, it is advisable to consider the prevailing conditions in which the modern production sector of the PS operates. Access to the creation of effective public-

private partnerships is largely an organizational task that requires appropriate staffing.

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