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## Neo-Industrialization of Russian Economy as a Source of Social Well-Being Growth

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### Abstract

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The subject of well-being is an essential one for every society. Nowadays, a lot of scientific researchers have been doing to understand the concept of well-being, to find perfect conditions for individual social well-being and to outline the perfect design and content of well-being. Thus, the key economic goal of a modern society is a social well-being of its population. The concept “social well-being” is examined in different scientific fields, but there is no one unique definition for this concept. Thematic justification is determined by an interdisciplinary nature of investigation, the absence of a single conceptual unit and conditions which form social individual well-being in economic theory. In this study the concept of an individual social well-being is formulated and the key conditions for ensuring social well-being are determined with the help of Maslow’s hierarchy of needs. Moreover, the main factor needed to form basic conditions of social well-being is examined. One of the main conditions is called neo-industrialization.

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### 1. Introduction

In a current historic period the social well-being of all individuals is a main aim of the development of any society. Nowadays, neither the single conceptual unit of well-being nor conditions needed to form social well-being are presented in economics. Some scientists, such as S.A. Zhironkin and E.A. Gasanov give indicators for measuring social well-being, they also note the necessity of innovation development needed to gain social well-being (Sergey & Magerram, 2015), (Gasanov, 2014). V. Bazzhina, Andrius Valickas A., Pilkauskaitė-Valickienė R. consider that well-being, labour activity and career path are connected with each other (Bazzhina, 2015), (Valickas & Pilkauskaitė-Valickienė, 2014). More general



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concept of well-being and conditions forming it are given by E. Alartartseva, G. Barysheva and I. Kashchuk (Alartartseva & Barysheva, 2015), (Galina & Irina, 2015).

In this study social well-being is considered in the light of Maslow's hierarchy of needs, major factors of social well-being and basic conditions needed to form it are distinguished.

## **2. Economic conditions of modern Russia**

A current Russian economy operation and development is characterized by crisis and unstable geopolitical situation. The existing internal and external conditions require the selection of a development way for Russian economy determination of the conditions for transformation to change an export-primary economy model into a competitive one.

In today's formation trend of socially oriented economy within Russian transformations a development way should be directed on the population social well-being achievements. The transformation should be started with overcoming the structural crisis and re-industrialization. It is necessary because of a slow rate of capital replacement in an industrial sector. It should be noted that according to the Federal State Statistics Service, the rate of replacement due to economic activity is 4.7% in an industrial sector and it is 6.6% in a manufacturing sector.

Thus, in today's historical period the strategic goals of Russian economy development is to overcome deindustrialization to meet the population needs with the help of domestic products with a high subjective utility index.

## **3. The concept of well-being and conditions forming it**

The development of any economic system occurs in a resource-constrained environment: natural, labour, financial resources and in the infinity of consumption and production needs. Consumption of material goods by population is the ultimate goal of national economic performance. In the present historical period this goal can be formulated as the provision of objective and subjective social well-being of the society.

Due to limited resources the branches primarily needed in neo-industrialization should be defined for successful beginning of economics engineering capability development and security of national economic stability. Neo-industrialization is carried out with the usage of state support realizable under the conditions of national projects and federal special-purpose programmes. Funds provided by the government with the use of different mechanisms allow private businesses to accumulate requisite capital for renewing a productive process.

To distinguish key branches within negotiating structural crisis it is necessary to determine key conditions for individual social well-being. Basing on formulated conditions key branches should be determined.

A unique formulated concept of well-being and conditions for its formation are absent in economics. In this study authors are going to take into consideration the following suppositions:

1. Social well-being – a concept denoting personal satisfaction and objective assessment (statistical data) of individual material status, development of social interrelations, health status of population and state of environment;

2. The study of personal satisfaction and objective assessment is done due to the presence, availability and quality of well-being which a modern man needs for satisfaction of needs.

To formulate factors of well-being Maslow's hierarchy theory of needs is taken as a basis.

Due to his hierarchy theory of needs written in the work "Motivation and Personality" A. Maslow distinguishes five basic levels of needs (Maslow, 2009). These levels include such needs as physiological needs, safety, belongingness and love, esteem and self-actualization. The singularity of Maslow's theory is a priority hierarch construction of needs where higher needs are satisfied only after the satisfaction of lower needs and higher needs are considered to be not daily needs. He notices that needs satisfaction should not be complete (100%) for realizing next level of needs, thus, the notion "measure of needs satisfaction" is introduced. According to it, an average citizen satisfies only 85% of his/her physiological needs, 70% of safety needs, 50% of love needs, 40% of esteem needs and 10% of self-actualization needs.

To find the conditions for well-being, the analysis of hierarchy of needs should be added with examining modern theories about well-being in the frame of Organization for Economic Cooperation and Development (OECD) activity; due to the initiative, devoted to the quality of life, eleven welfare characteristics are distinguished. T. Rat and D. Harter formulated five elements of well-being (Rat & Harter). According to Global AgeWath Index there are thirteen index-numbers grouped in four basic groups: material security, health status, level of education and employment, good quality of social and natural environment. These groups were chosen by seniors and politicians and they are considered to be key elements of senior's well-being.

Analysing findings about up-to-date understanding of well-being, the following conditions for individual social well-being can be formulated:

1. Material security is a basis for human social well-being and it reflects the following:
  - Level of income: according to the research done by All-Russian Public Opinion Research Centre in 2014 citizens who feel miserable complained of low income level (The happiness is, 2015);
  - Possibility to get the good for satisfying physiological needs;
  - Possibility to create favourable conditions in the frame of physical and emotional safety and comfort.
2. Health status reflects the following:
  - Availability of psychophysiological capabilities to live independently;
  - Quality and availability of medical treatment.
3. Social relations satisfy psychological human satisfaction because of communication with friends, relatives, colleagues, neighbours and etc.
4. Education and employment reflect:
  - Job satisfaction and achievements in the career path;
  - Access to high-quality education, possibility to get life-long learning;
  - Possibility to be useful for society using received knowledge and skills.
5. Environment reflects both global ecological processes, such as desert advancing, global warming and individual and social estimation of surrounded environment, such as city, region pollution or pollution of building surrounding grounds.

Comparing obtained conditions with Maslow's hierarchy theory of needs the following conclusions can be done: the first two levels (material security and health status) are fundamental conditions for individual social well-being. However, in developed economy with high quality of population life indicator these conditions are considered to be essential. In undeveloped countries where satisfaction of lower needs is basic and it is considered to be a basic economic goal of society, the first two conditions continue to be fundamental for social well-being. This choice of the basic component of individual social well-being can be supported by conditions realized in National Quality Management System where one point of this system realization is a satisfaction of social needs and safety (Kvint & Okrepilov, 2014).

#### **4. Solution to formation problems of fundamental conditions of social well-being**

When main fundamental conditions for obtaining individual social well-being are identified, the next step for choosing branches needed in neo-industrialization should be done.

At the beginning the branches of national economy providing conditions for well-being are distinguished:

1. Material security – electric power industry, food processing industry, consumer goods industry, agricultural sector, building industry, housing and utilities infrastructure, manufacturing industry and military-industrial complex;
2. Health status - public health service, physical training and sports, tourist industry;
3. Social relations – transport and communications;
4. Education and career – popular schooling, culture and arts, science;
5. State of environment - housing and utilities infrastructure, primary and secondary industry.

As mentioned above, the first two conditions can be essential or essential and sufficient; it depends on the level of country development and the stage of economic cycle. Crisis phase, for example, characterized by the excess of supply over demand, mass unemployment, bankruptcy and fall of living standards, assumes the satisfaction of lower needs by population for further reproduction. This condition can be formulated in the following way: satisfaction of lower needs is carried out better by means of goods and service consumption when the demand for goods and services is inelastic due to price and which are considered to be the performance results of primary industry. Thus, the satisfaction of higher needs requires some possibilities: social ones (society democratization), material ones presented, on the one hand, by the presence of income and, on the other hand, by the development level of a production sector.

#### **5. Conclusion**

Obviously, the sphere of goods and service production for lower needs satisfaction is fundamental under the arrangements of conditions for individual social well-being and first of all, it requires a neo-industrial vector of development. Due to low goods and service self-sufficiency index produced by some branches, this process will require substantial investments and time as domestically produced goods should be able to meet competition with imported goods in terms of qualitative and price indices and they also should satisfy population needs increased in qualitative terms. Moreover, mineral industry should also be mentioned as its development provides the formation of budget revenue. The budget in turn acts as a source of financing National Projects and Federal target programs. Thus, education and science are foundations for forming

regular labour forces and creative ideas for structural and technological adjustments based on neo-industrialization and formation of competitive economy with high social well-being indices

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