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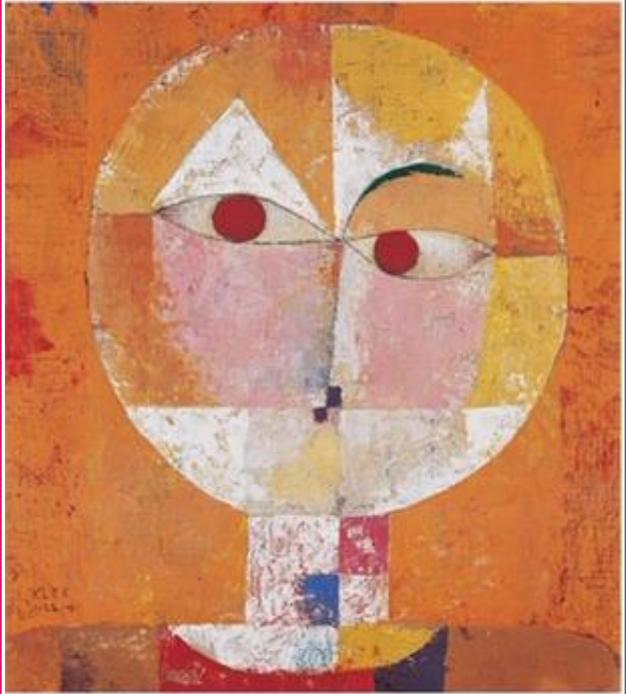
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Trends and challenges of reforming housing and utilities management in Russia

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Abstract

The article considers the concept of housing and utilities services and describes its main features in Russia via

comparative qualitative research methods. As a result, in order to significantly improve the quality of service for residential buildings in Russia, it is necessary to refer to the experience of Western countries. In conclusion, when borrowing any foreign experience, it is necessary to take into account all the local conditions, various aspects and the situation within the country, and in order to work effectively, the foreign experience must be properly worked out and only then be put into practice.

Key words: housing, utilities, region, socio-economic system.

Tendencias y desafíos de la reforma de la gestión de viviendas y servicios públicos en Rusia

Resumen

El artículo considera el concepto de servicios de vivienda y servicios públicos y describe sus características principales en Rusia a través de métodos comparativos de investigación cualitativa. Como resultado, para mejorar significativamente la calidad del servicio de los edificios residenciales en Rusia, es necesario referirse a la experiencia de los países occidentales. En conclusión, cuando se toma prestada cualquier experiencia extranjera, es necesario tener en cuenta todas las condiciones locales, diversos aspectos y la situación dentro del país, y para que funcione de manera efectiva, la experiencia extranjera debe ser resuelta adecuadamente y solo entonces en practica.

Palabras clave: vivienda, servicios públicos, región, sistema socioeconómico.

1. INTRODUCTION

Housing and utilities services sector are a complex and important socio-economic system, the proper operation of which allows to create favorable conditions for population's life and work and ensures the functioning of enterprises and organizations of various sectors of the economy (AKHMEDUEV, 2011; SAVIN, 2012; PONOMAREV, 2017; RUBAEVA & GALICH, 2016; RYABOV, 2016). The higher the quality of housing and public utilities, the more significant is its positive effects on the well-being of citizens: the quality of services consumed by the population and the creation of favorable living conditions have a good impact on workforce productivity, sanitary and epidemiological conditions, etc.

Housing management is of high social importance since it serves to satisfy basic human needs. Any consumer good performs a social function, but the functions performed by

housing differ from other material goods and products. Housing gives a person all the benefits for physical existence and it has always been a fundamental aspect in everyone's life (TAJVIDI & ARJANI, 2017).

The main feature of the housing utility system is defined by its great social role in the economy. It is difficult to imagine modern urban life without communications, garbage disposal, landscaping, improvement of the urban environment, etc. Therefore, the housing/utility sector plays a very important role in the socio-economic policies of the State (NIKOLAEVA, 2015).

2. STATE HOUSING POLICY IN THE RUSSIAN FEDERATION

State housing policy in Russia is a system of different political and socio-economic measures aimed at providing adequate living conditions for the population.

Housing and utilities services have the following features (LIMARENKO, 2013):

- 1) Accessibility. All the people need housing and utilities services, regardless of their social status and material wealth; consumption is not due to the price, but to the process of using the service.
- 2) Mandatory character. Housing and communal services are indispensable not only for individuals, but also for various enterprises and organizations.
- 3) Individual character. Housing services are regular, periodic and uneven.
- 4) Usability. The housing and utilities services do never lose demand and benefit.
- 5) Uniqueness. Housing and public utilities services are complex and indispensable. The consumer cannot refuse, or reduce their use in case of an increase in prices.
- 6) Urgent nature. The consumer can access utilities services as soon as he or she feels the need in them.

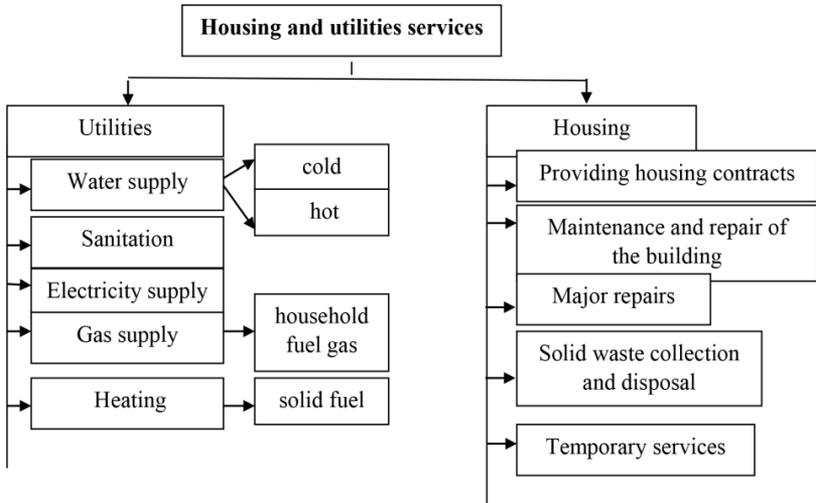


Figure 1: The structure of housing and utilities services in the Russian Federation

Nowadays, there are many different problems and contradictions in the housing and utilities sector of Russia that need to be resolved as soon as possible. These problems include: a constant increase in prices, while the wages of people remain low; stagnation in the structural development of the industry; a low workforce productivity, a fairly high capital-intensity ratio and old regulatory framework.

Increase in tariffs for utilities services is perhaps the most topical issue for the majority of the population. The payment for housing and communal services is increasing

each year, and it becomes a tangible problem for citizens (IVANOV, 2016). For many people, a large amount of money goes to pay for utilities, which is why they live from payday to payday. The non-transparency of tariffs provokes discontent and concern among the population.

The quality of work of many management companies also leaves much to be desired. The State practically does not control organizations that provide utilities services. The prosperity of corruption, high depreciation of fixed assets, lack of responsibility for non-fulfillment of their obligations under contracts, unskilled workers in organizations, all this leads to negative consequences and results.

The affordability of housing and utilities services is inextricably linked to the dynamics and statistics of federal standards of the share of citizens' expenses to price increase and costs of services. Accessibility of various services to various categories of the population can be classified into: specific (favorable conditions for people with disabilities) and general (everything necessary for the normal living conditions of the population). For more efficient functioning utilities, sector needs to decrease the costs of providing services.

Naturally, employees of enterprises providing utilities services should be interested in this.

3. CHALLENGES IN REFORMING THE HOUSING AND UTILITIES SECTOR

Challenges faced by the housing and public utilities sector seem to be hard to meet, as a result, the living standards of the population progressively deteriorate (SAZONOV & ZAVYALOV, 2006). Therefore, the reform of the housing and utilities sector is more than ever an acute problem for Russia. The reform process has been ongoing for more than a decade, and the results are still not perceptible. The quality of services provided in many regions remained low. The depreciation of fixed assets continues, and the tariffs are constantly growing. In 2019, Russian citizens were promised two increases in tariffs: in winter and summer. The industry has low attractiveness for investors, which also makes it difficult to carry out reforms.

The transformation of housing and public utilities (creation of new entities, changing economic relations between them) requires a new economic environment, introduction of innovations allowing the redistribution and

streamlining of economic and legal powers in order to improve the efficiency of the housing and utilities sector (OLEINIK, 2015). In this regard, the use of the model of innovative development with the simultaneous creation of public-private partnerships will ensure more effective development in the long-run, favorable conditions for the inflow of private investment and effective accountability mechanisms to control the quantity and quality of services provided (EL ISLAMI ET AL, 2018).

Evaluation of investment programs in the field of regulation of natural monopolies and modernization of public utilities infrastructure showed that the reforms carried out in recent years did not produce as good results as we expected. Most of the constituent entities of Russia belong to depressed regions in terms of their development level and housing and public utilities management. The level of deterioration of municipal infrastructure remains in most regions of Russia at about 50-70%. The investment attractiveness of utilities has low rates, and payables increase every year.

The sale of shares to private owners goes very slowly, while the share of state and municipal property transferred to private business as a concession is insufficient. This situation

requires fundamental changes in terms of improving the regulatory framework, which is the basis for regulating relations between the state and business, as well as the use of effective instruments of government regulation (OMODERO, 2019).

Mechanisms for attracting private investment in the public sector, based on traditional methods of public procurement have long been outdated and require new solutions. This can be the adoption of laws and regulations on the development of public-private partnership in the regions.

The problem of services quality should be solved. All the organizations and companies providing services should be financially sustainable, have professional staff and highly qualified specialists and should be prepared to be accountable to the country's population. The limited resources do not allow them to perform the required works.

4. HOUSING AND UTILITIES PROBLEMS RANKING

It is important to analyze the ranking of housing and public utilities problems, since it will make it clear what the population is currently dissatisfied with. The rating of housing/utilities problems is presented below in Figure 3.

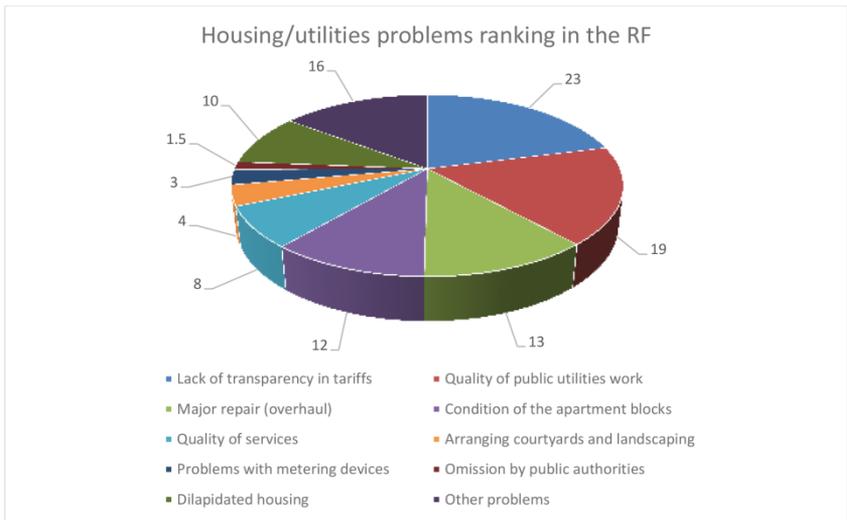


Figure 3: Housing/utilities problems ranking in the RF

The Figure 3 shows that the population is mostly dissatisfied with non-transparent tariffs (23%), the quality of work public utilities (19%), overhaul (13%), the condition of buildings (12%), dilapidated housing (10%) and the quality of provided services (8%).

An important indicator is the total debt of the population for utilities bills. It must be considered and analyzed. The debt of the population is very big and this problem also complicates the situation both in the sector itself and in the Russian economy.

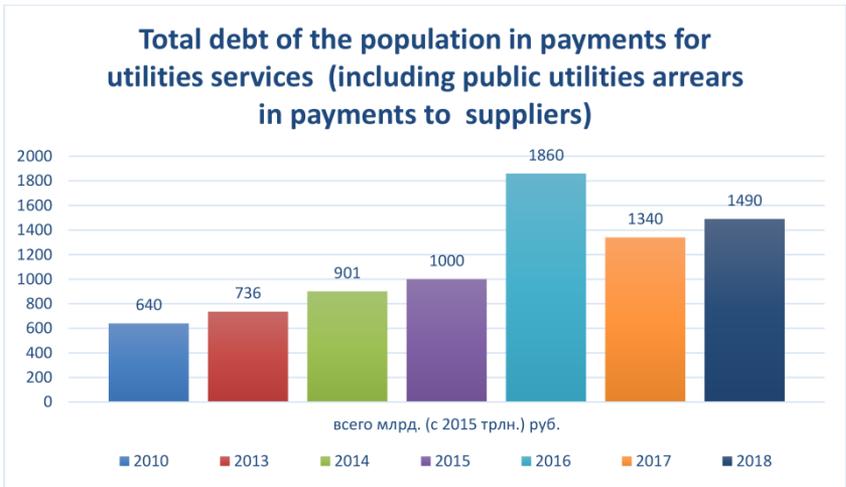


Figure 4: Total debt of the population in payments for utilities services

Figure 4 shows that during the period from 2010 to 2016, the debt of the population was constantly increasing. Now the situation has not changed much. In 2017, there was a decrease in debt by 520 billion rubles, but in 2018, household

debt in payments for utilities increased by 5.3% over the same period of the previous year and reached 1.4 trillion rubles, (according to the data of Rosstat). The debts of citizens and legal entities for housing and communal services increased in 2018 by 72 billion rubles compared to the same period of the previous year. Thus, the total debt reached 1.4 trillion rubles. The amount of unpaid bills for water supply is 86 billion rubles (+ 5.7%), water disposal - 63.9 billion rubles (+ 6.6%), electricity - 247.5 billion rubles (+ 9.7%). Non-payment for housing maintenance increased by 14.6% to 234.3 billion rubles, for heat - by 6.7% to 569.3 billion rubles. In gas supply, by contrast, the debt decreased by 9.2% to 195.2 billion rubles.

The debtors include not only people with financial difficulties, but also apartment owners in new buildings, legal entities and wealthy citizens who simply postpone payment for later.

5. ANALYSIS OF FOREIGN EXPERIENCE IN HOUSING AND UTILITIES MANAGEMENT

Study of foreign practices in the housing and utilities sector demonstrates a high significance of management of public utilities and housing, in which the state takes an active part (KATHRYN ET AL., 1994; HOLCOMBE & POWELL 2009).

Foreign experience in the management of housing and public utilities shows that in order to have high-quality services, the owners should create non-profit consumer organizations. The purpose of such associations is to manage real estate, to ensure the quality operation and appropriate use of the property complex. The laws regulating the work of private enterprises guarantee the protection of consumers' rights and the provision of quality services. In most countries of the European Union, tenants of apartment buildings choose public utilities themselves.

A distinctive feature of the municipal housing and public utilities in Russia is the absence of foreign experience integration. The development of housing and communal services in municipalities should eliminate such shortcomings.

Market relations make it possible to transfer housing stock from one management company to another, or from one service provider to another. It is important to provide simultaneous transmission of information support, which is necessary to perform all the functions of utilities maintenance.

Homeowners' associations are legal forms of housing cooperatives. In such states as the USA and Canada, they include joint ownership, housing cooperatives, territorial communities. The experience of providing housing and utilities services abroad is quite interesting for Russia. In Ukraine, these are associations of homeowners in apartment buildings, in France - syndicates, and in Finland - housing joint-stock companies.

The share of costs on housing and utility services in the total consumption spending of a household permits to evaluate the social orientation of public utilities. The size of this share forms the basis for the calculation of subsidies to low-income households helping them to pay for housing and utilities services. The State provides support in the form of subsidies to households whose spending on housing and utilities services exceeds 22% of family income. The

following categories of inhabitants can obtain the subsidies for housing and utilities services:

- Young families;
- Eligible for social benefits;
- Low-income households;
- Citizens without full-time employment;
- Disabled persons.

Nowadays, citizens of some countries almost do not pay utility bills. This situation is observed in Kuwait, UAE. However, in the UAE, such privileges apply only to local residents. Foreigners who come to the country to earn money must pay for services, as well for housing. It should be noted that in the Emirates foreigners amount to 80% of the total number of consumers. In Libya, this was the case in the era of Muammar Gaddafi - people did not pay for electricity, and there was no rent payment either. This was because these countries have a large amount of natural resources, which makes it possible to provide people with such benefits.

In many countries, for example, in the USA, Singapore, Malaysia, Canada, France, Poland, Holland, Mexico, Slovakia, the Czech Republic, etc., management in a housing-and-municipal complex is a particular type of business activity, due to which the management campaign receives the fee from homeowners, and the association of homeowners is responsible for the repair and maintenance of houses.

In Germany, there is a very large number of companies providing utility services. The competition is quite serious and each company has to make unique and profitable offers, so the customers can save up to 20% of their utilities cost.

In general, the price for utility services in Germany is high enough. For example, utility and rent payment for an average apartment is about 300 euros per month. A German pays about 1,200 € per year for 20,000 kW / h. However, it should be understood that the quality of housing and communal services is quite high. The tap water is clean and can be safely used as drinking water, and there are no sudden blackouts.

The issue of garbage collection and cleaning in Germany merits own consideration. The homeowners agree

on how to maintain cleanliness in the local area and in the entrances at their general meetings. If needed, people can hire a cleaning specialist. Waste is sorted and distributed in appropriate trash bins. These containers are made so that each household garbage does not exceed a certain amount. If a person throws garbage in a container that is not intended for this type, it would be subject to fines. In Germany, the issue of cleaning and recycling wastes is constantly and closely monitored. Russian authorities should borrow these practices.

The UK experience should also be learned. Here, several private organizations have at their disposal electrical and water supply utilities. After privatization, the cost of all services became lower, although the tariffs began to rise. Now payment for electricity and gas increases by 6-10% every year. The minimum bill for electricity services per month is 30-40 pounds. To reduce costs, the houses with solar panels are built. True energy from such batteries is not so much and only enough for hot water.

In general, in the UK the utilities operate quite well, without significant disruptions. However, the cost of services is quite high. The disadvantage of all this, is the presence of old buildings that should be modernized and reconstructed

long ago. A special advantage is that a direct payment to suppliers is possible, for example, via the Internet. The average salary in the UK is approximately 1,700€, so more than 22% (approximately 375 euros) of this salary is paid for utility services. The house maintenance amounts to 2500\$ per year.

In France, utilities infrastructure is mostly not private. Gas and energy supplies are nationalized, and all the utilities is transferred to the municipality after the completion of construction. The municipality, in turn, is politically responsible to the population for the quality of the services provided. Companies engaged in electricity, water, gas supply and garbage collection work under contract with the municipal authorities.

Residents of private houses have the right to manage their dwellings themselves. Obviously, they also enter into contracts for utility services provision. Small repairs are allowed and by the way, this is a small business and there are a lot of companies providing such services.

Any single citizen has the right to ask for municipal housing. In Paris, this is possible if the income of a person is less than 2100 euros, in other cities, 1900 euros.

In Sweden, there is no such thing as corruption in the housing and utilities sector, and the level of customer services is quite high. The actions against monopolists are common practice for citizens, and most often the court sides with ordinary citizens.

As for Finland, the utilities services are also of high quality. There are about 72 ,000 joint-stock housing companies in the country. About 52 ,000 receive services from real estate management companies, and 20,000 operate independently. The public utilities perform their work on the management and maintenance of buildings and structures every day. The cooperation is carried out according to the contract, in which the tariffs, the lists of services and the conditions for their provision are stated.

The public utility company provides services either on its own or under a contract that is concluded with private firms specialized in cleaning, repairing and building, garbage collection, etc. The public utility company reports to the

tenants on the costs and profits and provides information about the balance. Helsinki city authorities own all the utilities systems.

6. CONCLUSION

Therefore, the housing and utilities industry is one of the most important in the Russian economy. It supports the livelihoods of the population, ensures the work of various engineering networks, buildings and structures, communications, heating systems, water supply and sanitation, electricity, garbage collection and disposal, landscaping, etc.

The financial and administrative support of the sector is very important and should be carried out consistently. This is necessary in order to avoid high depreciation of fixed assets, which is high enough in Russia and leads to various types of accidents, emergencies, deterioration in the quality of housing and communal services and other negative consequences. The regulatory framework of housing and public utilities has to be worked out taking into account all the aspects and interests of

the population, and if it reveals any certain inconsistencies that cause damage, for example, corruption, fraud against consumers, under making documents, etc., the legislation needs to be urgently amended. The authorities should remember that there are good practices of other countries where the housing and utilities sector works most stably. Since these methods and mechanisms will be useful and effective for the Russian economy, they have to be implemented.

However, when borrowing any foreign experience, it is necessary to take into account all the local conditions, various aspects and the situation within the country, and in order to work effectively, the foreign experience must be properly worked out and only then be put into practice.

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