

## TRANSFORMATION OF INSTITUTIONS OF SOCIO-ECONOMIC DEVELOPMENT IN THE CONDITIONS OF A LONG-TERM VIRAL PANDEMIC

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**Abstract:** The article investigates the probable directions of transformation of institutions of socio-economic development, the pre-coronavirus concept of which was formed at the end of the XX – beginning of the XXI century. The transformational trends in the development of the global economy based on the massive introduction of digital technologies and the procedure for their impact on the formation of institutions of socio-economic development in the context of a long-term pandemic are indicated. Based on the results of the study, a system of proposals has been developed for the advanced modernization of the Russian socio-economic institutional framework in the context of the risks associated with a long-term viral pandemic.

**Keywords:** Covid-19, Development institutions, Digitalization, Economic forecasts, Innovations, Trends in the development of the global economy.

### 1 Introduction

Analysis of transformational changes in the world economic system 2020 – beginning 2021 suggests that the pandemic of the new coronavirus infection has had a significant impact on the institutional foundations of the socio-economic space. The results that took place in the areas previously involved in transformation processes due to the previously opened opportunities for the introduction of digital technologies in them seem to be especially significant.

The year 2021 seems to be especially relevant from the point of view of reforming the institutions of socio-economic development of society. The experience of 2020 showed that the institutions of socio-economic development operating at that time were not ready both for the challenges posed by the emerging pandemic and for the scaled dissemination of the point experience of overcoming the pandemic and its consequences. Indicative in this sense is the example of China whose socio-economic institutions by the end of 2020 managed to almost completely stop the spread of the new viral infection Covid-19 and the experience of the United States which in contrast to China is still one of the countries in August 2021 with the most negative prognosis for coronavirus.

A study of the actions taken by the Governments of the world's leading economies to use the institutions of socio-economic development in 2020 indicates a certain mosaic of their actions. Given the uncertainty of the prognosis and the risks associated with the spread of the pandemic the main goal for 2020 was to neutralize direct threats to society such as a shortage of hospital beds, an exponential growth in the number of cases in the country and the most obvious socio-economic consequences such as consequences of lockdown in the form of falling incomes of the population and unemployment [8].

As of August 2021 it is already possible to say with confidence that the Governments of the leading countries of the world have managed to stabilize the situation in the above mentioned positions. At the same time in most economies of the world it was not possible to finally stop the spread of the Covid-19 disease which raises the question of the need for long-term adaptation of socio-economic development institutions. In

addition the emergency measures taken by national governments in 2020 although they made it possible to solve short-term tasks raised a number of systemic issues that cannot be fully resolved within the existing structure of socio-economic development institutions [9].

### 2 Materials and Methods

The authors reviewed the institutional foundations of the pre-coronavirus global economy. From the socio-economic space perspective it was collected analytics on trends and queries arising from the spread of a new coronavirus infection in 2020 - 2021.

In order to form a comprehensive picture of new challenges of a socio-economic nature both Russian and foreign experience in overcoming the socio-economic consequences of the first wave of the Covid-19 pandemic were studied. The similarities and differences of anti-crisis measures implemented by national governments and business representatives are investigated, the most universal and relevant approaches to the formation of comprehensive anti-crisis programs based on the use of the potential of socio-economic institutions and their transformation are identified.

During the study considerable attention was paid to the problem of superimposing transformational changes in socio-economic development institutions caused by the influence of the pandemic and changes of a long-term nature that began before the spread of the pandemic but were of a sluggish and latent nature. Particular attention is paid to predictive changes in socio-economic institutions in the context of a long-term viral pandemic caused by such general trends in the development of the global socio-economic space as:

- Digitalization [1];
- The formation of a global space and rules of conduct for the subject of socio-economic relations in the global space [3];
- Reorganization of the production and consumer structure of the world market [16];
- Transformation of the hierarchy of profitability of production factors and the formation of a post-industrial economy oriented towards the consumption of human capital [2].

Methods of extrapolation of the trends discovered by the authors for the medium term were used as tools for the scientific research carried out in the article. To determine them it was used comparative statistical indicators of Rosstat and foreign statistical bodies, analytical reports and studies of economists dealing with the stated topic, earlier calculations by the author regarding the effectiveness of the functioning of socio-economic institutions.

Framework proposals for transforming institutions of socio-economic development in the context of a long-term viral pandemic in Russia are formulated taking into account the government programs developed and implemented for 2021.

### 3 Results

In 2020 Russia carried out a radical revision of the structure of development institutions taking into account the socio-economic results achieved during the period of functioning of the economy. In accordance with the Order of the Government of the Russian Federation of December 31, 2020 No. 3710-r the consolidation of domestic development institutions was ensured. At the same time their number has been reduced by six positions and another twelve positions are subject to restructuring [7].

The changes that have occurred are stayed within the logic of plane-like normality. Let's define the main trends and

requirements of the post-coronavirus new normality to the institutions of socio-economic development.

First of all it should be noted that there are two interpretations of the concept of the institution of socio-economic development.

In a broad sense the institution of socio-economic development is understood as a form of organizing joint activities of broad structured masses of the population which determines the goals, conditions and procedure for achieving certain socio-economic goals [12].

In a narrow sense the institution of socio-economic development is understood as a system of administrative and organizational structures that determines the goals, conditions and procedure for achieving certain socio-economic goals [4].

Let's consider the general rules of formation for institutions of socio-economic development in the narrow and broad sense characteristic of the pre-coronavirus economy.

The foundations of economic development were determined by the institutional regulation of each of the phases of the economic process presented in Figure 1. Since the formation of pre-coronavirus institutions of socio-economic development was carried out during the period of the industrial (four and five levels for the later emerging branches) economy in Figure 1 the industrial functional model of the economic process was accepted as a basic.

The model presented in the figure contains five phases each of which compares the institutions of socio-economic development that ensure the course of this phase.

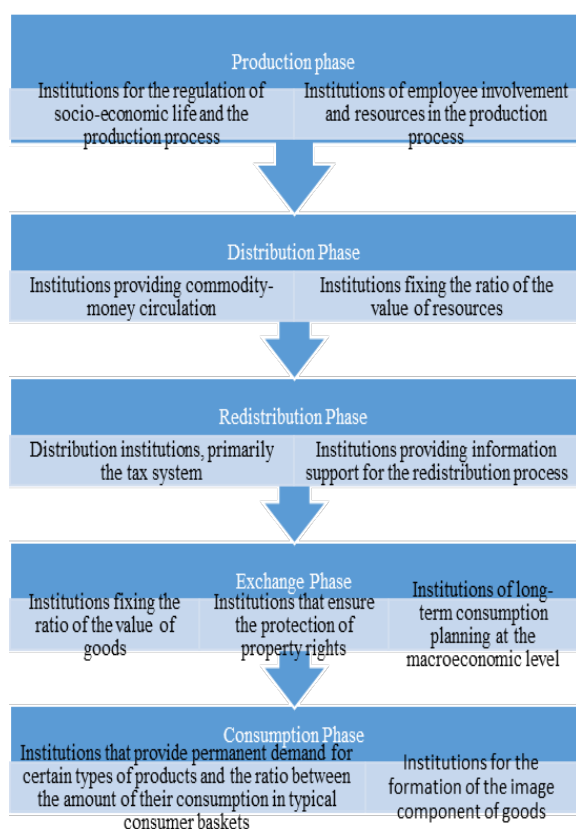


Figure 1 - Industrial model of the phases of the economic process and the institutions of socio-economic development corresponding to these phases

Let's consider step by step how the spread of the new coronavirus infection affected the functioning of the institutions of socio-economic development indicated in Figure 1 and make

forecasts regarding their modernization in the case of a long-term viral pandemic.

The most important institution of socio-economic development formed during the period of industrialization was the urban environment [6]. The urban environment provided the following functions of socio-economic development:

- The necessary concentration of the population with appropriate qualifications, synergistically regulation of the qualification structure of this population and its distribution among the participants in the production process;
- Creation of secondary institutional mechanisms for the socio-economic development of the production system such as professional urban communities, urban associations, large centers of human potential reproduction, primarily universities;
- The formation of a socio-economic superstructure which is a set of value, cultural and other attitudes characteristic of the urban community; taking into account that socio-economic superstructures were created not only at the level of the urban but also the national production systems one should pay attention to the maximum adaptation of urban socio-economic superstructures to the specialization of each city and in the future – to the urban agglomeration;
- Ensuring the comprehensiveness of the development of the urban environment taking into account both the long-term socio-economic priorities of the business community and the current socio-economic needs of micro-level subjects characteristic of this urban environment [5].

Throughout the XX century the process of urbanization has been steadily growing. Cities became largely self-sufficient socio-economic entities involving agrarian appendages as an element of the socio-economic system and turning into urban agglomerations. It was especially facilitated by the elimination of differences in the technological and infrastructural provision of urban and rural areas, the automation and robotization of agriculture, the growth of agricultural demand for highly qualified labor.

Large urban agglomerations as an institution of socio-economic development throughout the XX century both in the developed and since the 1980s demonstrated an outstripping growth in socio-economic indicators of the life of society including such basic indicators as labor productivity, quality of life, quality of investment climate in comparison with other territories of the same countries. Moreover based on the example of the world's leading economies competition between urban agglomerations can be noted which also allows them to be considered as independent institutional formations. An example of a successful agglomeration – a competitor in the United States – is New York and an outsider agglomeration is the city of Detroit which has lost its importance for the national production system and has never been able to redesign. It should be noted that the problems of this urban agglomeration affected all of its residents and not just those directly associated with the automotive industry in Detroit.

Along with other socio-economic benefits urban agglomerations showed lower systemic socio-economic risks for their participants. Despite the fact that since the beginning of the XXI century there has been a separate trend of deurbanization due to the outflow of the richest urban dwellers and downshifters to rural areas of developed countries the urban environment remained the center of attraction for the largest and most promising workforce.

At the same time the viral pandemic has brought into question the socio-economic benefits of the urban agglomeration institution [11]. Let's define the main problems that the urban environment could not cope with:

- Lockdown problem; urban agglomerations especially small and highly specialized ones turned out to be unprepared for the social and economic consequences of even short-lived lockdowns;

- Irrelevance of the urban environment as a place to the compact placement of means of production and workers in the presence of an alternative in the form of digital clusters;
- The actual problem of medical support when urban agglomerations as places of the greatest concentration of people turned out to be no less vulnerable to Covid-19 than other territories. This statement is based on the data presented in Figure 2 [8].

The trigger for the rejection of the use of production systems conceptually related to the institute of urban agglomeration was the transfer of the population to a remote form of work. Initially this measure was implemented as a forced experiment but later it was assessed by part of the business community as an effective tool for developing the production process for a number of production chains primarily those that did not require direct contact between the means of production and the employee.



Figure 2 - Correlation between the areas where the Covid-19 pandemic is spread and the degree of urbanization of the regions

The procedure of rejection of socio-economic development institutions use based on urban agglomerations and the formation of geographically distributed industrial complexes using a single online control element does not yet have a strictly constructed theory however by mid-2021 many leading companies have already gained experience in its use.

So in large USA IT companies in a remote format in 2021 - 2023 interaction with more than 75% of employees is planned, in Russian IT companies this indicator fluctuates at the figure of 65-75%. To a large extent employers are interested in teleworkers in areas such as finance, analytics, consulting, project preparation, office workers.

Taking into account the representatives of those specialties that cannot currently be fully transferred to the remote format of interaction with the employer in Russia as a whole by mid-2021 about 60% of employers remain supporters of completely traditional forms of interaction with an employee. In more detail the distribution of employers' preferences regarding the form of interaction with their employees in 2021 - 2025 shown in Figure 3 [8, p.11].

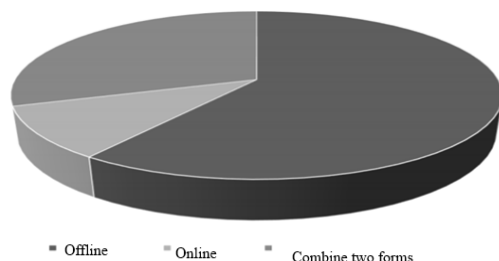


Figure 3 - Distribution of employers' preferences regarding the forms of interaction with employees in 2021 - 2025

The reasons for such a conservative attitude of business regarding the use of remote forms of interaction are the unpreparedness of modern institutions of socio-economic development to regulate remote forms of interaction with an employee. Let's define in more detail exactly which

shortcomings of institutions of socio-economic development cause skepticism of 60% of employers regarding teleworkers and what kind of transformations of these institutions should be expected in the context of a long-term pandemic.

As noted above the institutional organization of the labor market is currently based on the possibilities of urban agglomerations that have their own professional communities of both workers and employers [16]. These communities are large enough to provide the employer with the offer of the required range of competence structures of workers but they are not large enough to form an information vacuum between representatives of these communities. Remote interaction with an employee first of all presupposes a breakdown of the regional recruitment model and a reorientation of the employer to global models. At the same time modern institutions of labor market regulation do not offer universal methods for comparing the quality of labor from different regions especially regions under the jurisdiction of different states. Such basic issues as checking diplomas of employees originating from different regions and the quality of these diplomas are not fully worked out.

The modern institutions of regulation of national labor markets also leave unresolved issues related to attracting remote workers from other regions. The difficulties created by language barriers have not been fully resolved although each region individually has quite effective subsystems for monitoring and developing the language competencies of employees both in the field of everyday communication and in the professional one.

In the USA and the EU individual professional communities of employees have attempted to expand their institutional base to the global level. These attempts have encountered regulatory problems. The labor market proposed by foreign regulatory institutions including self-regulation did not always comply with foreign national legislation, often contradicted the standards used abroad for storing and disseminating personal information of workers disseminated by the institutions of regulating and self-regulating regional labor markets.

For Russia this problem seems to be very relevant especially in the context of the expected continuation of information confrontation with the West and the increased risks of pressure from the countries of the collective West on Russia through the manipulation of the instruments of the information space under their control.

With regard to the phase of distribution of the economic process the dominant institution should be recognized as the institution of private property [13]. For the world's leading economies the pre-coronavirus distribution of national wealth was based on the following principles:

- Distribution of national wealth mainly on a competitive basis;
- Strict differentiation of the quality of public sector services between urban agglomerations and states according to the criterion of the ability to pay of the national taxpayer;
- The principle of personal financial responsibility of the owner of a production's factor including result of the labor which gets from this factor of production [10].

Contrary to these attitudes the coronavirus pandemic has shown the interdependence of the regions of the world in social, economic and epidemiological aspects.

Indeed the persistence of the Covid-19 virus in sufficiently large volumes in at least one of the least developed countries with its subsequent mutation could nullify all attempts of more successful countries to eliminate the disease. In this sense the existing institutions of socio-economic development have demonstrated the vulnerability of developed countries from epidemiological threats that may arise in less successful countries.

The Covid-19 pandemic has exposed the vulnerability of the subjects of the national economy from the negative impact of the

global market. For the Russian economy two phenomena should be distinguished:

- The phenomenon of a critical drop in energy prices in mid-2020 which threatened the entire raw material model of the national economy which has dominated the country for the past 30 years;
- Import of inflation from abroad; despite the fact that in order to prevent inflation the Russian government used significantly less GDP PPP per capita funds for social programs than in the United States; the hypertrophied support of the American economy for its producers and citizens has already led to a significant rise in the price of all categories of goods both industrial and consumer due to the global conjuncture.

Let's refer to the data presented in Figure 4 [10, p.49].

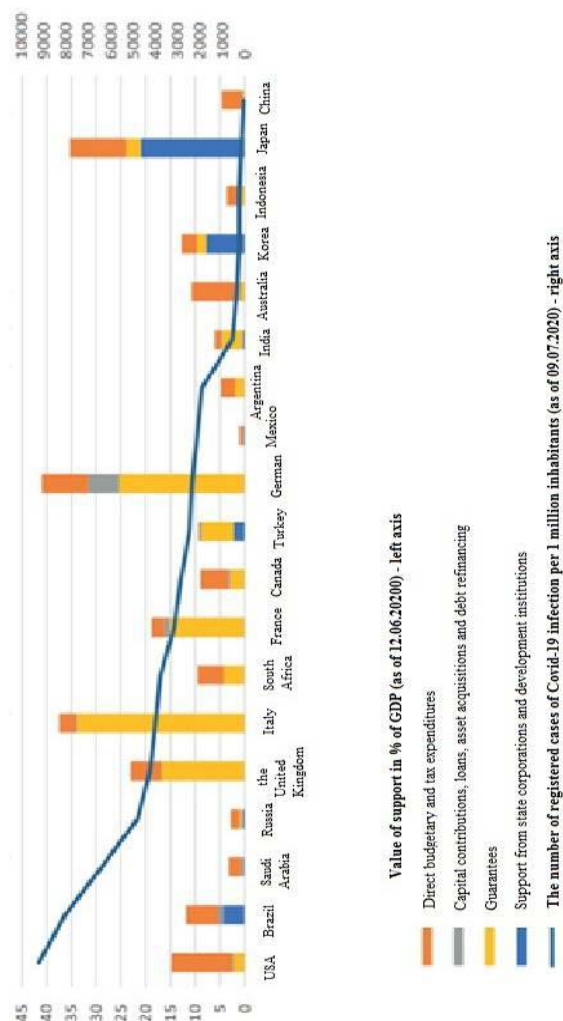


Figure 4 - The ratio of the volume of financial support to the national economy and the number of people infected with Covid-19 in the countries of the world

Analysis of the data presented in Figure 4 allows to draw the following conclusions.

Traditional instruments of countering the crisis and institutions of socio-economic development ensuring their use have not worked in the USA and EU countries despite the significant amount of allocated funds. It indicates a crisis in the institutions of socio-economic development primarily the crisis in the institutions of the public sector of these countries including paid insurance medicine [11]. At the same time despite the low efficiency of the measures used by the countries of the collective

West both in relation to countering the spread of the virus and in maintaining the dominant role of their own economy they managed to largely bring the negative consequences of monetary easing of their national economies abroad [14].

It gives grounds to point out another trend in the transformation of socio-economic development institutions in the countries of the world: their de-westernization which in the near future will have the form of de-dollarization and import substitution.

Low cost and high reliability of Western financial institutions for a long time contributed to their displacement of national development institutions. Central Bank of the Russian Federation in 1990-2020 in order to stabilize the national economic system paid great attention to diversifying the risks of the national economy by increasing the dollar component of the country's gold and foreign exchange reserves; the same practice is observed when referring to the experience of countries such as the United States, Japan and India.

At the same time the Covid-19 pandemic has exposed the systemic shortcomings of these economies. These countries are trying to compensate for the losses from these systemic shortcomings not by transforming their own institutions of socio-economic development but by exporting them to other countries due to global inflation, speculation in the global securities market and manipulation of the information space. There are attempts to use the leadership of these countries in the digital economy to exert competitive pressure on the socio-economic development of partner countries [15].

In this context Russia's preparation for a long-term viral pandemic and its consequences should proceed in the form of sovereignization of its own institutions of socio-economic development and their integration with Eurasian ones.

Digitalization is supposed to become the vector of transformation of national development institutions as the "Digital Russia" program suggests (see Figure 5) [17, p. 38].

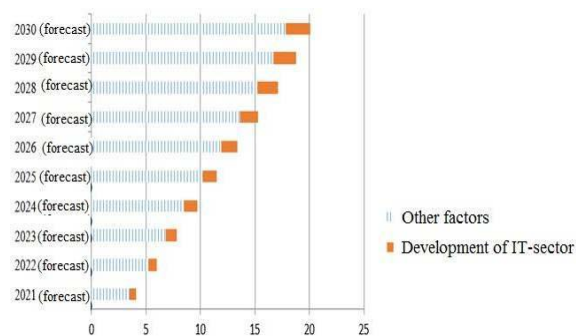


Figure 5 - Assessment of the contribution of digitalization to economic growth in Russia until 2030 made before the COVID-19 pandemic

In the short term the transformation of national institutions of socio-economic development should ensure:

- Their institutional and resource independence from the global institutional system;
- Support for industries and growth points that provide advanced technological development;
- The priority of the development of human capital throughout the country especially in the regions.

**4 Conclusion**

Thus the development of institutions of socio-economic development in the context of a long-term viral pandemic will include:

- Priority development of conditions for innovative forms of cooperation using digital space;
- Revision of the foundations of risk management at the macro- and meso-level, adaptation of existing institutions to new risks and the development of new institutions;
- The sovereignization of national development institutions and their de-globalization at the level of the world economy [8, 9].

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#### Primary Paper Section: A

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