

The replacement strategy for monotowns in Russia: From industry branches towards tourism on the example of Baikalsk

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Abstract. At the present time the problem of sustainable socio-economic development of monotowns refers to one of the priorities of the state policy. Modern tendencies of the economy development are characterized by a predominance of service industry that is why the industry replacement strategy aimed at refocusing on the service sector (tourism, telecommunications, education, logistics services, etc.). The foreign and Russian experience of monoterritories economic diversification were analyzed, the hypothesis which stands that one of the most perspective direction is the reorientation of the economy through the development of tourism and hospitality industry, as well as the service sector was approved.

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Introduction

In the last few years escalated by the financial crisis problems in the socio-economic development of monoprofile cities became the object of the public attention.

Monotowns are known as municipality, where a decisive role in the development plays a township-forming enterprise complex.

Township-forming enterprise complex represents one or more enterprises of similar or related industries, bound by a single technological chain, which together produce more than 50% of the gross city product or which employs at least 25% of the economically active population of the city.[1]

Currently, monotowns in Russia can be divided into three groups: stable and unstable operating township-forming enterprises, closed township-forming enterprises.[2]

But even survived forming enterprises tend to have reduced the number of employees and production capacity. While modernization of production almost did not happen, except for a number of woodworking industries, acquired by foreign companies.[3]

The situation the economy of many municipalities Russia end up in became the result of problems accumulation: [4]

- Level of provision of social infrastructure decreased, because not all social facilities were transferred from the industrial

enterprises to municipalities, some of the objects lost their social functions and were sold to businesses as real estate. For example, some kindergartens, stadiums, swimming pools, sports grounds were closed. Other objects changed activity profile, cinemas have been converted into commercial markets, and summer camps - in corporate recreation centers;

- wear factor of engineering and social infrastructure increased due to a shortage of local budgets;
- opportunities for the development of small and medium businesses in the towns dropped because of declining in demand for domestic services due to a decrease living standards;
- Outflow of young people and the most active part of the working population to another larger and polystructural towns took place, also sex and age structure of the population changed for the worse.

In general, according to the Expert Institute, financially distressed enterprises amounted to 83.2% of the total number of all town-forming enterprises. Number of businesses with funds for their own development and the development of their monotowns, does not exceed 17%. [5]

The main problem of monotowns social development in Russia is that the living standards of their population are directly dependent on the financial and economic situation of the core

enterprise. In case of problems with the financial position of the enterprise a reduction in funding social programs begins, spending on the social infrastructure reduces, increases the wage arrears. During the economic crisis standard of living falls sharply due to lack of work, wage cuts, increased utility bills, the prices for goods and services, the need to make payments on the loans, etc.

In monotowns small business in industrial production and providing services of a social nature poorly developed, there is a high dependence of local industry and small businesses on the state of the core enterprises, there is a shortage of personnel who know the basics of entrepreneurship and business management, new information and communication technologies are used insufficiently, which significantly constraining potential of small and medium-sized businesses. [6]

Solution of demographic problems of monotowns is worsening by the large difference in the socio-economic situation and climatic conditions. The environmental situation is also important. All these factors affect the overall deterioration of moral and psychological climate of the population, are reflected in the mortality and morbidity of the population, leads to a dramatic reduction in life expectancy, and eventually reduces the quality and quantity of labor resources of monotowns. One of the main problems is the gap between male and female mortality. Negative socio-economic conditions inhibit the formation of highly skilled manpower. [7]

Defining trend of demographic situation development of monotowns is natural decline in population (depopulation) and its aging. Difficult task under such a sex-age structure of the population is to combine the creation of new jobs ensuring competitiveness on the labor market.

To solve the problems identified there is need to attract investment. However, investment attractiveness of monotowns depends on enumerated factors: favorable position, well-developed infrastructure, developed labor market, active employment policies.

Currently, the development of monotowns in Russia is a complex task in which social issues are inseparable from issues of economic, legal, political and environmental. To solve this problem it is necessary to bring together all levels of government (federal, regional and municipal), the involvement of public organizations, trade unions, as well as the direct interest of the monotowns population. [8]

The problems of monotowns considered typical not only for Russia. In world practice enough examples of their solutions is already accumulated, both successful and not very much. Studying the foreign monotowns is needed to identify and apply

good practices, to increase employment, wages, and in the end result, socio-economic status of the monotown population generally.

In the U.S., France, Japan and some other countries at different periods a long-term program for the development of the most backward areas were developed and implemented. These programs envisaged activities, in particular the establishment of production and social infrastructure to ensure favorable conditions for the subsequent placement of modern industries into them. Economic stimulation of the development of small and medium-sized cities should turn them from the backward and depressed areas in the active centers of economic growth.

One of the most common mechanisms of support and rehabilitation of monotowns workforce in the West is restructuring the exhausted functionality of the city. While the economic restructuring of monotown can be carried in two ways: [9]

1. Diversification of the economy: through the development of new areas and sectors of the economy, including technology-intensive industries and services what comply with the general trend of increasing the proportion and the role of the tertiary sector in the global economy;
2. Restructuring of the monotown economy through the modernization of "old" industries.

As the foreign practice shows, a major role in the restructuring plays the creation of a certain institutional environment, which increases the conversion efficiency.

As international experience shows, the formation of monotowns development institutions accompanied by a set of state and municipal social events, among which are the following:

1. *Professional retraining of population*, for this purpose in monotowns often new universities are created, expanding the list of specialties and generally increasing educational and scientific potential of the population.
2. *Social assistance to the population* - the introduction of long paid vacations, benefits (for example, preferential loans for housing); facilitation for the creating of new jobs for redundant workers; organization of public works for temporary employment; granting the right to early retirement, etc.
3. *Support of small business development* with state funds, local budgets and public funds.
4. *Assistance with resettlement of people* from unpromising monotowns. This tool of support the monotowns resettlement was most widely spread in the United States because of the high mobility of the population.

5. *Improvement of the old and building new infrastructure* (development of logistics, communications, construction and reconstruction of residential areas, etc.). In some countries, there are even special programs of this kind. For example, the Department of Housing in France developed the program "Residential construction assistance," under which construction and reconstruction of residential houses in the inner cities carried out under the funds allocated by the state. Such support helps, firstly, to attract more high-quality workforce, and, secondly, in the situation when plant closings, staff have the opportunity to work in a nearby town due to the developed transport infrastructure.

6. *Environmental sanation* of monotowns, consisting in land remediation damaged as a result of industrial activity. Such a measure would greatly contribute to the further modernization of the territory (primarily social and infrastructure). Thus, in the 1990s in the UK government program of 57 cities renovation was designed, aimed for joint actions of the government, local authorities and the private sector. Its purpose - to provide financial assistance in the development and reconstruction of cities and land remediation damaged as a result of industrial activity. In addition, a program under the name "Subsidies for urban development" was developed.

Essential support mechanism for monotowns is also the *state legislative support* for city policy, for example, carried out by the countries of the European Union (EU) in the framework of its competence.

Modern trends of development are characterized by a predominance of service industry so the strategy of branches of industry substitution aimed at refocusing on services (development of telecommunications, education, logistics services, etc.). An example of using substitution strategy is the city of Glasgow (United Kingdom). Glasgow lost its competitive advantage in the production of industrial equipment to the 1960th. The suburbs were the most rapidly growing through the usage of advanced technology and relocation of urban workers.

The city center became a center of social and economic problems: social conflicts, crime, and poverty. In the 1970s the city's problems intensified under reduction of production volumes of heavy industries. In the mid-1980s, programs have been developed to diversify the city's economy based on replacement processing industry to the range of services in order to achieve sustainable economic growth in the city.

To attract investments the following measures were taken: improving the image of the city, the restoration of production infrastructure, the infrastructure of culture and housing. Already in 1990th, Glasgow was named European Capital of

Culture. The result of ongoing city policy was the creation of about 50,000 new jobs over ten years. 90% of the population was employed in the service sector. In the tourism sector of the city about 10% of the population was employed. Employment in the financial sector of the town has increased by more than 30% from 1998 to 2001. Development of the services sector has caused the multiplier effect. Sectors of electronics and communication began to develop on the basis of attracting highly qualified specialists and effective education system.[10],[11]

Currently the priority of development strategy of Glasgow is job creation in high technologies, light industry, as well as small and medium business. Bioscience development is based on cooperation of the companies and the universities. A similar situation is observed in the sector of software development.

The main mechanism for implementing strategic plans of the city revival is the EU funding. A preliminary assessment of the effects of the implementation of these plans was carried out: the job creation forecast, impact on education and environmental effects.

A network of business support agencies was created, including Glasgow Alliance, Scottish Enterprise Glasgow and Scottish Inward Investment, responsible for attracting private and public investment in Glasgow.

In 2006, a new strategic plan for the city for 10 years, "step change for Glasgow" was introduced. The plan indicated the need to take measures to maintain profitable jobs, innovation and high performance; common prosperity; coordination of economic, physical, cultural and social conditions.

Goal of the strategy was to strengthen the economic base and the quality of jobs by continuing physical, social, economic, cultural and ecological restoration of the city; solving problems of poverty, social exclusion and health of the nation.

Some Russian cities have similar opportunities for economic recovery. The success of this strategy is based on attracting highly skilled workers and efficient system of higher education.

Strategy funded by private and public investment. Most of the public funding was directed to the development of industrial infrastructure in the city, which created a favorable investment climate and attracted new companies.

The implementation of the strategy was conducted on an open basis. All plans and expenditure programs developed was published. The system of public control over the implementation was organized. Responsible for analyzing, upgrading and implementation of these plans was assigned to

specially created agencies, providing a partnership of all stakeholders.

In Russia since 2010 comprehensive efforts to bringing monotowns through the crisis have been taking. Methodology for preparing comprehensive investment plan (CIP) modernization was developed. As a result, 264 of the 335 monotowns (79%) prepared CIPs. Diagnostics of "socio-economic environment" was conducted and based on an assessment ways to diversify the economy were developed.

Currently, 204 complex plans are analyzed and the decision on the government support of 35 monotowns was made. In 13 monotowns already prepared all the technical and permission documentation for realization of infrastructure projects.

In 3 monotowns (Kamskie Polyana, Nizhny Tagil and Leninsk-Kuznetsk) the construction of objects was completed. In 2011, the socio-economic situation of most monotowns stabilized, but remains tough. For the year in monotowns was created over 434 thousand temporary jobs (13% of the total economically active population), more than 10 thousand permanent positions at the expense of government measures and a few tens of thousands of permanent positions established by enterprises through the placement of the orders on them.

Due to these steps, there is a significant decrease in the number of unemployed from 349 to 179 thousand people. The average unemployment rate for monotowns decreased from 5.7 to 3.8%. In 206 cities (or 61.5% of total) does not exceed the national average, in 129 cities it is above the average for Russia, but only 31 monotown - the unemployment rate is 4% higher than the average for monotowns.

The following development institutions contributed to the diversification of Russian monotowns: State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)"; JSC "Special Economic Zones (SEZ)"; JSC "Russian Venture Company"; JSC "Russian investment Fund for Information and Communication Technologies"; State Corporation "Russian Corporation of Nanotechnologies", etc.

Russian development institutions are timely, necessary and effective instrument of state economic policy, allowing to solve the problem with minimal costs; diversify the economy, provide infrastructure and high-tech industries; and not only to maintain but also to increase the pace of economic growth in the country on a long term basis.

But in each case, the socio-economic development of monotowns should be considered. Unified strategy applicable to all monotowns does not exist.

Thus, the Russian example can be the Baikalsk in Irkutsk region, where the town-forming enterprise is "the Baikal Pulp and Paper Mill." Baikal Pulp and Paper Mill is a landmark for the evaluation Russia's attitude toward environmental issues: if BPPP continues to dump sewage into the lake, there is nothing to do with other objects and all the words of the aspirations and the affairs of state are only words. People can be employed, but what to do with the "heritage" of the enterprise in the form of constructions that are in doubtful conditions after a series of earthquakes, what to do with nearly 7 million tons of industrial waste that can instantly get into the lake, with unpredictable consequences for the lake. Problem a safe condition in areas is not less important than social ones.

BPPP problem - it's not a problem of Bajkalsk. BPPP problem - it is not just an environmental problem. This is the problem of preservation of Lake Baikal as a global strategic resource of fresh drinking water. This resource – is a resource not only for our country. This is a resource of all mankind.

Production at the Baikal Pulp and Paper Mill (BPPM) was officially closed on December 25, 2013. Government of Irkutsk region reported that only 494 staff members of the 1,600 factory workers would stay in their places for ensuring the operation of important infrastructure facilities and functioning of the TPP.

BPPP operation creates socio-economic limits for the town development and actually closes any possibility of large economic and social development of environmentally acceptable projects in the Baikal region. There is a need in employment of 1000 workers after the plant closed. There are concrete proposals for employment of highly skilled workers, a fund for supporting small businesses established; more than 1,000 positions are opened. Implementation of the project of special economic zone in the Bajkalsk region suggests the employment of 2000 workers and up to 10,000 people in related industries. Moreover, the disposal of accumulated waste products of BPPP also requires a significant number of employees.

Already in January 2009, Siberian Branch of the Russian Academy of Sciences has developed more than 10 types of alternative activities with business plans - environmentally safe, economically viable, fully involving the factory workers.

In 2010 it was decided that a special economic zone would be in Baykalsk.

Currently, the Russian government is considering building on the site of closing Baikal Pulp and Paper Mill in Baykalsk expocenter reservation "Sanctuary Russia." [12],[13]

Park "Sanctuary Russia" will be located on the site of industrial area and take a part of the buffer zone. Landscaped park and educational center will be built. Also planned to create a city recreational area and the epicenter of natural and cultural heritage of the country, about 25,000 new jobs will be created.

The main objects will be the hotel complex, research laboratory and academic buildings. The novelty of the Park - is a complex of architectural monuments of Russia, including Moscow Kremlin, unique wooden churches and Kazan Cathedral.

The project is assumed to be visited by more than 2 million tourists a year. Thus, the park will become a place of rest, and, most importantly, a center of environmental education in Russia. Here young specialists will receive both theoretical knowledge and practical skills.

However, it should be noted that the basis of all strategies are social activities, a key place in which belongs to unemployment. When deciding on the restructuring of the monoterritory economy, there is need in differentiated approach based on historical conditions and the level of territory development, capable of creating investment environment and social attractiveness, ensuring the emergence of competitive industrial zones, also the implementation strategies are not possible without the active participation of non-governmental organizations, local authorities and business, which together through public-private partnerships solve urban problems.

Based on the foregoing, it can be argued that the formation of monotowns development institutions should be aimed at long-term development and the necessarily include the strategic documents of development of such territories. These documents must be linked together vertically and meet more general strategic documents, for example, such as the Strategy for Socio-Economic Development of the Russian Federation until 2020 and others.

Due to the complexity of the situation with monotowns the way out could be presented only as the complex of management decisions to be undertaken to overcome the protracted crisis development of these areas. The current situation shows: measures taken by the State are pinpoints - subsidies and grants for forming enterprise, "patching holes" of local budgets, and manual control over the most problematic monotowns – just temporarily soften the crisis, but not solve the problem.

Monotowns need a powerful system and adequate to real causes of the crisis impetus to development.

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