Transformation of the Households Functions in the Modern Russian Economy

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Abstract: This article introduces methodological principles, methodological provisions and practical suggestions on formation and development of household institutions in the modern Russian economy. Special attention is paid to the subject matter of the saving strategies of households and peculiarities of their implementation in the modern economy of Russia. The strategy of consumption and saving behavior of households is built based on information on the permanent income in the current period, which is planned by them.

Key words: Households • Institutions • Contractual relations • Transaction expenses • Strategies of consumer behavior

INTRODUCTION

For a long time, the problem of household behavior in its function as an institution and an economic entity as well as its role in the changes taking place in the society has been underestimated. The interdisciplinary status of a household in its function as the research object and the impossibility of precise delineation of theoretical and methodological approaches to its study, which were formed within separate spheres of scientific knowledge, have caused the absence of an integral concept, which in turn hindered the development of efficient methods of institutional project planning of transactions with participation of this economic agent.

A household being the supplier of economic resources, which satisfies its needs and acts as the main consumer of commodities and services, is represented with the multiple historical models typical of various types of economic systems; its functions, role, economic status and importance in the system of social production were changing, but retained certain common features. In their functions as economic entities, households operate in the markets of labor, land, consumer goods and financial markets and in other economic spheres; their economic behavior and functions contribute to the formation of production and economic potential, determine the rates of economic growth and impact on the results of the implemented economic and social reforms. At the same time, the behavior models of households show conventality, rigidity, dynamism, influenceability to changes of various socio-economic factors, including crisis phenomena and, therefore, their nature and functions, as economic entities, are determined in a new manner in the modern economics.

Despite the continued attention of national and foreign researchers to the laws and regularities of household functioning in the Russian economy, the multifunctionality of a modern household in its function as a mass economic entity directly or indirectly interacting with other institutions requires development of an integral concept, which would explain the functioning of households in the circumstances of institutional transformation of the Russian economy.

The inefficiency of the modern household system (only the allocative efficiency in certain economic activities is achievable in the short-term (allocation of deposits, current breadwinning and housekeeping expenditures, contributions to healthy lifestyle and cultural development of family members, etc.)) is determined by the structure of demands, the mutualism of the market and non-market forms of household production and non-market exchanges typical of a household in its function as a socio-economic institution (historical memory). Institutional changes taking place inside of it are distinguished for their prolonged duration and are of an individual and latent

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nature due to the circularity of a family-based economical system, the inertia of the cultural and economic development and the self-sufficiency of a family in its function as a unique social establishment.

RESULT AND DISCUSSION

The models of the households' behavior on the labor market determine the importance of adaptation of the households to the continuous changes in the economic and social situation on the labor market (particularly, the model of standard occupation acts as a substitution of the social protection system), weaken the impact of crisis phenomena. Distribution of non-standard forms of occupation ensures the flexibility of the labor market, maintains the high level of employment and contributes to the decrease of unemployment, though the majority of models are associated with the lack of social protection.

In the circumstances of the information society, new tools of production (the electronic and other ones) allow combining the work and the leisure in an "electronic cottage", which significantly reduces time and resource expenses and removes the border between a household and a company, emphasizing the model of electronic occupation, where in an industrial society, the production and the household were separated.

In the long-term, allocation of incomes is provided in accordance with the price and nonprice factors. The latter include the marginal benefit of applying separate institution and institutional structure as a whole, the dynamics of which is caused by exogenous or endogenous, incremental, evolutionary or revolutionary changes in the subject matter of formal and informal institutions and mechanisms of enforcement, which, in turn, determine the changes of price signals.

The modern interpretation of the saving behavior of households is based on the understanding of the fact that, even when slight uncertainty exists, the real saving behavior start to deviate significantly from the models suggested by the neo-classical concepts, which determined the formation of the basis of the stochastic theory of saving behavior.

The strategy of consumption and saving behavior of households bases on information on the permanent income in the current period planned by them. One of the main factors influencing the saving behavior of contemporary households in Russia is the low level of incomes of the large part of the population along with the high extent of socio-economic differentiation. Due to the fact that at the transition from the least prosperous groups of households to more prosperous ones, the growth of the income level exceeds the consumption level and even stronger differentiation occurs with respect to the saving opportunities. The following categories of models of saving behavior of households can be formulated: the indifferent model of saving behavior (it is characterized by indifferent attitude to the saving activity due to the low level of income); the conformist model of saving behavior (saving activity is determined by general trends in a social group, to which the household belongs; the level of income is between medium and above medium); the hedonist model of saving behavior (it is typical of households oriented to consumption and leisure; the level of income is between low and above medium); the supporting model of saving behavior (saving activity is motivated by the necessity to procure children, support parents, etc.; the income level is medium or below medium); the nihilistic model of saving behavior (no savings are made as a result of mistrust to financial institutions; the level of income is between low and above medium).

The study of motivational affirmations encouraging the population to active saving behavior is associated with the problem of encouraging saving activity; the savings of households are the only one of the main sources of relatively cheap long resources. Efficient usage of households' savings in their function as the potential investment resources is possible subject to abidance by "interest balance" (the depositor receives attractive interests (at least on the level of inflation) on his deposit, but not very high, as the resources must be cheap enough for investors).

The saving behavior of the population is a multifactor and multilevel process, which is directly influenced by the peculiarities of the development of demands and their satisfaction, the policy of allocative relations, including prices and incomes, the demographic situation and social characteristics of families, motivation of behavior of various groups of population in the spheres of consumption and accumulation.

The expenses of a household are oriented to maximization of practicability and to the most complete satisfaction of needs of the households' members with account of their individual preferences. The efficiency of household production is the providing of its maximum practicability at the given expenses. Following this line of reasoning, the efficiency of a household's activity can be determined with the following formula:

\[ Un = f(EnC) \]
where $U_n$ is the practicability of a household, which it tries to maximize;

$EnC$ are the total expenditures of a household, including the transactional ones, which it tries to minimize;

$f$ is the function (dependence), as practicability of a household determined by the extent of meeting his needs depends on the expenditures.

The transactional approach stipulates that, within households, we can identify the transaction expenses not related to the production, but to the expenditures associated with it: searching information on prices and preferences of users; searching information on contractors; control of their fulfillment, etc.

Transaction expenses are modified within households. E.g., their structural elements are the expenditures for signing economic contracts, which in case of households are transformed into expenditures for taking decisions on their arrangement, which include the assignment of responsibilities among the household members, differentiation of labor, achievement of agreement of individuals for fulfillment of these responsibilities, allocation of received incomes with account of individual preferences. The efficiency of a household is directly dependent on the minimization of transaction expenses, which can be achieved by different methods.

- Responsibilities of members of a household must be precisely, reasonably and, at the same time, flexibly assigned within the household; if necessary, they can involve wage labor (a home assistant), help of relatives and acquaintances.
- There must be a rational allocation of power between the household members and its combination during the process of taking decisions on the household management and implementation of its functions.
- Minimization of particular expenditures must be based in their importance and relative share in their total. These expenditures cannot equal to zero and are of non-compensational nature.
- Experience of other households' management must be used, e.g. as provided by the *Household Encyclopedia* or in other sources, or as advised orally.

There is a certain synergistic effect within households (the main rule is $2+2=5$). The synergistic effect of households means that a separate functioning household with participation of more than one individual can produce amenities (goods and services) much more efficiently than the same number of households with each individual separately, which is achieved due to economy depending on the production scale (one of the households members procures required goods (food) for all the rest, another is engaged in cooking. The synergistic effect of households can be expressed in the following formula:

$$Eh(P) > Eh(1) + Eh(2) + Eh(3) +...+ Eh(t),$$

where $EH(P)$ is the efficiency of a household with $P$ individuals;

$EH(1)$ is the efficiency of the household consisting of one individual;

$Eh(2)$ is the efficiency of a household consisting of 2 individuals;

$Eh(t)$ is the efficiency of a household consisting of $t$ individuals.

As goal-setting and business standards in each household are rather individual, single criteria in defining the efficiency can hardly be determined. And what is efficient for one household (business income) is not achievable for others, though the lack of such efficiency is not treated by them as a loss, because there is a rationality in their own understanding of this process. Non-specific functions of a household in its function as an institution and an economic entity are provided in Table 1.

Research of the peculiarities of a household behavior on the labor markets, the markets of amenities and savings in the modern economy has shown its “transitional” nature in its function as an institution and an economic entity. On the one hand, it is a standalone economic agent, which is capable of fulfilling the functions conventional for the market economy (the consumer, saving, production and reproduction functions) and which is responsible for the results of economic activity and separated from the family institution. On the other hand, households in many aspects remain included in the system of pre-market relations, which is observed in household economics, the reproduction model of surviving typical of their majority, the lack of experience and knowledge for taking financial or labor decisions, the insufficiency of savings and their disorderly nature.

Households in the modern Russian economy function based on the personal dependence relations, which reflects its persisting unity with another
institution-the family; and the explanation of this phenomenon is the low extent of development of the household itself in its function as a market institution and as an economic entity, where the dependence on the government in various spheres of its activity still persists.

**CONCLUSIONS**

One of the main elements of the formation of optimal institutional environment is the institution of social justice at economic relations, which includes the rules of maintaining social justice; the norms of behavior, which structure the repeating economic relations between the entities; the mechanisms, which ensure abidance by both the rules of social justice and the norms of entities’ behavior at economic relations. The social essence of this institution is manifested in the forms of organization, regulation and normalization of social life and behavior of entities in the economic sphere.

Achievement of institutional balance within households is associated with the necessity to complete the process of formation of market institutions.

**REFERENCES**