

Introduction to the Special Issue: The Russian Welfare State in a Time of Economic* Stagnation?

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Abstract

This Special Issue is devoted to Russia's welfare state during the years of economic stagnation that began in 2013. Twelve experts assess social conditions and reforms in poverty, labor market, pension, housing and education policies. They show that social mobility has stagnated in conditions of deep inequality and just-above-poverty incomes for many. Innovative labour market and anti-poverty policies are hampered by low productivity and wages, both features of an oligarchic economic model that blocks competition and development. Welfare commitments heavily burden the state budget, producing reforms that transfer costs to users. The authors find that popular protests have forced government to partially mitigate these reforms. Putin's government appears trapped between oligarchic economic interests and popular expectations for welfare. The final article compares China's comparatively successful welfare trajectories with those of Russia, and proposes an agenda for further research.

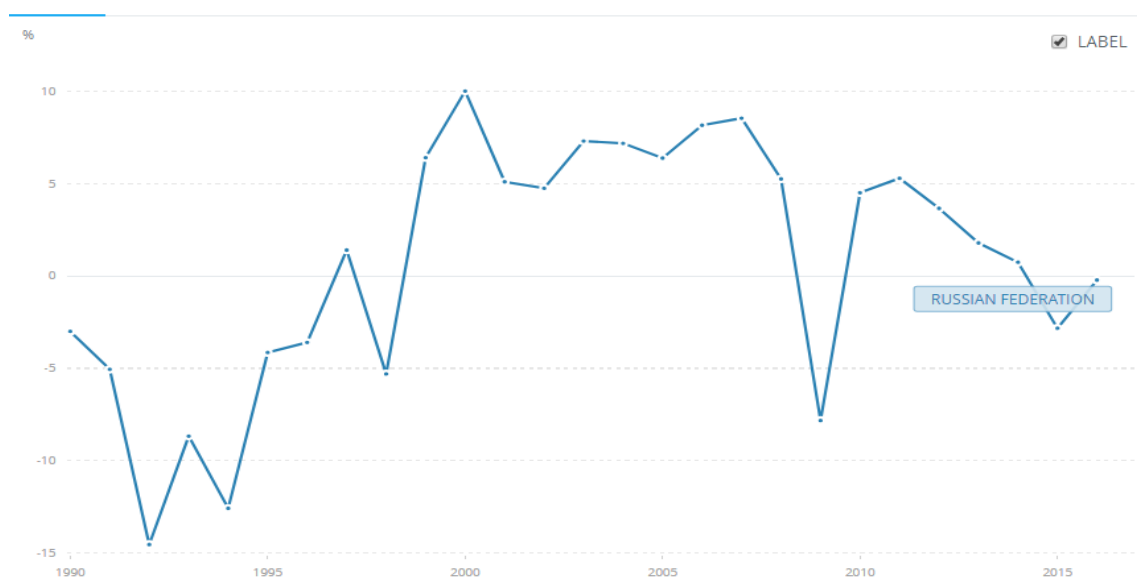
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Introduction

When the economic crisis hit Russia in 2008, the welfare state proved vulnerable to modest retrenchment. Economic growth resumed in 2010-12, then moved in a downward slope through 2016 as international energy prices remained low and unsteady. (see Figure 1) Incomes stagnated and social mobility nearly stopped. The burden of welfare expenditures on the state budget grew. In an effort to cope with these pressures Russia's government introduced innovative labor and anti-poverty policies, including Active Labour Market Policies (ALMP) and Conditional Cash Transfer Programs (CCTP). It also revived major reforms in pension security, education and housing that were designed to transfer costs and responsibilities away from the state onto users.

Figure 1 GDP Growth (Annual %) Russian Federation, 1990-2015



Source: <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=RU>
Accessed June 18, 2018

These post-2013 welfare reforms are the main subject of this Special Issue. Twelve experts assess the social conditions of Russia's population from 2013 to the present, and the government's efforts to address problems in the social sphere. They focus on both new and revived reforms, explaining in each case the motivations for policy change in terms of both popular welfare and pressures on the

state's financial and administrative capacities. Divisions and conflicts over the reform in both the state bureaucracy and popular media are discussed. The issue concentrates on provisions and content of reform policies, the popular responses to each, including protest and resistance and resulting state decisions to mitigate the original provisions of reforms.

Briefly, the experts find that these welfare reforms have had limited success, both in implementation or in achieving their goals. Labor activation (ALMP) and anti-poverty Conditional Cash Transfer (CCT) programs, both new to the government's welfare reform repertoire, have generated positive societal responses and participation and are expanding. But both depend on raising participation in existing labor markets, and the structural weaknesses and dysfunctions of those markets undermine the reforms' potential success. Reforms of pension security, education and housing have been tied up in intra-governmental bureaucratic conflict for extended periods. Once they were enacted, parts of affected populations have resisted taking on new costs and responsibilities, on both practical and normative grounds. The government has to a modest extent mitigated the original provisions of each reform in response to popular protests, though it has proceeded to implement most provisions gradually. The authors analyse the main factors that limit reforms' effectiveness, and connect these factors with the nature of Russia's political and economic elites and their prioritization of stability. The studies reveal a leadership that has no path out of economic stagnation except higher international energy prices, and is balancing fiscal pressures with popular demands by slowly and haltingly dismantling the remains of inherited welfare state.

Russia's Authoritarian Regime and Welfare Policy and Protests

Comparative welfare state literature has established that authoritarian regimes provide welfare to their populations in order to shore up popular legitimacy and to maintain regime stability and resilience. Authoritarian regimes are subject to much weaker societal demand-making and electoral pressures than their democratic counterparts. Even where elections are not competitive, however, political elites need to mobilize voters' participation and so must contend with popular expectations. But there exists little in terms of electoral signals to indicate what popular concerns should be given priority. In

practice, Putin's regime communicates with its population and taps into popular opinion through corporatist-like consultative and monitoring bodies, regular public opinion polling, policy debate in the press, and attention to popular protests.

Contemporary Russia is ruled through an implicit balance between different forces represented within the presidential and governmental apparatus. Policy-making is a top-down process strongly dominated by bureaucratic actors. The most high-profile governmental actors in the rivalry over welfare policy are the social bloc that supports solidaristic welfare policies on the one hand, and on the other the financial-economic bloc that seeks to keep public spending down and direct it toward investment and infrastructure to underpin future growth¹. Welfare reforms are subject to these blocs' rivalries over problem definitions and resources. The conceptual bases of the two blocs draw on welfare populism or technocracy respectively.

In Russia, consultative and monitoring functions are carried out through networks of quasi-corporatist institutions including the All-Russian Front, the Public Chamber and the within-system opposition parties in the state Duma. All are discussed in the article by Holm-Hansen, Aasland, Berg-Nordli, and Cook in this issue. These institutions function as 'shock absorbers'. They do not challenge the system as such but are vocal in their criticism of concrete domestic policies. Their potential to create acceptance of their claims in a wider public, build broader alliances and frame issues are important. In other words, the hybrid character of the Russian regime² includes elements of electoral³ and competitive authoritarianism⁴, and the ensuing degree of '*Öffentlichkeit*' may make the authorities reluctant to adopt policies that will be met by harsh public criticism. Social and other non-securitized policies are also subject to criticism and challenge in print media, as shown by Prisiazhniuk and Holm-

¹ Kluge, Janis. 2018. "Russlands Staatshaushalt unter Druck – finanzielle und politische Risiken der Stagnation" ["Russia's state budget under pressure – financial and political risks of stagnation"]. SWP-Studie 14.

² Petrov, Nikolay, Maria Lipman and Henry E. Hale. 2014. "Three dilemmas of hybrid regime governance: Russia from Putin to Putin". *Post-Soviet Affairs*. 30:1. 1-26.

³ Schedler, Andreas. 2002. "The Menu of Manipulation". *Journal of Democracy*. 13:2. 36-50.
Cheskin, A. and Luke March. 2015. "State-society relations in contemporary Russia: new forms of political and social contention". *East European Politics*. 31:3. 261-273.

⁴ Levitsky, Steven and Lucan A. Way. 2010. *Competitive Authoritarianism: Hybrid Regimes after the Cold War*. Cambridge: Cambridge University Press.

Hansen's comparison of liberal, nationalist and government newspapers' treatment of the social reforms. The reach and influence of such print media is more limited than that of television news and coverage of public affairs, but all are Federation-wide newspapers with large readerships.

Once policies have been decided, affected groups may react with protests. Most of the protests against welfare reforms in education and housing have been defensive, local and, as the authors show, demobilized by modest concessions. By far the largest protests were directed against the decision to raise the pension age. As Maltseva's study in this issue shows, demonstrations against this proposal appeared in cities across Russia and produced a spike in national protest activity. In response Putin modified the reform and made its introduction more gradual, but left most of its elements in place. In sum, previous pressures to maintain welfare entitlements seem to be easing somewhat after an extended period of low economic growth. The government has revived policies of cutting entitlements and dismantling the welfare state that began in the 1990s and were never entirely abandoned. Despite Putin's concessions, raising the age of pension eligibility, long treated by the leadership as the 'third rail' of Russia's welfare policy, constitutes a watershed.

Social Policy Reforms: Innovations in Labor Market and Targeted Poverty Programs

The first two articles in this Special Issue, by Thomas Remington and Esuna Dugarova focus on distribution, incomes, and labor markets. Remington shows statistically the stagnation of living standards, high inequality, the large portion of Russia's population living on incomes barely above the subsistence level, and the consumption patterns of households that cannot make ends meet. Dugarova focuses on recent innovations in labor market and anti-poverty policies that are designed to raise incomes. She shows that the government has invested in Active Labor Market Policies (ALMP) modelled on OECD practices, such as re-training and job referral services. It is also expanding Conditional Cash Transfer Programmes, which give cash benefits to poor households on condition that they participate in work schemes or take other active steps toward economic self-reliance, such as beginning small businesses.

Both authors argue that structural features of Russia's labor market, particularly low labor productivity and low wages, block improvements in living standards. Dugarova shows that efforts at labor activation and incentives for investment in small businesses accomplish little because of Russia's dysfunctional labor market. In periods of economic downturn employers keep workers on the job and cut wages, adding to the ranks of the 'working poor.' and pushing workers into low-quality jobs in the growing informal economy. Remington identifies the sources of economic dysfunction and widespread hardship at the foundations of Russia's political economy: the oligarchic economic elite maintains its position by blocking new market entrants and opposing development, while the political elite depends on rents from this economy to remain in power. His article develops a broader analysis of systemic dysfunctions that tie up limited welfare expenditures in outdated commitments and subject reforms to bureaucratic infighting, providing a framework for the remaining contributions.

Social Policy Reforms: Pensions Security, Education and Housing

The next four articles in this issue are devoted to studies of recent pension, education and housing reforms. Case studies by Holm-Hansen, Berg-Nordlie, Aasland, Cook and Maltseva show that recent reforms in each area have followed a 'neo-liberal' approach involving varying elements of commercialization, privatization, monetization, decentralization, responsabilization of users and individualization of risk. Drawing on primary research and field work, the authors explain the reasons reforms were adopted, their goals and mechanisms, effects on populations, and societal responses.

Pensions. Russia's Pension Fund had required some level of budget subsidies since 1990. A reform of the pension system in 2002 introduced a mandatory private invested tier through which individual employees would save for their own retirement, effectively diverting part of contributions from the general fund. This reform, in addition to the economic downturn from 2008, deepened Pension Fund deficits and forced the government to increase federal budget subsidies to over 40% of the Pension Fund's annual revenues, an unsustainable level, in order to meet payments to current pensioners.

As Holm-Hansen et al show, in 2013 the government halted individual workers' contributions to the private pension tier (the moratorium) and diverted the funds to maintain payments to current

pensioners. At the same time it introduced a new formula ('points system') for calculating future pensions that gave workers incentives to remain in the labor force longer. Most visibly, in 2018 legislation was introduced that would raise the age of pension eligibility gradually by several years for both genders. This change would slow the growth of pension pay out obligations and so reduce pressures on the budget. It would also improve the long-term viability of the pension system. More than any of the other reforms, it constituted a watershed in Russia's welfare state retrenchment.

The pension reforms affected different categories of citizens – current pensioners, those nearing retirement, current older and younger workers – differently. Younger workers are usually not aware of reforms, as they will feel the effects only many years in the future. The points system increased "responsibilization of users" for workers at all stages, as the numbers of years worked, the salary during these years and the age of retirement of each individual pensioner would be used to calculate pensions⁵. By contrast, the government avoided imposing costs on current pensioners until 2016, when the real value of pension payments dropped for the first time. For years piecemeal and hesitant pension reforms had met little organized resistance. As Maltseva shows, this changed dramatically in 2018 when the pension age was raised. Though this long-delayed increase would be phased in gradually and affect mainly near-term pensioners, it produced a spike in the level of protests nationally and concessions by Putin.

Education. The reforms of primary education that were introduced in 2010 consisted in decentralization, in line with overall reforms of state and municipal institutions. Education reforms were designed to reduce state expenses by making some schools more autonomous and self-financed. More paid educational services were introduced in public schools. The reform expanded state standardization of curricula and testing, through the Unified State Exam (USE), which was designed to reduce corruption and equalize standards and opportunities for students across the Russian Federation. As Holm-Hansen et al show, the reform was met with criticism from parents, teachers and others involved in education, as well as opposition parties in the state Duma. Among teachers, the idea that

⁵ Aasland, Aadne, Linda J. Cook and Daria Prisyazhnyuk. 2017. "Russian pension reform – why so little engagement from below?". *Laboratorium*. 9:3. 44-69.

schools were to offer “services” was seen as “commercialization” of what used to be perceived as a “calling”. The introduction of for-pay education elements in public schools was criticized as privatization⁶. Teachers also protested the expected downward pressures on salaries

The reforms of primary education affected mainly teachers, parents and children. As the discussion in the article by Holm-Hansen, Berg-Nordlie and Aasland shows, these groups mobilized broadly through electronic media and produced documents articulating their concerns. They were most adept at mounting a collective response against the commercialization of education, the move toward self-financing and paid services in public schools. Of all groups affected by the reform, teachers were most able to coalesce as a group, and had the most similar interests in protecting their incomes. Teachers especially protested moving to completely incentive-based wages. They also could have withheld their labor, as many had in response to wage arrears during the 1990s. The teachers were the most successful at forcing concessions: the government agreed to their demand to maintain a basic or minimum wage in addition to the new incentive-based pay schemes. The reform apparently succeeded in transferring some costs downward. Overall, as data in the article shows, it did correlate with some decrease in budget expenditures on education.

Housing. Efforts to transfer costs of housing maintenance and services to residents had been ongoing since the 1990s, but the sector still received large state subsidies. After 2008, the government initiated reforms to relieve public budgets of expenditures and the public administration of management. The housing reform called on flat-owners to take responsibility for maintenance and repair of residential common property. In line with global trends of transferring common-pool resources and local public goods to communities of users, official policies called for setting up homeowners’ associations. The share of the consolidated budget allocated to funding housing and communal utilities did show a downward trend once the reform began.

Housing reforms affect a large majority of Russians in more or less similar ways. Almost all Russians own their flats and live in relatively similar buildings under a standardized housing. Moreover,

⁶ Berg-Nordlie, Mikkel and Nikita Bolshakov. 2018. “The Critical Movement Against the 2010–2012 Education Reform in Russia: Networks, Organisations and Parties”. *Europe-Asia Studies*. 70:4. 666-684.

ownership structure and regulations of communal infrastructure services are, for all practical purposes, identical for all Russians, so reforms have a rather uniform effect. For the population, the reforms meant that they have to re-orient themselves and take on more responsibility and risk. It has proven difficult to make this bottom-up process produce associations that enjoy trust among residents. Likewise, the plan to privatize communal services through the establishment of competition among property management companies has failed. In practice, they are monopoly firms run by former leaders of municipal enterprises and are seen as such by homeowners (see article by Holm-Hansen; Berg-Nordlie, Aasland and Cook in this issue). The fear of a rise in communal tariffs for repair, electricity and gas has been met by local protest all over Russia. However, the average share of households' spending on housing and communal services has remained fairly stable at 10-11 per cent in the period 2008-2018⁷.

The Special Issue turns next to how these three welfare reforms are portrayed in Russia's print mass media. Prisyazhniuk and Holm-Hansen rely on a content analysis made on an extensive sample of issues of three newspapers. Through specified threads the coverage of the pension, education and housing reforms was tracked. The three newspapers were the official Rossiiskaia Gazeta, the oppositional-liberal Novaia Gazeta and nationalist Zavtra. Prisyazhniuk and Holm-Hansen show the range of political perspectives and types of criticisms that the regime tolerates in print media. At a general level the three newspapers portray reforms as one might expect: Rossiiskaia gazeta defends them in a neutral and descriptive style while occasionally acknowledging problems in implementation. Novaia gazeta criticizes the reforms for not being liberal enough and higher officials for misusing their power. Zavtra tends to support statist welfare arrangement to secure a strong Russian nation.

There are also notable differences in discourses and emphases among the three newspapers. In Rossiiskaia gazeta and Novaia gazeta, criticism is not addressed to any particular state or government representative or ministry. Commentators instead take on various aspects of reforms and state

⁷ Annual statistics 2008-2018 from Federal'naia sluzhba gosudarstvennoi statistiki [The federal agency for state statistics], *Struktura raspolagaemykh resursov i raskhodov na konechnoe potreblenie domashnykh khoziaistv* [Structure of the distribution of resources and expenditure on basic consumption in households].

initiatives in very general terms. In Zavtra criticism is personal and addressed to concrete state officials, representatives of the liberal opposition and business. Two rather different discourses on the role of the general public are represented in the newspaper materials. The first and stronger discourse describes people in general as passive, inert and in need of being educated and guided. A second and rather weak discourse characterizes them as active citizens with a right to choose, to decide their own fate, able to count only on themselves. The first and dominant representation, with its emphasis on passivity, comes into collision with the logic of the reforms, which give more influence and responsibilities to non-state agents in each social policy field. All three newspapers represent state actors as the drivers of reforms, either as constructive leaders or as fraudulent misusers of their power.

Comparing Russia and China

The final article in this issue, by Kainu, Kivinen, Kuhnle and Li, takes a comparative approach, showing how the two hybrid regimes of Russia and China pursue welfare policies. The authors contribute to the literature on modern, authoritarian regimes and the role of welfare policies as tools to secure regime stability⁸. They show that both countries combine authoritarian and democratic elements but are hybrid in different ways. China combines a capitalist market economy with a communist state and cadre power system. Russia's state and elite power system is in itself a hybrid. Their main argument is that both in Russia and in China the choice of welfare model is still open, comprising several contradictory frames and event-driven agencies. Both countries have undergone

⁸ Forrat, Natalia. 2012. "The Authoritarian Welfare State – A Marginalized Concept". Working Paper No 12-005. Evanston IL: Buffet Center – Northwestern University

Forrat, Natalia. 2013. "Why do we need the Theory of Authoritarian Social Policy in Comparative Research?", Paper presented at the Annual Meeting of the American Political Science Association, August 2013, Chicago"

Forrat, Natalia. 2018. "Shock-Resistant Authoritarianism: Schoolteachers and Infrastructural State Capacity in Putin's Russia". *Journal of Comparative Politics*. 50:3. 417-434.

Kivinen, Markku and Chunling Li. 2012. "The Free-Market State or the Welfare State?". In C. Pursiainen, ed., *At the Crossroads of Post-Communist Modernisation : Russia and China in Comparative Perspective*. New York: Palgrave Macmillan

Knutsen, Carl Henrik and Magnus Rasmussen. 2019. "Autocratic State and Old-Age Pensions – Credible Commitments, and Regime Survival". *Journal of Comparative Politics*. 51:5. 659-695

Remington, Thomas F. 2014. "The Politics of Social Insurance in Russia and China". APSA 2014 Annual Meeting Paper. Available at SSRN: <https://ssrn.com/abstract=2451884>

phases of liberalization, Russia in the period 1993-2004 and China 1978-2003 followed by a partial turn to welfare-oriented statism. In Russia this has mainly concerned demographic issues and in China establishing nation-wide universal health care and pension systems. Nonetheless, in both cases, economic growth is the reason for absolute improvements in living conditions. Both countries have experienced considerable increases in inequality due to patterns of economic development as well as non-redistributive systems of both taxation and social spending and the preservation of categorical and in-kind rather than cash-based, means-tested benefits. In both countries, two coalitions of bureaucratic agencies are pitted against each other in the welfare arena, the 'social' bloc (the ministries responsible for social benefits, labor, health, social security and pensions) and the 'economic' bloc (the ministries of finance and economic development.)

The authors warn against the tendency in Western analysis of Russian and Chinese welfare systems to base analysis on a straightforward distinction between liberal and statist social policy. They argue that this dualism fails to conceptualize the simultaneous and contradictory nature of the ideological frames in the two countries. They propose instead a structuration based explanation that takes into account both agency and structure. Structures come into existence and fade away in dynamic processes in which actors are continuously changing structures. The authors argue that Russian or Chinese development should not be seen as some kind of evolution and development without actors and agency. Moreover people modify their intentions through learning and changing understanding of interests. Researchers should conceptualize institutions not as based on pre-given values, but as a multifaceted tension fields of various intended and unintended structuration processes.⁹

⁹ See especially Giddens, Anthony. (1984) *The Constitution of Society. Outline of the Theory of Structuration*. Cambridge. Cf. Kivinen, Markku and Cox, Terry. (2016). "Russian Modernisation – A New Paradigm." *Europe-Asia Studies* 68: 1 – 19

Conclusion

Russia's welfare reforms are drawn between the needs to cut costs on the one hand and the need to meet expectations of the population on the other. In order to de-budgetize, the regime has turned to global, managerial trends and tries to apply a "neo-liberal" tool-kit. This means cutting costs by leaving more to the citizens as self-organizers, payers and risk-takers. The state withdrawing from its obligations to deliver welfare makes the regime vulnerable in terms of popular support. Reforms are unpopular because they mean individuals will have to carry more of the immediate burdens but also because many feel insecurity confronting with a future where much of the informal behaviour that allowed people to cope, will be made obsolete. Changing vulnerabilities, tensions and unintended consequences are in evidence in the policy making process of hybrid regimes, like Russia. The issue of feedback mechanisms in hybrid regimes, therefore, is in need of further theoretical work.

The outcomes of welfare reform in Russia are ambiguous because reform approaches are contradictory and intra-bureaucratic bargaining and conflict make the policy process opaque. It is significant that the three reforms of pensions, education and housing and utilities, produced push-back and protest that resulted in mitigation of the original reforms. In the event, a balance between competing interests has been struck. This outcome shows that societal attitudes matter to Russia's elite, but at the same time it should temper our expectations about the influence of popular resistance on policy.