



BUYING SUPPORT? PUTIN'S POPULARITY AND THE RUSSIAN WELFARE STATE



RUSSIA POLITICAL ECONOMY PROJECT

FOREIGN POLICY RESEARCH INSTITUTE
FEBRUARY 2018



The Foreign Policy Research Institute thanks the Carnegie Corporation for its support of the Russia Political Economy Project.

All rights reserved. Printed in the United States of America. No part of this publication may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopy, recording, or any information storage and retrieval system, without permission in writing from the publisher.

© 2018 by the Foreign Policy Research Institute

COVER: Soviet Monument Worker and Kolkhoz Woman, Moscow. Adobe Stock.



FOREIGN POLICY RESEARCH INSTITUTE

MISSION

The Foreign Policy Research Institute is dedicated to bringing the insights of scholarship to bear on the foreign policy and national security challenges facing the United States. It seeks to educate the public, teach teachers, train students, and offer ideas to advance U.S. national interests based on a nonpartisan, geopolitical perspective that illuminates contemporary international affairs through the lens of history, geography, and culture.

EDUCATING THE AMERICAN PUBLIC: FPRI was founded on the premise that an informed and educated citizenry is paramount for the U.S. to conduct a coherent foreign policy. Today, we live in a world of unprecedented complexity and ever-changing threats, and as we make decisions regarding the nation's foreign policy, the stakes could not be higher. FPRI offers insights to help the public understand this volatile world by publishing research, hosting conferences, and holding dozens of public events and lectures each year.

PREPARING TEACHERS: Unique among think tanks, FPRI offers professional development for high school teachers through its Madeleine and W.W. Keen Butcher History Institute, a series of intensive weekend-long conferences on selected topics in U.S. and world history and international relations. These nationally known programs equip educators to bring lessons of a new richness to students across the nation.

TRAINING THE NEXT GENERATION: At FPRI, we are proud to have played a role in providing students – whether in high school, college, or graduate school – with a start in the fields of international relations, policy analysis, and public service. Summer interns – and interns throughout the year – gain experience in research, editing, writing, public speaking, and critical thinking.

OFFERING IDEAS: We count among our ranks over 120 affiliated scholars located throughout the nation and the world. They are open-minded, ruthlessly honest, and proudly independent. In the past year, they have appeared in well over 100 different media venues– locally, nationally and internationally.



ABOUT THE AUTHOR



Sarah Wilson Sokhey is an Assistant Professor in the Department of Political Science at the University of Colorado, a Faculty Associate at the Institute of Behavioral Science at the University of Colorado, and an Associate Fellow at the International Center for the Study of Institutions and Development at the Higher School of Economics in Moscow, Russia. She is a member of the PONARS Eurasia group, a network of over 100 academic experts specializing in Russia and Eurasia. Her recent book, *The Political Economy of Pension Policy Reversal in Post-Communist Countries* (Cambridge University Press, 2017), examines the global trend in the reversal of a radical pension policy using survival analysis, survey data, and case studies of the Russian, Polish, and Hungarian experiences.

EXECUTIVE SUMMARY

Sarah Wilson Sokhey

As Western media focus on the more sensational aspects of Russian domestic and foreign policy, this report argues that the often overlooked arena of social policy—i.e., pensions, education, and healthcare—lends important insights into the nature of the Russian regime and its outlook on the future. This essay traces the regime's use of pension, education, and healthcare policy promises to bolster support in the lead up to presidential elections and examines Putin's record on implementing these promises, but this record is mixed. While pensions have been boosted before each election since 1996 and the government has avoided raising Russia's relatively low retirement ages (55 for women and 60 for men), the regime has failed to make the critical improvements in education and healthcare promised over the years. That is, Putin has utilized social policy to bolster regime support by fulfilling promises that appease key electoral groups—for instance, the elderly—but do not necessarily increase the general welfare of average Russians. In the current political climate, Russian citizens seem largely willing to accept this deal. Nonetheless, declining living standards, a stagnating economy, and continuing corruption scandals may begin to erode this arrangement. Lower turnout and a decreased margin of victory in the upcoming 2018 presidential election could be the first signs that the public has grown weary of Putin's lackluster delivery on his numerous social promises.

INTRODUCTION

A significant part of the Russian opposition today, unlike opposition movements in the West, sees democratic rights as emanating not from balanced political representation, but from the appointment of a “good czar.” This tendency to pursue a magnanimous ruler instead of democratic institutions forces ambitious political leaders to seek public support by relying on the force of their own personality rather than on a clear political program.

– Mikhail Khodorkovsky, September 2017¹

On March 18, 2018, Russians will go to the polls to choose a president. As current President Vladimir Putin is widely expected to win, the vote is more a referendum on his performance than an actual election. Putin has two goals: high turnout and an easy win in the first round, ideally without having to cheat too blatantly. Yet, despite the lack of electoral competition, the election is an occasion for important political battles. Social welfare policies—healthcare, education, pensions, and public sector wages—are important tools for Putin to shore up support as a “good czar” and head off criticism from Russia’s small but vocal opposition. Rulers typically dole out benefits to citizens, even if they also resort to political repression.

Russia’s domestic social services understandably receive less media attention than large geopolitical stories about intervention in Ukraine, meddling in American elections, and debates over sanctions. Nonetheless, social policy—often referred to as the “welfare

state” in the United States—is a crucial element of the authoritarian toolbox. Government-provided services help to maintain support. They are often cheaper and less risky than outright repression or mobilizing a party of power. Social policy in Russia is a reminder that even dictators care about popular opinion and providing public goods, just in different ways and for different reasons. Putin does not have to offer Russian citizens social goods to win the election—he could just cheat—but he finds it useful to at least appear to be a “good czar.”

Why do Russians find his promises to be a good czar credible? Since Putin rose to power nearly 20 years ago, he has kept some of his promises, but not others. As revealed in the cartoons below, popular satire portrays skepticism about the government’s ability to follow through. Russian public opinion—like public opinion everywhere—is complex and cannot be reduced to simplistic cultural stereotypes like being anti-democratic or pro-authoritarian.² Given Russian

Figure 1

Satirical Versions of Russian State Pension Fund Ads



Live Fast. Die Young.

*Satirical Version of Russian State Pension Fund Ad
"Pushkin was killed at 37.
What have you done for your country?"*

Figure 2

Cartoon published by Pravda, January 11, 2017³



*Patient: Doctor! Who is that leaving?
Doctor: It's your health!*

skepticism about the government, why do promises to improve social services such as healthcare, education, and pensions work? How has Putin continuously succeeded in buying support this way?

Putin has succeeded in buying support through social policy because he has focused on fulfilling specific promises to targeted groups that pose electoral threats, like pensioners. For many countries, including Russia, pensions are one of the state's largest expenditures. In 2015, the average expenditure on pensions in developed countries was nine percent of gross domestic product (GDP).⁴ Since the 1990s, individuals over the age of 65 constituted 10 to 13 percent of the Russian population.⁵ In the 2016 Duma elections, these frustrated pensioners were a major concern for United Russia (Putin's political party), despite the widespread belief that the party of power would handily win a majority.⁶ Putin and his administration are, therefore, aware of the political significance of pensioners. Moves to increase pension benefits just before elections are not a coincidence.

In the run-up to the 2018 presidential election, Putin has repeatedly promised not to increase the retirement age. Following the cue of his boss, the head of the State Pension Fund officially postponed considerations of an age increase until later in 2018.⁷ Moreover, the government announced in September 2017 that it will increase pensions for non-working retirees by 3.7% starting January 1, 2018. Other categories of pensions—including standard old-age pensions and the social insurance portion of pensions—

will see increases in February and early April 2018.⁸

In education and healthcare, the situation has been noticeably different. While Putin's official campaign does include promises to reform these sectors, his recent record in following through on these promises has not been strong.⁹ The public's main frustrations in education and healthcare—including quality and availability—remain unresolved. Putin's use of social welfare policy, then, suggests that while he may make many of the same promises as democratic leaders, the Kremlin supports a more limited span of social policies and only before big elections.

Endnotes

- 1 Mikhail Khodorkovsky, "A Problem Much Bigger than Putin," *New York Times*, September 12, 2017.
- 2 Timothy J. Colton and Michael McFaul, "Are Russians Undemocratic?" *Post-Soviet Affairs*, vol. 18, no. 2 (2002), pp. 91-121.
- 3 Cartoon by Alexander Petrov, published in the local *Pravda* in Samara, January 11, 2017; re-posted by the Communist Party of Russia at <https://kprf.ru/activity/healthcare/161443.html>.
- 4 OECD, *Pensions at a Glance 2015: OECD and G20 Indicators*, OECD Publishing, 2015.
World Bank, *World Development Indicators*, (Washington, D.C.: The World Bank, 2016), <http://data.worldbank.org/data-catalog/world-development-indicators>.
- 5 Eya Hartog, "Russian Election 2016: Angry Grannies in the Voting Booth," *The Moscow Times*, September 16, 2016.
- 6 RIA Novosti, "Russia Pension Age Hike Off Table Until 2018—Fund Head," November 6, 2013.
- 7 Predvybornye siuprizy: pensii v sleduiushchem godu proindeksiruiut srazu s 1 yanvaria [Pre-election surprises: pensions in the year will be indexed immediately from January 1], *RNS*, September 27, 2017. Russian pensions are divided into several categories of retirees and increases often vary for particular categories.
- 8 Andrej Vinokurov, "Putinskie reform podgotoviat k vyboram [Putin's reform is being prepared for the election]," *Gazeta*, September 18, 2017.

THE WELFARE STATE AND SOCIAL POLICY IN RUSSIA

The modern Russian welfare state emerged from the Soviet system, in which the government provided citizens with a wide array of benefits, including state-guaranteed housing, livable pensions, free education, and universal healthcare. Although the Soviet welfare system was extensive and costly, it was not overly generous. There was a discrepancy between what the state promised and what it could deliver: citizens did not always receive the benefits guaranteed to them.¹ Despite its shortcomings, the Soviet system created high expectations about what the state should provide. Even today, individuals who lived under communism more strongly support state-provided benefits than individuals from other generous welfare states. Indeed, the communist legacy has a stronger effect on public opinion regarding social welfare than on issues such as democracy, market reforms, and gender equality.²

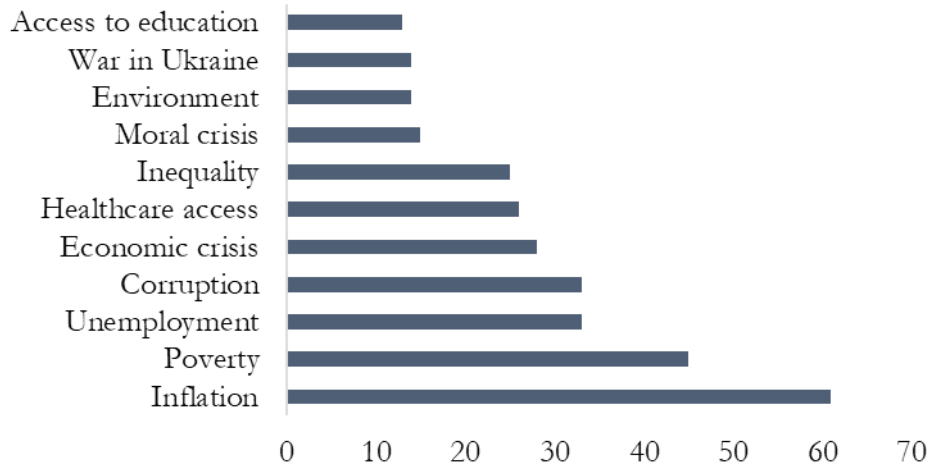
The Russian welfare system was overhauled as Russia transitioned to a market-based economy following the Soviet Union's collapse. State-

provided pensions and a low retirement age remain (55 for women and 60 for men), but these benefits primarily aid Russia's poorest retirees. Healthcare is now based on an insurance model that finances state-provided care to which all citizens are eligible. Nonetheless, the quality and availability of care varies greatly across regions with some areas providing excellent services and others struggling to offer the bare minimum.³ The government guarantees public education through the secondary level and continues to play a big role in higher education. At the university level, state-funded institutions operate alongside some private universities such as the European University in St. Petersburg and the New Economic School in Moscow, which have recently grown in prominence.

Russia's financial commitment to healthcare and education looks particularly weak when compared to the welfare contributions of its European counterparts. EU countries spend, on average, about seven percent of GDP on healthcare and five percent of GDP on education. In comparison, Russia spends

Figure 3

"Which Problems do you find most Concerning"?



Source: Levada Center, nationally representative poll in August 2017

just 3.5 percent on healthcare and 3.6 percent on education.⁴ Survey research suggests, however, that education and healthcare are not of primary importance to the most opposition-minded segments of Russian society, i.e. those that are relatively better off and live in urban areas.

As the figure above indicates, a recent Levada Center poll conducted in August 2017 indicates that healthcare and education are second and third-order concerns for many Russians.⁵ The survey asked respondents, "Which of the following problems in our society do you find most pressing and concerning?" and allowed multiple responses. Russians are most concerned with rising prices,

unemployment, and corruption. The cost and inaccessibility of education was only cited by 26 percent of respondents as a pressing concerns and only 13 percent cited the inaccessibility of healthcare as a concern.

Endnotes

1 Linda J. Cook, *The Soviet Social Contract and Why It Failed: Welfare Policy and Workers' Politics from Brezhnev to Yeltsin*, (Cambridge: Harvard University Press, 1991).

2 Grigore Pop-Eleches and Joshua A. Tucker, *Communism's Shadow: Historical Legacies and Contemporary Political Attitudes*, (Princeton: Princeton University Press, 2017).

3 Mikhail I. Davydov and Oleg P. Shepin, "The Russian Healthcare System," *Medical Solutions*, September 2010, www.siemens.com/healthcare-magazine.

4 The World Development Indicators collected by the World Bank include these data on spending and assessment of the adequacy of coverage. Russia, of course, is not a member of the European Union. This region is used as a point of comparison. To put this in context, consider that Russia's expenditure on healthcare as a percentage of GDP is seven standard deviations below the mean for European Union countries, and it is more than four standard deviations below the mean for education spending as a percentage of GDP.

5 See the Levada Press Release, "The Most Alarming Problems," September 26, 2017 (available at: <https://www.levada.ru/en/2017/09/26/the-most-alarming-problems/>)

PUTIN'S PROMISES IN 2012

To understand the difference between Putin's policy toward pensions versus healthcare and education, it is useful to consider his campaign promises during the 2012 election. Putin's popularity depends in part on the government's ability to provide citizens with basic benefits. Putin, who consistently polls an 80 percent approval rating, is genuinely popular. While some analysts have speculated that the Kremlin artificially inflates polling numbers, recent research suggests that they are roughly representative. Sophisticated survey techniques suggest about a 10 percent markup, which still places Putin's approval in the upper 70s or lower 80s.¹

Nevertheless, vocal opposition has developed in Russia, particularly over corruption.² The large-scale spring 2017 protests were catalyzed by the release of opposition leader Alexei Navalny's hour-long investigative documentary, *On Vam Ni Dimon (Don't Call Him Dimon)*. The film, which revealed the ways in which Prime Minister Dmitry Medvedev has exploited his connections to acquire villas, a private ski resort, and a vineyard, built on Navalny's history of exposing corruption in Medvedev's and Putin's rise

to power. Notably, Navalny's political career began with a website that exposed corruption in government contracts.

In 2012, Putin ran for his third non-consecutive term as president with Medvedev as his prime minister. Together, they made several promises. Putin said that he would not raise the retirement age and offered increases in pension benefits, public sector salaries, and student grants. He stated that the government would put an end to kindergarten waiting lists, which had grown quite long (and still are) in Russia's urban areas. While the Kremlin did uphold some of Putin's campaign promises—the retirement age has remained unchanged, and the Duma passed legislation to extend the “baby bonus” cash payments for having children—it has also failed to accomplish major parts of Putin's 2012 agenda. In May 2017, the Russian newspaper *Vedomosti* ran an article detailing areas where Putin and Medvedev have fallen short.³ Nine of

Putin, who consistently polls an 80 percent approval rating, is genuinely popular.

**TABLE 1: STATUS OF PUTIN'S 2012 CAMPAIGN PROMISES
FOR SOCIAL POLICY AFTER FIVE YEARS⁴**

2012 PROMISES	ACCOMPLISHED BY 2017?
Increase Pensions	MIXED: Pensions increased by just 5.4%, which has not kept pace with inflation and the cost of living.
Maintain the retirement age	YES: Against the advice of some of his own advisors, Putin has refused to back any increase in Russia's relatively low retirement ages.
Improve Social well-being	NO: The number of people living beneath the poverty line has increased by several million people.
Increase wages, especially in fields like education	MIXED: Average wages have slightly increased, but increases in prices and the devaluation of the ruble have hurt the purchasing power of many Russians. Salaries in the education sector are still lower than average salaries.
Build 1,000 more schools; increase available spots for preschoolers and kindergartners	NO: the number of schools has declined by about 7,000. In November 2016, there were more than 391,000 children under the age of 3 waiting for a spot in preschool and 65,000 waiting for a spot in kindergarten.
Limit utilities expenses to promote affordable housing	NO: The cost for utilities have increased across the board. The costs for heating and electricity rose by nearly 50%, and the cost of hot water rose by 57%. These increases outpaced the rise of consumer prices, which was only 43%.
Decrease mortgage rates	NO: Mortgage lending rates have actually increased slightly from 12.32% in 2011 to 12.67% in 2016.
Fight corruption	NO: According to several world organizations including Transparency International, Russia's corruption ranking has worsened since the previous election.

the ten points concern social policy; the tenth addresses Ukraine and Syria.

As table 1 shows, the results of Putin's social policy are mixed at best. Some promises have been upheld, but it is not clear that most Russians are better off. For instance, while nominal wages increased slightly on average, inflation and the devaluation of the ruble largely eroded any benefits. Pensions are one of the most protected areas of the welfare state, but, even here, the limits of state capacity are evident. The 5.4 percent increase in pensions has not kept pace with inflation and the rising cost of living. In areas such as education, healthcare, and mortgages, the situation has stagnated or worsened slightly.

Frustration about government ineffectiveness does not always undermine the belief that the provision of certain services should fall to the government.

Putin is popular, then, but he also faces vocal criticism over the government's inability to deliver on critical social policies. However, frustration about government ineffectiveness does not always undermine the belief that the provision of certain services should fall

to the government. Russians understand that there is widespread tax evasion, but they still largely support the government's role as the primary guarantor of social services. Experimental research involving computer games suggests that—contrary to conventional wisdom—rich people

will tolerate higher tax rates if they are not the ones paying the taxes.⁴ In 2016, a co-author and I asked American students at the University of Colorado and Russian students at the Higher School of Economics to participate in an experiment that simulated employment and taxation, while manipulating the system to see how various rules affect people's preferences about social policies. Specifically, we asked participants to copy rows of numbers. They were paid based on how many rows they correctly copied and then asked to vote for a tax rate. The taxes went to a common pot which was then equally divided. There were several versions of the game, but in one version, we found that high earners preferred a higher tax rate as long as they could also easily underreport their income without detection.

Despite a mixed record in improving Russians' social welfare, therefore, Putin still feels compelled to promise citizens that his government will provide the services they expect. Citizens, in turn, appear broadly willing to believe that these promises are true. But is this status-quo stable? Or will continued broken promises lead to a decline in the population's trust? Russians do expect to get something from the state, and a failure to deliver could threaten the regime's support.

Pensions: Buying Support

Pensions play a central role in Russian politics. Yeltsin, Putin, and Medvedev all increased pensions in the run-up to their respective presidential elections. The table below shows

the connection between presidential politics and pension policy. In 1996, Yeltsin repeatedly increased the size of state-provided pensions during his re-election campaign. In fact, Yeltsin proved to be one of the most populist leaders in Russian history while campaigning. He travelled across Russia's regions explicitly promising increased spending and investment.⁵ Yeltsin also made pension politics a domain of executive authority by publicly taking responsibility for the coverage of pension arrears.⁶ His strategy was hugely successful: he went from single digit approval ratings in January 1996 to winning the presidential election in the first round of voting just six months later.⁷

Pension reform offers an excellent example of how the Russian government manipulates social policy to its benefit.⁸ As previously mentioned, in the Soviet era, pensions were a guaranteed benefit by the state. After the disintegration of the USSR, these payments proved increasingly difficult for the state to sustain, but gridlock in the government prevented serious reform.⁹ Then, in the 2000s, Putin backed measures to transform Russian social security. Following the model of reform known as pension privatization, the government enacted a system in which a portion of mandatory social security contributions are directed to individual accounts for private investment. Citizens' future benefits are then based in part on the returns of those savings, either positive or negative, thus reducing the burden of pension payments on the government. Although this constituted only partial pension privatization, it was a significant

shift away from the Soviet-era social contract.

Changes of this sort to Russia's pension policy have particular social and political significance given the country's demographic shifts. Russia's population is both shrinking and aging. The World Bank estimates that by 2025 over 25 percent of the population will be over the age of 65.¹⁰ Pensions are not significant only for retirees; younger generations must bear some of the cost for supporting current pension payments. Thus, one head of a private pension fund explained, "You have to understand that pension reform has nothing to do with pensioners...It has to do with *future* pensioners."¹¹

Pension reform offers an excellent example of how the Russian government manipulates social policy to its benefit.

Like Yeltsin before him, Putin understands the political weight of pension policy and has carefully crafted it throughout his career to achieve his administration's priorities. While Putin focused primarily on market-based reforms as he consolidated power, he also included several populist measures to shore up support. One of his first acts upon becoming prime minister in August 1999 was to pay pension benefits, which were significantly delayed in some regions of Russia. This action, aided by a growing economy thanks to a surge in oil and gas prices, helped solidify Putin's reputation as a man who gets things done for

TABLE 2: PENSIONS AND PRESIDENTIAL ELECTIONS IN RUSSIA

PRESIDENTIAL ELECTION	PRE-ELECTION PENSION POLICY
June 1996 – <i>Yeltsin's Re-election</i>	State pensions were steadily increased in the first six months in part by increasing the size of the average wage used to calculate benefits went from 655,000 rubles in January 1996 to 837,000 rubles by June 1996. ⁹ Additionally, the minimum pension was doubled just a month before the election on May 1, 1996, and the higher benefits were paid in June just 10 days before the election. ¹⁰ Notably, the average wage used to calculate pension benefits dropped markedly in the year following Yeltsin's re-election.
March 2000 – <i>Putin's 1st Election</i>	There was a 20% increase in pensions in February 2000 shortly before the election. ¹¹
March 2004 – <i>Putin's 2nd Election</i>	From 2000 to 2004, the real value of pensions nearly doubled going from 909 rubles per month to 1801 rubles per month. ¹²
March 2008 – <i>Medvedev's 1st Election</i>	In October 2007, a presidential decree increased veterans' pensions and promised a one-time additional payment for all retirees in 2008. ¹³
March 2012 – <i>Putin's 3rd Election</i>	Indexation of pensions (an increase based in part on a rise in prices) rose from 6.3% in 2010 to 10.65% in early 2012. After the election, indexation decreased to 10.12% in 2013 and to just 8.31% in 2014. ¹⁴
March 2018 – <i>Putin's 4th expected election</i>	Planned increases in state pensions beginning in January 2018; no increase in retirement age; indexation will increase from 4% in 2016 to 5.8% in 2018.

average Russians.

Today, when Putin needs to shore up support, he can always boost current pension payouts. When he wants to accomplish other goals—like centralizing power or cutting benefits and expenditures—he can take benefits away from future pensioners, i.e. younger generations who are not paying attention and may be less likely to vote. In this manner, Putin has crafted several social policies to bolster the strength of the central government.¹² The 2001 pension privatization reform, for instance, helped undercut the political power of the State Pension Fund, which had been described as a kind of political “slush fund.” Between 1995 and 1998, \$1 billion from the Pension Fund went unaccounted for; some have speculated that the money was used for Yeltsin’s re-election.¹³

The regime’s modifications to pension policy thus offer insight into the government’s perception of the key political issues at a given time. Recent changes suggest that the government’s time horizon has become shorter; Putin is focusing more on immediate issues and less on long-term planning. In 2012 and 2013, the Russian government backtracked on a potentially transformative pension privatization reform enacted a decade earlier. Doing so redirected money that previously had been diverted to individual pension accounts, letting the government spend those funds today. Ultimately, the nature and degree of pension reform in Russia—which ended up being a partial reform—meant that neither the public nor private pension funds were strongly invested in

its survival and therefore did not pose serious obstacles to its dismantling. Some speculated that the move was prompted in part to finance the costs of Russia’s anticipated intervention in Crimea.¹⁴ The effect, however, was to spend Russia’s long-term savings for present-day uses.

The reversal of pension privatization is indicative of Khodorkovsky’s epigraph: certain social policies may help a politician like Putin come across as a magnanimous leader, or a “good czar.” The fate of these policies, however, depends on whether they benefit the leader in the short term. The policy could build public support, pacify key interest groups, or generate revenue, but to survive it must continue to help the leader. In other words, reforms like pension privatization are unlikely to remain beyond their immediate usefulness to the regime, especially when normal democratic checks fail to slow policy changes.

Reforms like pension privatization are unlikely to remain beyond their immediate usefulness to the regime.

Accordingly, pension policy offers an especially interesting area through which to consider whether Putin is able to “buy support” via social policy. How responsive is the Russian population to changes in pension policy? Research suggests that as long as current pensioners remain satisfied, the government has significant leeway to use pension policy to its benefit. Russian pension savings constitute a large pot of money. As one Duma deputy stated in 2001, “Naturally,

there are many who would like to get their hands on that money.”¹⁵ These funds can be spent, managed, and invested to great profit. Pension privatization was unique in that it set aside current contributions for the payment of future benefits. For politicians, that money can be tempting, and as long as current pensioners are kept happy, dipping into those savings for other purposes may not even damage the public’s opinion of politicians.

As in all countries, Russians are unlikely to closely follow policy changes that will not affect them for decades. Polls from 2014 and 2015 that asked Russian citizens about their knowledge of and preferences for pension reform revealed that Russian citizens are largely unaware of the changes taking place. In a series of basic true or false questions about Russia’s pension system and reforms, no more than 50 percent of respondents gave correct answers. Many respondents were unwilling to even venture a guess—33 to 45 percent simply responded “hard to say” to basic true or false questions.¹⁶

The poll further revealed the population’s ambivalence towards pension privatization and its subsequent reform. In 2014, 35 percent opposed the reversal (compared to the 36 percent who supported maintaining the privatization reform in 2015). Only 18 percent of Russians objected to the temporary suspension of contributions to individual pension accounts. Even if Russian citizens had been more aware of the changes, it seems unlikely that they would have really cared. Consider this: People working in white collar, professional jobs were the most affected by the reform. Their jobs

were ones with formal salaries from which contributions to the private pension funds were made.¹⁷ Nonetheless, being a professional in Russia did not make one more likely to give a correct answer about pension policy. Russians appear to have been, understandably, confused about what was going on in this very technical policy area. When asked if the government’s pension policy was clear and consistent, 37 percent responded that they did not know or that it was hard to say.

Putin has chosen to strategically bolster existing pension benefits, as he backtracks on politics to benefit younger generations, about which few citizens are well-informed.

Although the public’s unfamiliarity with the intricacies of the pension system is common, Russian pension reform was a highly publicized issue and considered by many to be groundbreaking. Political scientist Mitchell Orenstein, for instance, referred to pension privatization as a “revolution” in the post-World War II social contract.¹⁸ Furthermore, in many countries that adopted pension privatization, citizens did care a great deal about the policy and were aware of its implications. In fact, citizens knew enough to change their voting patterns after the reforms. For instance, Andrew Kerner has shown that in Latin American countries where pension privatization was implemented extensively, citizens changed their voting patterns to account for stock market performance.¹⁹ In countries like Russia, however, where

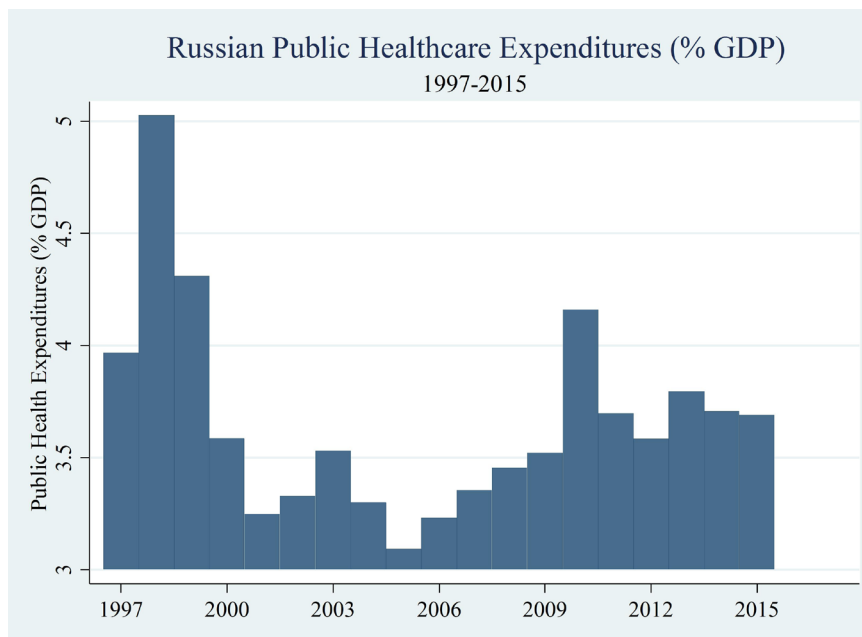
pension privatization was only partially adopted, citizens did not care much about its reversal.

Russians do not seem to feel strongly about these changes in pension policy, and the government, which has commissioned public opinion polls on the topic, is aware of this attitude. Although the privatization reform may have failed to overhaul Russia's pension system as intended, it has not undermined Putin's popularity. Instead, Putin has chosen to strategically bolster existing pension benefits, as he backtracks on policies to benefit younger generations, about which few citizens are well-informed. The government has correctly realized that current—not future—pensioners are critical for electoral success.

Education and Healthcare: Stagnating Social Services

In contrast to the government's consistent support for today's pensions, investment in education and healthcare has declined. Despite public campaigns to revitalize the state's commitment to these sectors, conditions have stagnated. Consider, for example, Russia's post-communist healthcare reforms. The Soviet system provided healthcare to all citizens, though with significant quality differences between urban and rural areas. In 1991, the Russian government reformed the Soviet healthcare model by establishing a national compulsory insurance system, a healthcare reform common among post-communist countries at the time.²⁰ Although the

Figure 4



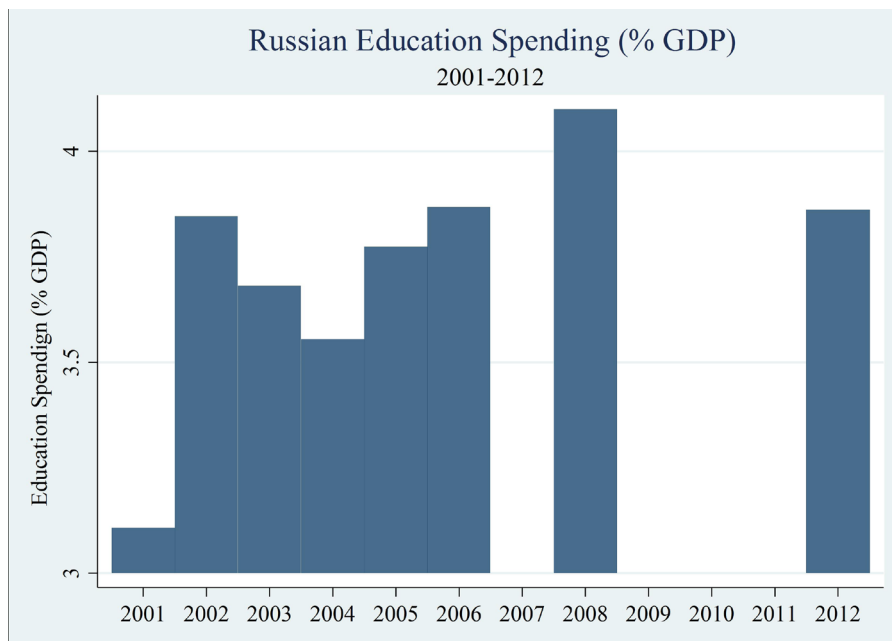
Source: *World Development Indicators 2016 (World Bank)*
No data in 2007, 2009–2011

system ensures that Russians are entitled to receive most medical services without payment, many Russians complain that additional payments are often required—either to actually receive care in the first place or to visit a specialist.²¹ In the late 1990s, the government introduced some paid medical services, such as outpatient drugs and dental services. There have been repeated efforts to overhaul state healthcare financing, but all such efforts have failed to address significant regional inequalities in funding or to provide a reliable source of revenue.²²

In the 2000s, the Putin administration made several promises to improve medical care and boost the general health of the population. A 2009 government

plan, for instance, set out four main health-related goals: 1) improve quality of life by reducing tobacco and alcohol use, 2) enhance emergency medical response systems and preventative care, 3) develop specialized and high-technology care, and 4) modernize medical care for mothers and children.²³ This proposal built on earlier National Priority Projects to improve healthcare. The government's performance in these initiatives has been mixed. For instance, while the birth rate has increased slightly, Russia continues to face a shrinking population. In late 2013, the government adopted measures to streamline the healthcare system.²⁴ Larger medical complexes and hospitals subsumed smaller clinics, and many doctors and nurses were laid off.²⁵

Figure 5



*Source: World Development Indicators 2016 (World Bank)
No data in 2007, 2010–2011*

In real terms, the government reduced its commitment to providing more healthcare through measures touted as attempts to improve the quality and efficiency of the system. The figure below shows the public healthcare expenditures in Russia from 1997 to 2015.

As a percentage of GDP, spending on public healthcare was much higher in the 1990s. Even just after Putin's last election in 2012, there was only a slight post-election increase and then subsequent decrease in spending as a percentage of GDP. Funding levels have also stagnated in education as shown in the figure below.²⁶

Data is not available for certain years, but when comparing 2008 to 2012, it is apparent that there was a decline in education spending as a percentage of GDP.

As in most developed countries, the state covers the cost of public education through secondary school and finances several prominent universities, such as Moscow State University. Both the quantity and quality of schools, along with questions of teachers' salaries, have been controversial issues in post-communist Russian politics. Other areas of reform include revamping vocational education programs, which aim to help modernize the workforce.²⁷ However, promises to build more schools and create spots for preschool- and kindergarten-aged children have lagged. Teachers' wages have declined in inflation-adjusted terms.

Nevertheless, the 2018 presidential

campaign promises a new round of reforms in education and healthcare.²⁸ Given the government's track record, these promises lack credibility. One must wonder how the Kremlin has it gotten away with slashing benefits in education and healthcare while being so careful to preserve pensions. There are two main reasons. First, wealthier, urban Russians often pay for higher quality private education and healthcare. Importantly, this group is the same one that is most likely to protest and support opposition parties. Survey evidence suggests that their primary concern is the economy, not the provision of specific government social services. Second, unlike pensions, education and healthcare benefit diffuse populations. Pensions target current retirees—the country's poorest citizens who rely on state-provided benefits to survive. In other words, pensions cater to a specific voting group. Although Putin could similarly use education and healthcare to buy support, he has determined that the benefits of doing so are not sufficient. To date, the state's disinterest in increasing investment in these social services has had little impact on Putin's popularity.

Endnotes

- 1 Timothy Frye, Scott Gehlbach, Kyle L. Marquardt, and Ora John Reuter, "Is Putin's Popularity Real?" *Post-Soviet Affairs*, vol. 33, no. 1 (2017), pp. 1-15.
- 2 Sarah Wilson Sokhey, "Putin has options so don't expect change," *Washington Post*, March 31, 2017.
- 3 Andrei Illarionov, "10 nevyopolnennykh obeshchaniy Putina i Medvedeva [10 unfulfilled promises of Putin and Medvedev]," *Vedomosti*, May 5, 2017.
- 4 *Ibid.*
- 5 Israel Marques and Sarah Wilson Sokhey, "The Foundations of Social Policy Support," Presented at the Annual Meeting of the American Political Science Association, September 2016.
- 6 Daniel Treisman, "Why Yeltsin Won," *Foreign Affairs*, vol. 75, no. 5 (Sept.-Oct. 1996), pp. 64-77.
- 7 Debra Javeline, *Protest and the Politics of Blame: The Russian Response to Unpaid Wages*, (Ann Arbor: University of Michigan Press, 2003).
- 8 Treisman, "Why Yeltsin Won."
- 9 Pavel A. Orlov-Karba, *Vse o Pensionnoi Reforme v Rossii [Everything about Pension Reform in Russia]*, (Moscow, Russia: Gardariki, 2005) p. 97.
- 10 Treisman, "Why Yeltsin Won."
- 11 Peter Rutland, "Putin's Path to Power," *Post-Soviet Affairs*, vol. 16, no.4 (2000).
- 12 Orlov-Karba, *Vse o Pensionnoi Reforme v Rossii [Everything about Pension Reform in Russia]*, p. 23. See, also: Ekaterina Sherbakova, "Srednii razmer naznachennykh pensii rastet [Average size of pensions grows]," *Demoskop Weekly*, No. 295-296, July 2, 2007 and August 19, 2007.
- 13 *Rossikaya Gazeta [Russian Gazette]*, October 20, 2007, <https://rg.ru/2007/10/20/pensionery-dok.html>, accessed November 2017.
- 14 Russian Pension Fund, http://www.pfrf.ru/grazdanam/pensionres/index_pens/, accessed November 2017.
- 15 *Ibid.*
- 16 Sarah Wilson Sokhey, *The Political Economy of Pension Policy Reversal in Post-Communist Countries*, (Cambridge: Cambridge University Press, 2017).
- 17 Andrea Chandler, *Shocking Mother Russia: Democratization, Social Rights, and Pension Reform in Russia, 1990-2001*, (Toronto: University of Toronto Press, 2004).
- 18 World Bank, *From Red to Gray: The "Third Transition" of Aging Populations in Eastern Europe and the Former Soviet Union*, (Washington, D.C.: World Bank, 2008).
- 19 Author's interview with head of private pension fund, October 25, 2007.
- 20 Sarah Wilson Sokhey, "Market-Oriented Reforms as a Tool of State-Building: Russian Pension Reform in 2001," *Europe-Asia Studies*, vol. 67, no. 5, (2015), pp. 695-717.
- 21 Melissa Akin, "Scandal-Ridden Pension Fund Gets New Chief," *The Moscow Times*, June 2, 1999.
- 22 Leonid Bershidsky, "Russian Pensions Paid for Putin's Crimea Grab," *Bloomberg Review*, June 23, 2014.
- 23 Duma deputy Valentina Pivnenko speaking about Russian retirement savings in October 2001; Quoted in Andrea Chandler, *Shocking Mother Russia: Democratization, Social Rights, and Pension Reform in Russia*, (Toronto: University of Toronto Press, 2004), p. 149.
- 24 Sokhey, *The Political Economy of Pension Policy Reversal in Post-Communist Countries*. These questions included true/false questions about changes to the insurance portion of pensions, the percentage of wages being contributed to the privatized portion of pensions, and whether any changes were currently being made. Questions also included statements with which a respondent could agree or disagree such as "I support maintaining the privatized portion of pensions" and "The Russian government has been clear and consistent in making pension." These are topics that were frequently covered in Russian news and would be equivalent to debates about major changes to Social Security reform in the United States.
- 25 Sokhey, *The Political Economy of Pension Policy Reversal in Post-Communist Countries*.
- 26 Mitchell Orenstein, *Privatizing Pensions: The Transnational Campaign for Social Security Reform*,

(Princeton: Princeton University Press, 2008).

27 Andrew Kerner, "Pension Returns and Popular Support for Neoliberalism in Post-Pension Reform Latin America," *British Journal of Political Science*, Forthcoming.

28 Mikhail I. Davydov and Oleg Shepin, "The Russian Healthcare System," *Medical Solutions*, September 2010, www.siemens.com/healthcare-magazine.

29 Deutsche Welle, "Piat' faktov o sisteme zdavookhraneniia v Rossii [5 Facts about the healthcare system in Russia]," November 18, 2015.

30 Vladimir S. Gordeev, Milena Pavlova, and Wim Groot, "Two decades of reform: Appraisal of the financial reforms in the Russian public healthcare sector," *Public Health*, vol. 102 (2011), pp. 270–277.

31 The Russian government published a summary of the initiative that is available here: https://www.minzdrav29.ru/health/national_project/

32 Andrei Ol'shtynskii, "Reform zdavookhraneniia 2015: itogi i perspektivy [Healthcare Reform in 2015: Results and Perspectives]," *Echo Moskvy*, March 19, 2016, <http://m.echo.msk.ru/blogs/detail.php?ID=1732474>.

33 Gospress, "Reforma zdavookhraneniia v Rossii: vzgliad iznutri [Healthcare Reform in Russia: An Insider's View]," June 5, 2017.

34 Note that the World Development Indicators have different years of data available for healthcare and education spending in Russia. Data from the 1990s on education spending in Russia are not available, and several recent years are missing as well.

35 Thomas Remington, "Business-government cooperation in VET: a Russian experiment with dual education," *Post-Soviet Affairs*, 2017.

36 *Predvybornye siuprizy: pensii v sleduiushchem godu proindeksiruiut srzu s 1 yanvaria [Pre-election surprises: pensions in the next year will be indexed immediately from January 1]*," *RNS*, September 27, 2017; and Andrei Vinokurov, "Putinskie reform podgotoviat k vyboram [Putin's reform is being prepared for the election]," *Gazeta.ru*, September 18, 2017.

SOCIAL POLICY AFTER THE 2018 ELECTION

Putin has been in power since 2000. In that time, he has made numerous promises about social policy—i.e., pensions, education, and healthcare—to appeal to the Russian public. At certain junctures, these promises—and in some cases, the actual implementation of new programs and investments—have bolstered his support. This is not, however, the same as responsive, democratic policymaking. Programs and policies can be quickly retracted and replaced. In fact, evidence suggests that coalition governments

The role of the Russian welfare state in Putin's popularity has important implications for U.S. foreign policy

produce better economic outcomes precisely because they slow down the policymaking process and require greater consensus to pass legislation.¹

While the international community focuses its attention on Putin's rhetoric about foreign relations, military interventions in Ukraine and Syria, and accusations of interference in other countries' elections, the average Russian cares much more about issues that affect

his/her daily life. The role of the Russian welfare state in Putin's popularity has important implications for U.S. foreign policy. The government's handling of economic and social policy offers insight into the overall political climate. Russia's Council for the Implementation of the Priority National Projects has overseen major national initiatives that indicate the specific areas that the government believes are the public's primary concerns. These projects include objectives such as raising the quality of life in rural areas, improving domestic infrastructure, and improving healthcare.

If Putin signals that more fundamental changes are to come, he would be tacitly acknowledging the public's frustrations with the current system (including frustrations about the pervasiveness of corruption). This strategy is, of course, somewhat risky because, in drawing attention to Russia's challenges, it could fuel further dissatisfaction. It also requires that the government both increase the scale of its promises and deliver on them. Vague promises about modernizing healthcare and creating educational opportunities are much safer than the implementation of specific, often costly, policy measures.

Putin's current promises ignore the question of whether he will deliver. Politicians tend to do popular things right before elections and unpopular things soon after. Putin will not raise the retirement age in the first few months of 2018. If he is inclined to do so—and there is no evidence that he is—he will wait until after March 18. Most likely, the government will follow through on some—but not all—of Putin's campaign promises. While healthcare and education reforms are easy to propose, they are much harder to realize due to fiscal constraints. On the other hand, pensions only require incremental increases before the election to help ensure turnout and support from older citizens.

From the perspective of U.S. national interests, it is critical to understand how social policy changes play into presidential politics in Russia and affect both the policies adopted and the regime's support. First, economic and social policies can be an important bellwether of regime change. Some speculate that the Kremlin chose to maintain the suspension of pension privatization in part to finance Russia's intervention in Ukraine.² The way in which governments handle their finances and determine social policy offers valuable insight into the regime's time horizon. Recent dramatic changes in social policy—namely the reversal of pension reforms adopted in the early 2000s—may signal changes to come in Russia. Some have criticized reversals of pension privatization as raiding private funds for the government's short-term gain.³ Raiding current pension funds for immediate spending suggests that the Russian government is not thinking very

far into the future.

Second, social policies like pensions, education, and healthcare determine the quality of life for Russians and, as a result, may also affect Putin's approval ratings. In the beginning of the 2018 presidential campaign, we

have already seen promises of reform and the occasional provision of such promised goods, like higher pensions and some new schools. As the campaign continues, more of these promises will emerge, and Putin will link them to discussions of economic modernization. United Russia—Putin's party of power—will further emphasize the Putin administration's prior accomplishments in social policy.

Without a credible opposition candidate or competitive elections, Russian citizens might as well believe Putin's promises, at least for now. In the current election, buying support is relatively cheap for Putin, but there is no guarantee that the Russian public will continue to sell its support for so little. Russia's economic stagnation and declining quality of life coupled with corruption scandals could sow the seeds of the regime's downfall. If Putin cannot convince Russians that he will deliver on their demands, we may see declining turnout and a smaller margin of victory than he would like. The future

From the perspective of U.S. national interests, it is critical to understand how social policy changes play into presidential politics in Russia

of Russian politics will be determined not only by Putin's authoritarian power, but also by his ability to strategically manipulate social policies like pensions to his advantage. The "good czar" must—at least sometimes—deliver the goods. 🌐

Endnotes

1 Irfan Nooruddin, *Coalition Politics and Economic Development: Credibility and the Strength of Weak Governments*, (Cambridge: Cambridge University Press, 2010).

2 Leonid Bershidsky, "Russian Pensions Paid for Putin's Crimea Grab," *Bloomberg Review*, June 23, 2014.

3 András Simonovits, *The Mandatory Private Pension Pillar in Hungary: An Obituary*. (Budapest, Hungary: Institute of Economics, Hungarian Academy of Sciences, 2011).





www.fpri.org

Foreign Policy Research Institute
1528 Walnut Street, Suite 610,
Philadelphia, PA, 19102