

# **“Paradoxes of agency: democracy and welfare in Russia”**

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**Abstract:** *A severe demographic crisis emerged as a result of the Russian transition: a combination of the low birth rate and rise in rates of premature mortality (especially of Russian men) has led to a sharp decline in population. (Cook, 2011; Field, 1995) The old welfare regime seems to be rusting and there is evident need for new solutions. The issue of social justice (social citizenship) is now a central problem; while it was high on the Soviet agenda, but lost in the first times of transition. The creation of a new model of its welfare state is one of the most comprehensive and still very much unresolved strategic tasks of post-communist Russia. The Russian governments have since 1991 relied on mixes of surviving Soviet practices, adoption of Western welfare policies, and ad hoc measures. Until lately the oil exports have produced a budget surplus that has been used for stabilizing the economy and providing more resources for social security. Further analysis is necessary to explain how, by whom, and to which priorities those resources have been channeled at the practical level. The current Russian welfare regime represents an informalized model where the state does not provide needed social protection, but improvised solutions are found by enterprises and individuals. In this article we study the interests and roles of different actors in formulation of welfare policies in Russia. We argue in the article that Russian welfare policy is oscillating between contradictory tendencies: between neoliberalism and state-based social policy, between individualisation of risks and strong administrative control and alternative, politically challenging grassroots services seem to have little space today. (see: Hemment, 2009). Therefore, we argue, the question of welfare model is in very fundamental sense also a question of democracy.* TÄMÄ SIIS KIRJOITETTAVA UUSIKSI

# 1 Introduction

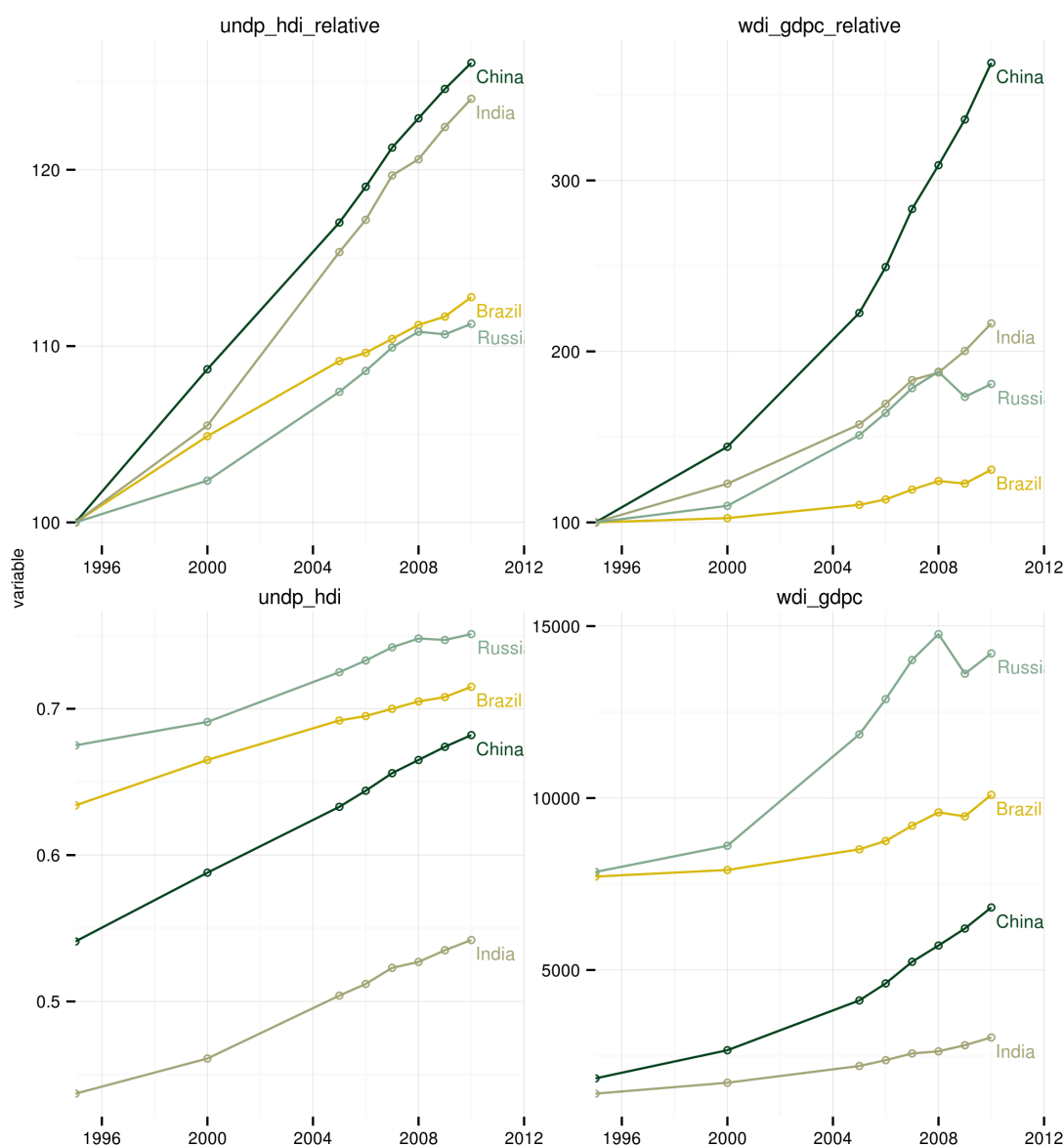
It is difficult to overstate the social crisis that emerged as a result of the Russian transition from the socialist system into the market economy. Increases in poverty, inequality, infectious diseases, alcohol and drug abuse and unemployment are dramatic indicators. At the same time the old welfare regime seems to be rusting and emergent need for new solutions is evident. The creation of a new model of its welfare state is one of the most comprehensive – and still to a large extent unresolved – strategic tasks of post-communist Russia.

After the collapse of the communist regime, Russian welfare structures have been under constant reformation and social responsibilities of the state have been taken back and forth among the different governmental levels (more in Kulmala 2013). What we have seen after the somewhat chaotic Yeltsin years, which were characterized by liberalization and recentralization of the state's previous social obligations, is an ever-increasing emphasis of the Putin administration on welfare questions. Improving the quality of life of citizens has been one of the primary targets of the budget surplus thanks to the rising state revenues from the high price of the oil on the international market. This budget surplus grew until the 2008 world-wide economic crisis, which hit Russia hard (Sutela 2012).<sup>1</sup> However, the commitment of the Russian government to welfare continued even during and after the crisis and the welfare state was an important part of Putin's promises as he moved to reclaim the presidency in 2011 (Jäppinen, Johnson & Kulmala 2014).

In sum, what we have seen since 2005 is welfare related questions taking top position on the agenda of the Russian federal government with some concrete investments in welfare. At the same time, poverty rates have considerably declined and inequality stabilized (Kivinen, forthcoming). Yet, the overall picture does not look that promising that one would assume after such substantial attention.

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<sup>1</sup>Russia had one of the most severe contraction among G20 countries in 2009 (Sutela 2012). However, the Russian economy has been recovering from the crisis rapidly and Russia's fiscal situation is still among the best of the world (Kivinen, forthcoming).



## TÄHÄN VÄLIIN KAPPALE, JOSSA KUVIO AVATAAN

“In this article, we discuss what are the major reasons that would explain why the situation has not improved as one could have expected. In our discussion, we pay special attention to the questions concerning the relationship between the political regime(s) in the country and welfare arrangements. Since 1991, while adopting Western - often (neo)liberal welfare policies, Russian governments have relied on mixes of surviving Soviet practices and ad hoc measures at the same time. In this article, we show that the sometimes controversial or even paradoxical tendencies in welfare efforts of the the Russian state becomes to a large extent explained by the weakness of democratic agency. We

do not deny the evident improvements in quality of life that has been truly experienced by citizens which in turn gives legitimacy for the Putin administration. Yet, we argue that the situation has not led to any comprehensive or coherent welfare policies in the country. Such policy-making and consequent welfare resolutions would require democratic agency. After having said that, as we will show, we do not claim that such agency would be completely lacking in the Russian context. Instead, one can see incidents where people's agency really mattered. Though, also in those cases, eventual outcomes might have been again highly paradoxical. All in all, we claim that to establish a more comprehensive understanding of the Russian welfare policies requires multilevel analysis which in parallel with the consideration of the structural factors brings in agency (and/or lack of agency). Moreover, we claim that the investigation of the federal level social policies is to be linked to the solutions at the regional level, where most responsibilities of the social policies lie and thus become implemented, and importantly to actual practices at the local level, where many of the upper-level policies take their concrete form.

In this article, we first shortly introduce “the story of the major trends” concerning the Russian (federal-level) welfare policies since the collapse of the socialist system until the very recent years. This story builds on the scholarly literature focused on Russian social policy. In the next section, we debate and partly challenge such “conventional wisdom” by showing 1) that no “welfare miracle” took place in budgetary terms and 2) that the welfare rhetoric and actual welfare policies have not been consistent to one another. We also show 3) that the welfare efforts of the Putin administration has been targeted to narrowly selected priorities which 4) merely serve the state interest instead of citizens' welfare concerns which 5) is to be treated as an evidence of the lack of democratic agency in the field of welfare policies. However, we also illustrate 6) that there are also positive developments happening - mainly at the level of the regions of Russia, which is why we 7) claim that in the Russian context one should gaze to the regional (and local) level to seek possible agencies and resolutions in there rather than purely focus on the central government and its policies. Simultaneously, however, we show 8) that there are serious discrepancies between the federal policies and local circumstances, which largely contribute to the overall paradoxical situation.”

## **2 “Conventional storyline”: from shock therapy to state-led “welfare miracle”**

The collapse of the economy in the late Soviet and Yeltsin's years was disastrous for people's lives as well as for the state's provision of health and social services. Under Yeltsin, the priority was relieving pressures on the state budget. Basically, the trend was to liberalize, privatize and decentralize the social obligations and thus to restrict the role of the Russian state in welfare provision. This trend was motivated by restricting the role of the state in welfare provision. (Cerami 2009; Cook 2007; Kivinen, forthcoming). Consequently, the conventional storyline of the Yeltsin era describes both the explosion of social problems followed by the collapse of the Soviet Union and the simultaneous

demolition of the state-led welfare system, whereas the Putin-Medvedev era narrative is that Putin rebuilt the welfare state with rising state revenues from the high prices of oil on the international market (Jäppinen, Johnson & Kulmala 2014).<sup>2</sup>

In the 2000s, under the Putin regime, social policy was designated as the most urgent task for all levels of government and administration, and particularly since 2005, the president seemed to turn the direction back towards statist welfare policies. As Linda Cook (2011) wrote, instead of a liberal logic of state minimalism, “Russia’s central government began to play a much more activist and interventionist role in social welfare”. This was done in particular with the introduction of new and massive welfare policies and programs, such as the National Priority Projects in health, housing, education and rural areas. According to Putin, these programs were to “invest in people” (VIITE KAIVETTAVA). Such investments were made possible by the significant growth in the Russian economy.

In 2007, GDP growth reached 8.1 per cent, becoming one of the fastest in major economies (Sutela 2012, 38). Oil and gas exports, contributing approximately 15 per cent of GDP (60 per cent of total export, Cerami 2009b, 105), produced a budget surplus that has been used for stabilizing the economy and for providing an increase in social protection for the citizens.<sup>3</sup> Improving the quality of life has been said to be one of the primary targets of the newly available financial resources. According to Cerami (2009b, 113), between 2007 and 2010, expenditures for social policy doubled. As noted, at the same time, poverty rates considerably declined and rapidly growing inequality stabilized, welfare benefits available for citizens substantially increased and the government even raised pensions in 2008-2010 (Cerami 2009b, 113-114; Kivinen, forthcoming; Sutela 2012); that is to say, during and after the world-wide economic crisis. (See also Jäppinen, Johnson & Kulmala 2014.) Cerami (2009b) called such oil-led social policy the Russian miracle—the future of which, however, remains highly volatile and unpredictable. ‘JOKU KOMMENTTI UKRAINAN TILANTEESEEN?’

Putin’s popularity among Russians has been as a rule explained by the increasing stability and by the idea that social services have been bolstered, leaving to improvements in people’s lives (McFaul and Stoner-Weiss 2008). Yet, it is good to note that it was Medvedev who served as the prime minister under the Putin presidency and thus it was him who introduced many of the welfare reforms in the public. Thus, when running for the president, Medvedev was well-known for and visible with improvements in welfare. (Kulmala 2013, 96; also Jäppinen, Johnson & Kulmala 2014.)

However, in parallel to the above-described statist turn, under the Putin/Medvedev tandem, several (welfare) policies that sound very neo-liberal in their essence have been carried out. The federal government has, for instance, enacted several laws which enable

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<sup>2</sup>Though, in practice, most prominent economic growth and consequent reforms took place under Medvedev’s presidency. According to Cerami (2009), it was under the executive of Medvedev when social interests became a priority for the first time, by combining strong liberalization efforts with social awareness (also Sutela 2012, 199).

<sup>3</sup>In the beginning of 2014, a Stabilization Fund was established to balance the federal budget in a case of cut-off in oil prices. The stabilization fund grew from 18.9 billion \$ of 2004 to 156.8 billion \$ in 2007 (Cerami 2009, 112).

the state to outsource its previous social obligations onto the shoulders of Russian (socially oriented) NGOs. In 2010, a new law (N 40-FZ) on socially oriented non-commercial organizations was introduced. The law was followed by a presidential decree (N 713) in 2011, which allowed special state funds for certain fields of activities (like supporting motherhood and children, the prevention of social orphanage, increasing the quality of life for the elderly, social adaptation of the disabled to be placed in their families) for socially oriented organizations to implement governmental programs. When doing so, the government guarantees tax reductions and the sustaining of particular conditions to act for those organizations (OPRF 2012, 54–55). Such state-led measures will presumably increase the already dominant social orientation of Russian civil society (cf. Kulmala 2013).<sup>4</sup> Furthermore, these legislative acts can be treated as a key instrument of the state’s attempt to withdraw from its previous obligations in the field of social welfare by outsourcing such tasks to civil society (Kulmala 2013, 128, 288; Kulmala & Tarasenko 2014).

Also Russian enterprises are encouraged – or better to say somewhat expected (cf. Kulmala 2013, 141; Melin & Nikula 2005, 147–148) – to actively participate in various social programs. When it comes to big (especially, international) companies, they might be engaged in quite large social programs. For instance, Intel, IBM, City Bank, Coca Cola and others are quite active with programs in education and social assistance. Kulmala & Tarasenko (2014), for instance, describe how such big companies as Intel and Rostelekom enable teaching computer skills for Russian pensioners through the currently nation-wide “Grandma and grandpa online” program that was initiated by a Saint Petersburg based veterans’ and pensioners’ NGO. A public relations officer of one of the mentioned companies explained that the company always chooses to be involved in a larger social project instead of getting involved in many smaller ones. There are certain endeavors made by the Ministry of Economic Development to (cut) reduce taxes on charity activity for a big business. (Kulmala & Tarasenko 2014.)

Recently, one has seen also large public charity campaigns to attract attention, win public trust and raise money for the activities that have traditionally belonged to the state’s social responsibilities in the Russian context. For instance, in September 2013 “Channel One” arranged unprecedented television marathon “Vsem mirom (MITEN KÄÄNTYY???)” to involve Russian citizens into charity activity to support people who were injured in the massive floods in the Far East of Russia. This television-based charity campaign proved to be successful: as a result of this one-day project nearly 20 million euros were collected to resolve problems that in the Russian context has traditionally belonged and still clearly would belong to the state responsibilities. (Kulmala & Tarasenko 2014.)

All in all, the above-describe examples illustrate quite recent trends to rearrange social responsibilities in the country. Clearly, in parallel to becoming more interventionist in

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<sup>4</sup>Generally, the Russian state has largely acknowledged a need for certain types of civil society organizations, such as social service providers, that serve state interests, while the activities of others, such as human rights organizations, are being disrupted. Zdravomyslova (2005, 204) labeled such a dualism as selective corporatism.



some field, the Russian state continues in its attempts to withdraw from many of its previous obligations in social welfare. Most recent tendencies at minimum prompt us to think whether such shift in rearranging social responsibilities, previously dominantly carried out by the state, can be conceptualized as a turn to neoliberal principles in social provision. Yet, as will be soon shown, the federal policies that on the face of them sound neo-liberal – or statist! – might function through very different logic at the lower levels. Consequently, our argument is that neither neo-liberalism or statistism – i.e. those ideologically very controversial tendencies that are seen in parallel in the federal-level welfare policies in contemporary Russia – can be treated as any totalizing hegemonic project. Instead, our understanding of the Russian welfare system (or the welfare systems in any other context) would benefit from a closer look which focuses on agencies behind these policies and pay attention to the actual practices at different governmental levels – including the very local level, where upper-level policies become implemented and negotiated (cf. Creed 1998, in Smith and Rochovska 2007, 1164-5). In other words, our claim is that the above-described “conventional storyline” from liberalization back to state-led welfare arrangements illustrates the whole truth, but the Russian welfare-mix is much more complicated. The lack of democratic policy-making cases unsolved problems and paradoxes.

### **3 Challenging the conventional stories**

#### **3.1 No political will in financing the welfare system**

Economic reform had been the key priority in president Putin’s first term. In 2006, Dmitry Medvedev argued that Russia was already another country. Political and economic stability had been secured and the country was able to start working for the future. The power vertical was in place, and rising export revenues with more effectively working taxation instruments would give Russia a possibility to use state resources to face the social crisis. ‘National priority projects’ in health, education and housing were established and they were allocated a budget equivalent to about USD 7.6 billion. The projects were managed by a specially established presidential council with high level participants and with the intention to overcome too strict barriers between administrative branches. The council was presided over by Medvedev, who soon became the First Deputy Prime Minister, and since 2008 the President of Russia. The projects were meant to be limited in time but they should get issues on these fronts moving. In fact, the budget resources given to the programmes were no more than eight percent of spending planned for these sectors. However, in his inauguration speech President Medvedev already underlined that the programmes had proven their worth. They were made normal parts of the budget process, but they are often still referred to as specific programmes.

	Federal	Regional	Local
Housing	8	49	43
Education	22	26	52
Health	22	59	19
Social welfare	81	14	5

Table 1: . Expenditure for social functions by tier of government as a percentage of total expenditure, 2006 *Source: De Silva et al. (2009).*

It is not easy to judge how systematic and significant the role of national priority projects in fact has been. Cerami has presented evidence based on the Ministry of Finance’s 2008 federal budget framework until 2010. It forecasted a 48 percent increase for social expenditure. Pekka Sutela (2012, 200–201) has pointed out that the budget grew overall larger, and inflation increased beyond expectations. Consequently, nominal values would not be the most relevant indicator. Therefore, one should preferably look at percentage distribution and compare the actual outcome with the framework. It should be observed also that a lot of welfare expenditure is not decided at the federal level (Table 4). As the information for the available year 2006 shows, half of public education is funded by local budgets and most public money for health is channelled via the regional level. Housing is almost not a federal issue at all, while social welfare expenditure is overwhelmingly federal (Sutela 2012, 200–202). On the other hand, budget transfers from the federation to the regional and local levels should also be taken into account. Using the Bank of Finland Economies of Transition unit’s calculations prepared by Vesa Korhonen, Sutela has constructed the actual consolidated budget expenditure by calculating the expenditure of the federal, regional and local levels as well as expenditure from extra-budgetary funds. In Table 5, dated calculations, prepared for this article by Vesa Korhonen, are presented. Table 6 shows the subcategories of social security in social expenditure. In the light of these tables, the ‘Russian miracle’ is not evident at all. In actual fact, the rise in budgeted welfare was a lot from 2005 to 2009 (125 percent); however, the relative share was not growing and the actual rise at the same time in all expenditure was even more comprehensive (132 percent).

	Total	Housing & communal utilities	Education	Culture	Health care, physical culture and sports	Social security
2005	6821(100)	471(6.9)	802(11.8)	86(1.3)	797(11.7)	1889(27.7)
2006	8375(100)	632(7.5)	1036(12.4)	130(1.6)	962(11.5)	2359(28.2)
2007	11379(100)	1102(9.7)	1343(11.8)	172(1.5)	1382(12.1)	2852(25.1)
2008	13992(100)	153(8.2)	1664(11.9)	219(1.6)	1546(11.1)	3766(26.9)
2009	16048(100)	1006(6.3)	1778(11.1)	222(1.4)	1653(10.3)	4546(28.3)
2010	17617(100)	1071(6.1)	1894(10.8)	238(1.4)	1709(10.8)	6178(35.1)
2011	19995(100)	1195(6.0)	2232(11.2)	277(1.4)	2096(11.2)	6512(32.6)

Table 2: Social expenditure as a share of all consolidated budget expenditure, 2005–2009, (Billions of roubles (percentage))

Perhaps the most striking result in Table 5 is that the relative shares of social expenditure categories remain almost the same during the years of the new emphasis on social policy. There is a significant increase in social security and Table 6 shows that this concerns mainly pensions and family and childhood protection. Housing has a pro-cyclical pattern. In the crisis year 2009, the share of social expenditure other than pensions declined rather steeply.

All this seems to lead to the conclusion that in spite of the economic recovery and increased budgetary resources, the Russian miracle in social policy might still be an overstatement. Seen in the context of particular social problems and institutional settings, the situation is still rather gloomy. This can be seen in a more detailed analysis concerning housing, education, health and pensions (Kivinen 2014 forthcoming). Especially the analysis of pension development shows the complexity of political agency in contemporary Russian social policy.

	Social security	Pensions	Other than pensions	Social services	Social welfare	Family & child- hood protec- tion	Other issues
2005	1889(27.7)	1421(20.8)	469(6.9)	94(1.4)	269(3.9)	11(0.2)	95(1.4)
2006	2359(28.2)	1678(20.0)	681(8.1)	118(1.4)	490(5.9)	14(0.2)	60(0.7)
2007	2852(25.1)	1948(17.1)	904(7.9)	148(1.3)	646(5.7)	20(0.2)	90(0.8)
2008	3766(26.9)	2578(18.4)	1189(8.5)	190(1.4)	919(6.6)	37(0.3)	42(0.3)
2009	4546(28.3)	3235(20.2)	1311(8.2)	230(1.4)	989(6.2)	47(0.3)	45(0.3)
2010	6178(35.1)	4436(25.2)	1742(9.9)	260(1.5)	1383(7.9)	51(0.3)	47(0.3)
2011	6512(32.6)	4380(21.9)	2133(10.7)	293(1.5)	1308(6.5)	241(1.2)	290(1.5)

Table 3: Subcategories of social security in social expenditure. Billions of roubles (percentage)

The Russian population is ageing rapidly and this implies a rising dependency ratio, especially because the retirement age is low (60 for men and 55 for women). During the next twenty years the number of pensioners is going to increase by ten million, whereas the working population will decline by eleven million. Already by 2020 there will be around 800 retired persons for every 1,000 working age citizens. This seems to indicate a pressure to increase the age of retirement.

As Figure 6 shows, a major increase in budget expenditure for pensions occurred in 2009 with the implementation of a new phase in pension reform. It is not clear whether this expenditure should be treated as an anti-crisis measure. At least the World Bank and the IMF usually treat additional pension payments as anti-crisis instruments. The pension reform seemed to make social payment the priority in the crisis period. Whether this is sustainable in the long run, taking into account the challenging population structure, remains to be seen.

Christian Aspalter (2006, 4-7) argues that explanatory theories of social welfare may be characterised either as actor-based (conflict) theories, or structural (functional) theories. Actor-based theories suggest that it is the power and the programmes of different actors that are the key to the formation of welfare regimes. On the other hand, structural theories are apt to predict a convergence of social policies based on common structural determinants, such as the degree of economic development, urbanisation, modernisation or the advance of the capitalist market economy. There is not much evidence that the Russian development could be explained by these basic structural aspects. Our analysis here adheres to an action-based explanation. On the other hand, none of the actors are omnipotent and specific historical structures must be taken into account as well.

Classes are not major actors in Russian social policy. They may have different interests, but there is not much of a democratic class struggle in the Nordic sense (Korpi 1983).

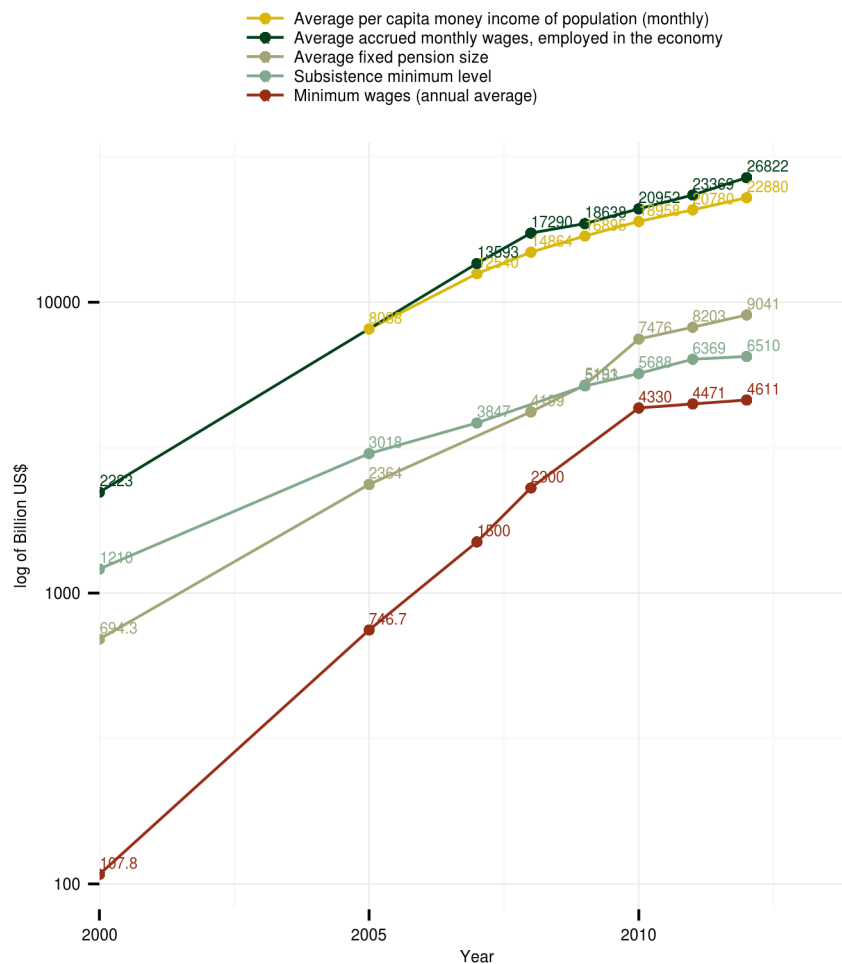


Figure 1: Development of income, wages, pensions, subsistence minimum and minimum wages in 1992–2012 *Source: Rosstat 2013*

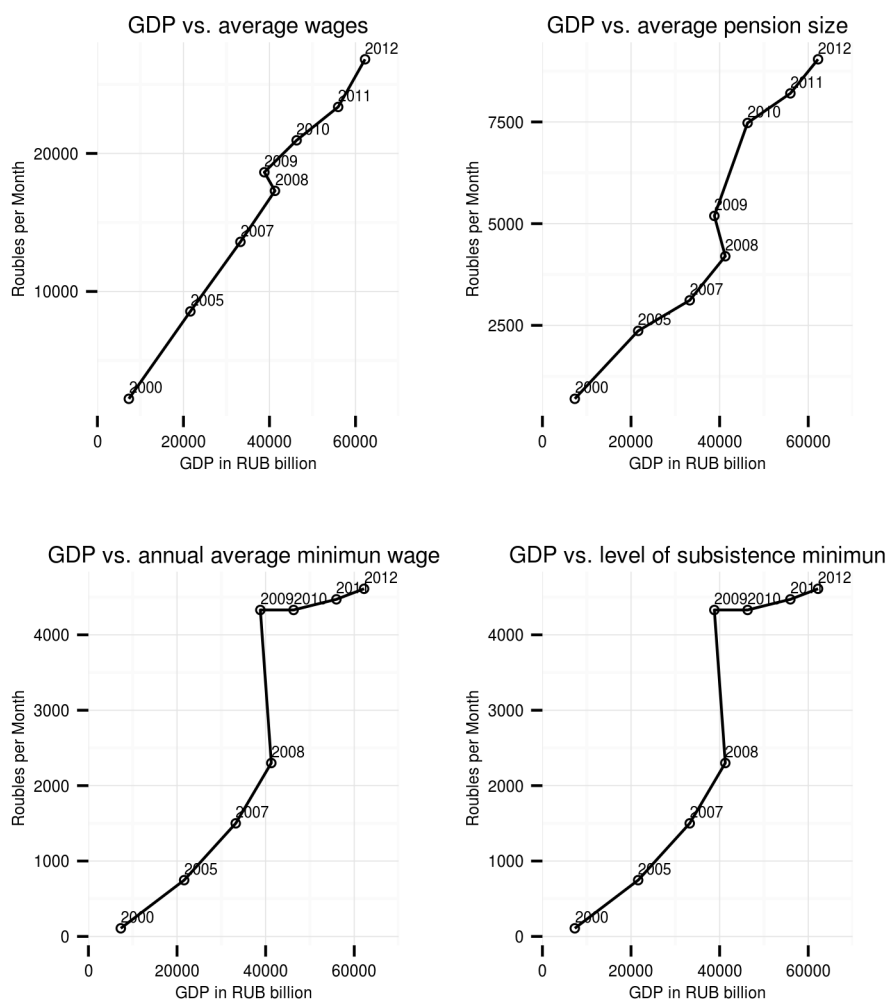


Figure 2: Change in dependency between GDP and wages, pensions, minimum wage and subsistence minimum *Source: Rosstat 2013*

The Russian political system is based on a power vertical that underlines the role of the elite (cf. Sakwa 2008 and 2004, OPFR 2008). There is no doubt the elite has been emphasising social policy since 2005. Indeed, welfare funding has increased rapidly. However, a more detailed analysis of relative percentages of welfare in the federal budget reveals that in these figures the political will can hardly be seen. Social federal outlays have increased but not more rapidly than other outlays. Russian social policy seems to be hovering between fiscal conservatism and active social policy. Since everybody is aware of the social crisis all political forces tend to raise social policy issues on the agenda. In real terms, fiscal conservatism has so far been more significant. Within the ministerial structures, the Ministry of Economic Development has been the most important. Except for the ideology of fiscal conservatism, this could be linked with the strong bureaucratic tradition within state structures.

When it comes to other actors, professional organisations tend to be at the margins of major decision-making in social policy. This is most visible in the demography programme in which the vast problem of mortality is not given priority. The role of corporate structures is strong in pension policy, but the actual outcome is not what the government and the Russian Union of Industrialists and Entrepreneurs intended. At the local level, quasi-formal corporatist institutions, such as regular consultation between governors and major enterprises and between the executive and the heads of party factions in the Duma (Remington 2011, 213 ), establish an arena for political compromises. In many cases this has created hybrids of public and private welfare structures. Even in more general terms Russian welfare policy seems to oscillate between contradictory tendencies: between neoliberalism and state-based social policy, between individualisation of risks and strong administrative control.

Alfio Cerami argues that contemporary Russian welfare policy is highly vulnerable. He emphasises that this form of social policy expansion based on volatile equilibriums present in the global arena is unlikely to be sustainable in the long run, even in the presence of the additional surplus reserve fund (Cerami 2009b, 216): “Due to the impossibility of predicting the trends in global markets, the destiny of the ‘Russian miracle’ remains highly unpredictable.”

Except for this exogenous vulnerability, there seems to be endogenous vulnerability as well. If the increased financing is not connected to institutional reform, huge questions concerning contradictory approaches and incentives will not be solved.

Our results seem to highlight the interdependency between various challenges of Russian modernisation. Eventually, successful social policy depends on economic diversification and on the democratisation of the political system.

Even without these cuts, while welfare funding has increased rapidly in real terms since the early 2000s, federal social outlays overall have not increased more rapidly, perhaps even declining, relative to the other outlays.<sup>5</sup> The Russian miracle in social policy is

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<sup>5</sup>The actual rise in overall expenditure (132 per cent from 2005 to 2009) has been bigger than in the rise in budgeted welfare (125 per cent) (Kivinen, forthcoming; Sutela 2012, 201). Sutela (2012, 202)

overstatement, since the political will can hardly be seen in outlays in their relative numbers (Kivinen, forthcoming).))

All in all, the fiscal conservatism of Russian economic policy (cf. Sutela 2007 and 2012), the lack of strong political or trade union organizations (Clarke 2005) of the working class, and the symbolic reference to middle class interests seem to be characteristic features of the contemporary constellation. On the other hand, raising living standards - which people have experienced in real terms - and creating order out of the chaos of the 1990s help to legitimise the contemporary political elite in Russia in the eyes of the ordinary people (cf. Chandler 2013). Yet, in practice, the major welfare policies have touched upon a highly selected groups of people.

### 3.2 Top priority: the birth rate

As we have argued above, the Russian miracle in social policy might be an overstatement, which, however, does not change the fact that welfare related questions have been high on the agenda of the Putin-Medvedev era. As noted earlier, particularly since 2005, president Putin seemed to turn the direction back towards statist welfare policies, for instance with the introduction of mentioned National Priority Projects, aiming at improving quality of life, as discussed. Though, a closer look to this agenda reveals that in fact the statist turn concerns merely selected and narrow priorities instead of touching the majority of people. The National Priority Projects – together with ambitious demographic policies – have a clear focus the selected group of the Russian population group that is Russian families, especially those with the reproductive potential. As Cook (2011) wrote, the primary purpose of these new policies is to increase the birth rate. Obviously this new priority is connected to the severe decline in population that has hit Russia since the collapse of the Soviet Union.<sup>6</sup>

Already in his first public address upon taking office in 2000, president Putin reiterated dominant discourses of demographic doom, warning that the country's decreasing population posed a serious threat to "Russia's survival as a nation, as a people..." (Rivkin-Fish 2010, 712). In the same year the government issued the Concept of Demographic Development for the Russian Federation through 2015, outlining the preconditions it saw necessary to fulfill to achieve a higher birthrate. The most prominent measures were, nevertheless, introduced in Putin's annual address to the nation in May 2006. In his speech, President Putin named demographic development as "the most acute problem facing our country today". The situation was openly articulated as an actual threat to

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showed that other social expenditure than pensions declined in 2008-2009. Sutela (2012, 206), also pointed out that the budget funds given to these socially oriented priority projects was only less than 8 per cent of other spending planned for these sectors.

<sup>6</sup>The combination of the low birth rate and low life expectancy (especially of Russian men) has led to unequaled depopulation. Male life expectancy had fallen from 68 years in 1990 to 60 years in 2002, a far more severe decline than in any other industrialized country in peacetime. The official goal has been to stabilize the population near its present level, from 140 million to 142 million by 2015, and to create conditions for growth to 145 million by 2025. (Cook 2011, 22).



national security (cf. Cook 2011). “Love for one’s country starts from love from one’s family”, president continued and thus marked family and family policies as the major priorities through which the demographic crisis was to be addressed (cf. Rotkirch et al. 2007, 350). Ever since, alongside promotion of the highly traditional family values by the state, there have been carried out several reforms in increasing the state’s involvement in providing support for Russian families – with a clear focus on pronatalism and work and family reconciliation.

These new family policies were mainly implemented through the National Priority program “Health”, in which many kinds of new forms of support for motherhood and (young) families were introduced – with clear incentives for women to give birth to second and more children. In the essence of these new policies is the so-called maternity capital, which is arguably the most prominent measure of Russian family policy in recent years (Borodina et al 2014; also Cook 2011; Rivkin-Fish 2010; Rotkirch et al. 2007).<sup>7</sup> In addition to Matkapital, as Russians call it, expectant mothers and newborn babies were brought under a free-of-charge care system at maternity clinics. This was done through “birth certificates”, according to which the federal government compensates for the related services at the local women’s clinics. The reform also included an increase and earning-related differentiation of parental leave payments and state subsidies for day care costs were increased – both on a principle of progressiveness: the more children you have, the more money you get from the state. (See more in Rivkin-Fish 2010.) Also birth grants and child benefits were increased (see Cook 2011, 25).

In addition to “Health” program, also housing policies have been designed with pronatalist goals: the national priority program of “Housing” program targeted assistance to young families – i.e. those who have strong potential for (additional) child-bearing – by helping them to purchase own apartment and providing them subsidies which increase with the birth or adoption of an additional child (Cook 2011, 27; also Kulmala 2013, 94). Currently a sub-program “Securing Housing for Young Families” operates under the national target program of “Young Families”. The Conception divides parents under

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<sup>7</sup>The maternity capital was proudly introduced as the core element of a set of ideological and institutional arrangements, aimed at encouraging women to give birth to more children, as discussed above. According to the program any woman who has given birth to a second (or a subsequent child) after January 1, 2007 receives a certificate for a substantial amount of money, originally 250,000 Rubles, which is to be spent on purposes predefined by the policymakers. After the second child has reached the age of three, the mother (or in some cases another caretaker) can use the maternity capital in three different ways: to improve living conditions, to invest in the education of the children, or to invest in the mother’s pension. In 2012 the maternity capital was indexed to 387,640 rubles (approx. 12,000 USD), which was equivalent to 14.5 average monthly salaries in Russia. In 2008-2010, due to criticism and the global financial crisis, some amendments were made. First, families were allowed to use the capital to shorten the housing mortgage immediately after the birth of the second child. Second, mothers were entitled to immediately receive 12,000 rubles of the maternity capital. Third, fathers received the right to use the benefit to improve their living conditions if the housing mortgage was in their name and they were living in a registered marriage with a woman entitled to the maternity capital. (Borodina et al. 2014.) Now when writing this (in April 2014), the maternity capital is again under consideration. Perhaps, in the future it can be used only to housing related costs, since the capital has been almost entirely spent on such purposes (see e.g. Izvestiia, February 10, 2014; [http://www.pfrf.ru/family\\_capital/](http://www.pfrf.ru/family_capital/)).

30 years old into well-functioning (*blagopoluchnaia*) young families of a registered marriage of two under 30 years old with one or more children, while a single-parent (under 30 years old) with one or more children is labelled as an incomplete (*nepolnaia*), disadvantaged (*neblagopoluchnaia*) family. Well-functioning family is expected to “fulfill the reproduction norm”, i.e. to have as many children as needed for securing certain-level demographic development in the region in which the family lives (Conception 2007, cited in Chernova 2010). Putin also declared the year 2008 as a Year of the Family with launching an extensive propaganda campaign. Numerous actions, celebrations, special days, and other symbolic activities were arranged to highlight the pronatalist mission of the new family policy (Iarskaia-Smirnova & Romanov 2012, 212; also Chernova 2010; Kulmala 2013, 95-96).

Thus, obviously one can witness an ever-growing attention to Russian families. As Chernova (2010) wrote, the “family question” could be seen as the “Fifth National Priority Project” alongside the four official ones. The attempts to resolve the demographic crisis in the country by increasing the birth rate through family policies have indeed returned the Russian state as the major actor in this field of social policy. New openings somewhat resemble Soviet-era family policies, which were centered around the wage-earning mothers. In his above-cited address to the nation in 2006, president Putin declared the necessity of governmental support for mothers and young families. “If the state is genuinely interested in increasing the birthrate, it must support women who decide to have a second child”, stated the president in his speech. In this respect, one can speak about the statist turn – but only with the selected priorities that serve for the state’s needs that are motivated by economic and security concerns.

In addition to this rather narrow priority of the state efforts in the field, Russian families become defined in a highly narrow and conservative manner in these recent family policies. Highly normative understanding of well-functioning families prevails. Furthermore, partners without children are not even considered as families (Zhurzhenko 2008, cited in Rivkin-Fish 2010, 711) and the nuclear family of a couple in a registered marriage with two or more children is considered as the norm (Chernova 2010). In addition to such heteronormative and children-bound understanding of family, highly traditional gender roles are enforced. As Rivkin-Fish (2010, 702), argued, new family policies promote women’s role for Russian society as whole but as defined by the state’s needs: these policies reinscribe exclusively maternal roles for Russian women and nothing is said about changing the gendered structures within the family (Saarinen 2012, 239, 244)

Paradoxically, the underlying assumption is that addressing the demographic crisis is women’s responsibility (to have more babies), despite the reality that the most pressing problem is in working-age male mortality which is rooted in some men’s unhealthy lifestyle, such as alcohol use, smoking, violent deaths (Jäppinen, Saarinen & Kulmala 2010, 3; Jäppinen, Johnson & Kulmala 2014). Interestingly, alongside the above-described major trends in family policies that focus on the efforts stimulating the birth rate among well-functioning families, in its very recent policies the Russian state has paid attention also to the so-called disadvantaged families and children through a massive and

on-going foster care reform.<sup>8</sup> Here, however, instead of state intervention, we rather see the Russian state withdrawing from its previous responsibilities. In the essence of the on-going foster care reform in Russia, there is an idea of a right of each child to grow in a family. The reform aims to deinstitutionalize the current institution-based foster care system into Russian families. The state's responsibility in turn is seen to create structures of high quality for supporting the work in the families. The Russian state openly welcomes NGOs and businesses to this work, for instance, with the creation of the above-discussed outsourcing mechanisms that rather follow neo-liberal logic instead of statism. In sum, it has been national security interests driven by the alarming decline in population which have led to the state intervention to increase the birth rate – which have in turn has largely directed the “statist” social policies.

Huom! Myös äitiyden tukeminen yms on niitä alueita, jonne NGOt saa rahaa... SIIRRÄ ALAVIITTEKSI JONNEKIN

In sum, the top priority has been to increase the birth rate through several kinds of maternity and family benefits. Yet, in addition to reforms in the field of family policy, also pensions and salariens of the public sector workers have been raised. Unlike the maternity support, the former improvements concern large groups of Russian citizens. Yet, one needs to understand that — BKT:N myötä, ei sen enempää —> toki ihmiset ovat kiinnostuneita kokemuksellisesta muutoksesta eikä budjettikategorioista -> legitimizeetti

### 3.3 No politics in welfare

#### 3.3.1 Loosing the role of the electoral system

The early years of post-socialist Russia was characterized by constant economic turmoil, rapidly eroding well-being of population and efforts to reform the economy. According to Maltseva (2012, 229) Yeltsin's government was maneuvering between demands of western economic institutions and domestic popular protests and political forces. One of the key aims of Gaidar's economic reform was to balance budget and the government strived to minimize government spending on welfare and invest all efforts in boosting the economic growth, which eventually would yield fruits also to welfare. Government's share in welfare provision was supposed to decrease from 53 % to 40 % within next three years period (1992-1994) and the social security would change more to targeted provision of services for those who really need. Third element in the reform was the transfer of financial responsibilities from federal state to regions and local governments to mitigate deepening budget deficit. (Maltseva 2012, 231) The result was rapid increase of share of local and regional administration in the financing the welfare and corresponding decrease of federal public spending from 23.4 % of GDP to mere 18.6 % between

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<sup>8</sup>1] The on-going reform builds on two primary federal-level documents. Firstly, the president has authorized a National Action Strategy for Promoting Child Interests for 2012-2017, which has been complemented by the federal program of “Russia without Orphans” for 2013-2020.

1992-1994. (Treisman 1999; quoted from Maltseva 2012, 231). The regional and local authorities were not able to collect taxes and on the other hand federal government could not provide them necessary transfers. The government transferred a number of funds from being funded by the budget to off-budget funds, mainly from employers' social insurance contributions. In response to the sky-rocketing inflation, collapse of welfare systems and mounting poverty government took steps to recentralize system of transfers. However, as Maltseva notes (2012,240), also this effort turned out to be inefficient, prone to manipulation by regional administrations and inciting overspending. Yeltsin's administration was incarcerated by the regional governors because they had been granted very large autonomy in first years of transition and Yeltsin needed their support. On the other side was the necessity to make radical reforms in order to prevent complete collapse of the Russian economy. This resulted in number of haphazard efforts to reform and concessions to regional authorities. According to Maltseva (2012, 241) this nurtured informal negotiations and relationships between the government and regional governors and eventual undermining of institutional mechanisms of control and even the legitimacy of federal government in the eyes of regional governors. The consequences of the neo-liberal reforms instigated growing protests among the political parties in the parliament and led to unprecedented unity across the political spectrum – from Communist party to Union of Industrialists. The threat of losing Presidential elections forced Yeltsin to slow down the economic reform and distance himself from the Gaidar's reform group. Yeltsin rejected Zyuganov's demand to restore the price controls of wages and prices, but “ he embraced many elements of the Communists' social welfare program”. (Maltseva 2012, 261) The government raised pensions and wages and reduced the wage arrears. In a way then, Yeltsin bought his victory in 1996 Presidential elections with generous welfare spending; something that his government set out to reduce into minimum just few years before. Maltseva notes that “many of the Yeltsin's welfare initiatives did not fit with the logic of liberal economic reforms and contributed nothing to the development of comprehensive antipoverty and targeted social-assistance programs.” (2012, 265) Instead the government adopted the strategy of expanding the soviet-type system of social privileges to various groups of population. In an effort to mitigate the social and economic consequences of looming economic crises during 1997-1998, the government tried to reverse some of the previous decisions in welfare reform. Among the proposals were cuts in the spending and measures to cut back the Soviet-era welfare benefits. However, all efforts were rejected by the Duma. In January 1998 the government published its plans of reform of the welfare system, with the emphasis on targeted social assistance, abolishment of entitlement benefits and replacement of these with means-tested benefits. Maltseva's evaluation of the welfare reform in 1990's is harsh, according to her instead of reforming the system the “government designed ad hoc and often populist social welfare policies that, instead of contracting the costly welfare system, expanded it (2012,12). By the end of the 1990s, more than two-thirds of Russia's 148 million people were entitled to various kinds of social privileges. According to various accounts, by 1999, there were over 150 types of social protection covering 236 categories of the population at the federal level alone.” (2012, 270) The problems of welfare system were complex and difficult to overcome, the system was not transparent, flexible, equal or economically sustainable.

An indication of how socially distorted the welfare system was is the fact that almost half (49.5 %) of the housing-related benefits went to non-poor households and only 28.5 % of poor households received these benefits.

According to Maltseva, there were three large groups of welfare recipients in the end of 1990's: (1) deserving disadvantaged (e.g. orphans, disabled), (2) privileged groups (e.g. labor heroes, veterans of war) and (3) public servants (e.g. members of military, security services and judges). According to Cook (2007) Russia's welfare reform during Yeltsin period produced a "spontaneously privatized system of welfare" which became more informalized and corrupted, leading to increasing disparities and restrictions of access.

### **3.3.2 Putin's reforms of welfare**

In the beginning of his presidency Putin reversed many of the Yeltsin's reforms. One of the most important was the restoration of the central control of regional leaders and dismantling most of their former powers. In economic policy the government introduced a flat-rate taxation in incomes (13 %) and reduced corporate tax from 35 to 24 % in order to boost investments and entrepreneurship.

Due to improved competitiveness of domestic products and continuously high prices of raw materials (oil, gas etc.) during the 2000s, combined with very strict financial policy, the inflation lowered from 18.6 % to 10.9 % 2001-2005 and poverty declined from 27.3 % to 15.8 % during the same time. In welfare policy there was a determined turn from universal benefits or in-kind benefits for privileged groups towards the targeted, means-tested benefits and services especially for poor families or low-income groups. One of the key tasks was the introduction of cash benefits or monetization of benefits.

The key aims of monetization reform were the 1) decrease of the welfare costs, 2) change eligibility criteria to favor poor, 3) to improve transparency of payments, 4) increase social justice and 5) diminish poverty levels. (Maltseva 2012, 336) The reform was not a fully liberal, because the benefits were still to be depending on the economic and social status of the recipient. The government justified need to reform because the old welfare system was seen as over-sized, inefficient and expensive and favoring non-poor and being prone to corrupt practices. In preparing the population for the reform the government launched a wide information campaign and according to polls some 89 % of the polled people knew about the reform in July 2004. A large part of the population believed that the old system indeed needed to be reformed: 68 % of agreed that the old system unjust and ineffective, while only for 18 % of respondents the system was socially just. The key problems of the old system were the lack of targeted social assistance, bureaucracy and unfriendly personnel in social services. However, only some 40 % population supported the proposal of replacing the in-kind benefits with monetary compensations (Maltseva 2012, 286-288) The existing system represented Soviet system of restricted privileges and caused therefore a deep mistrust among the population. Even if Rodina and Communist

Party opposed it the monetization reform was accepted in Duma and president Putin signed the law in August 2004.

Even if the population approved governments' goals and justifications of reform, the government lost the trust of the population to be able to implement reform. The logic of the reform was complex and remained obscure for large part of population and also for social security workers. Some groups of population were afraid of losing their social security and facing only poverty, especially when many prices, such as transport or housing were raising. Especially the fact that reform of social benefits was planned at same time when the benefits for the public employees remained untouched caused anger and confusion. All these nurtured views that the government is only protecting the rich bureaucrats with the expense of the poor. As a consequence massive protests bursted, totaling 420 protest actions between January-July 2005. After first protests an agreement was made between the Government and trade unions about new negotiations over the reform. Later, however, no meetings took place and the government was not willing to make any concessions to popular demands. This clearly indicated that the government was adopting authoritarian reform policy; it was not willing to lend ear for people's concerns, but was convinced that the Government knows what is best for the people.

Regions had no time to evaluate the reform and no resources to implement it. It became evident that differences between regional and federal welfare recipients were big, because federal recipients benefited more than regional and among the regional recipients the fate depended on in which region one lives. In the end monetization was implemented thoroughly only in rich regions or oblasts (Tjumen, Tatarstan and Tver), in 46 regions there were only minor changes and in 30 regions moderate changes. Afterwards the government adopted many hasty patching operations, for example by postponing the increase in pension age, postponing the monetization of housing and communal services benefits.

One element of the reform was the pension reform. It was justified with weakening demographic balance in the future – i.e. growing sustainability gap in future which meant too many pensioners in relation to working population. The solution was adoption a modification of the Chilean pension system where 28 % pension fee was coming from wages and paid by employers, another part was paid by the employees themselves. The third element was accumulative pension segment, where employees could invest a part of their pension savings to government bonds or private firms. Maltseva argues that the reason for failure in the pension reform was weak information campaign about the new system to general public. The result was indicated by the fact that in 2009 93.2 % of all workers had not transferred their pension savings to private insurance companies, but kept them in State Pension Fund. (Maltseva 2012, 292)

The failure in the monetization project led to a new opening: National Priority Projects since 2005. These represent a new turn towards more statist welfare policy, with pro-natalist agenda. (Cook 2008) National Projects represented a state intervention to selected priority areas and for Cook they also represented a “selective revival of state

planning”. (ibid, 13) However, Maltseva argues that they represented more a media campaign of Medvedev for Presidential election than true Priority projects. She justifies her argument by the fact that after Presidential elections the media lost interest in them and the government moved to more humble government programs which had a longer time-span and more relaxed criteria than the National Priority Projects. In the final evaluation the monetization reform failed in most respects, because it did not decrease welfare costs, it did not change the eligibility criteria, it made some regions even more dependent on federal level than before and it did not reduce the poverty and it failed to get people’s trust to government actions. Maltseva: “The reform had only minimal impact on social inequality and poverty reduction, because the poverty level was decreased only by 1,5 %”. (2012, 238)

### **3.4 No organized interest representation**

The role of trade unions and political parties has remained rather marginal in welfare reforms both in the Yeltsin and Putin years. The large-scale strike activity in the final years of Soviet Union gave serious blows to crumbling socialist economy and helped Yeltsin to gain power. In post-socialist Russia the union activity surged in the beginning 1990’s when a number of new unions, such as NPG, Sotsprof and some others, were born and challenging the monopoly position of the heir of old official union FNPR. The economic turmoil of the Russian economy caused bankruptcies of number of factories, rapidly growing underemployment with months of work without wages for those who still had a job. Employees in the budget sector (education and health-care) organized large strikes demanding their wages to be paid and for continuation the budget funding. However, most of these strikes ended as soon as the strikers got some promises from the government. Also workers in mining areas and large industrial mono-towns were protesting against closures, lay-offs and unpaid wages, demanding government subventions. At least part of these strikes were organized by unions and company management together, which gave reason to call them “managers’ strikes” (Borisov & Clarke, 1995) The government made some concessions for the unions in order to stifle strike activity, but at the same time it started clearly a more aggressive policy towards union leaders and activists. Partly due to government’s effort to isolate unions and partly due to union’s own strategic and tactical failures in strike activity and mistakes in representing the interests of their members and not only business or political interests of their leaders, strike activity was clearly waning. As Cook (2010) notes:” Though grievances deepened, collective labor did not act effectively to defend its interests, and it found only ephemeral political allies”.

There were several complementary reasons for the quiescence of the Russian unions during Yeltsin period, including the structural change of production and technological development, the role of labor collective in traditional soviet and in post-soviet enterprises and the power relations between the Yeltsin government and the economic elites. (Cook 2010)

The unions were either too dependent on state for their resources and influence (FNPR) or too small (most alternative unions) to represent any serious challenge to governmental policies. The strike activity continued sporadically throughout 1990's with public sector workers being the most active. Characteristic for the period and especially in 1998, were also many unofficial, wild-cat strikes without union support or approval from any authority with "desperate tactics". (Cook 2007)

Unions created temporary alliances with political parties, some unions in the FNPR were allying with Communist Party and Agrarian party and also with Russian Union of Industrialist and Entrepreneurs in order to block reforms and the privatization policies. Since Putin's presidency the role of the unions has still diminished, partly due to favorable economic development which has guaranteed stable growth of wages and improved labor conditions, and partly because the unions, especially FNPR has become almost organic part of the leading United Russia-party. Even if the FNPR has proclaimed its oppositional position towards some issues, it has become "para-statal organizations intended to manage workers rather than represent them." (Greene and Robertson 2010 – quoted from Cook 2010). Indicative of the marginal role of the unions was the events in Pikalyovo in June 2009, when workers of the local companies occupied roads for wage arrears. The solution for the crisis required intervention by the president Putin, while unions remained passive.

- No coherent policy-making behind the different and sometimes controversial tendencies: better to speak about ad-hoc measures?
  - No organized interest representation
  - Before Putin, liberal reforms largely blocked – due to multi-party system ("politics matter by Cook 2007)
- Instead of politics welfare bureaucracy in power
  - No-one to blame in the elections

### **3.4.1 Citizens' expectations on welfare**

The popular views on the quality of the Russian welfare institutions and who should be responsible for organizing health-care or educational services have remained very stable. Levada –center has polled Russians almost every year about very large spectrum of issues and quality of health-care and educational services has been among the topics. According to poll, the situation of health care was clearly getting worse during the 1990's and since 2000 the shares of those who think that situation has either deteriorated and those who think that it has remained the same have been practically similar – between 35-45 % of respondents. The share of those who think that the health-care has improved has remained clearly under 20 %, like the share of those who are satisfied with the health-care system. Close to 2/3 of respondents are either very or rather unsatisfied with the



health-care system. Even bigger share – between 65 – 74 % say that they cannot get good medical service when they need it. According to ISSP-health survey only ¼ of Russians have confidence in the Russian health-care and 57 % think that health-care system is inefficient.

The figures concerning educational system are similar to those on welfare. Approximately half of the population thinks that the quality of educational system is mediocre and less than ¼ think it is excellent or good. The figures are same when evaluating the satisfaction with the educational system; around 50 % are very or rather unsatisfied with it and 22 % are very or rather satisfied. In ISSP-study one third of Russians had confidence in the Russian educational system and believed that it will improve in the future.

Levada-center asked also whether people would prefer to have free education and health-care or money to buy those services and in each year 60-76 % of respondents preferred to have free education and health-care. In Social Distinctions in Modern Russia-survey (SDMR) in 1999 and in 2007 we asked who should run services like health-care, elderly, taking care of children or leisure services. In both years the majority of Russians said that the state should run the medical care-services and taking care of the elderly. The ISSP-survey gave similar results, there 60 % of respondents disagreed with the statement that the government should provide only a limited number of health-care services.

According to SDMR the share favoring state-run services over others in the child-care services the declined from 66 % in 1999 to 43 % in 2007. There was a clear growth of support for services organized by the citizens themselves, while the private services got only a fraction of support in both years. Both in 1999 and 2007 30 - 40 % of Russians said that local administrations should organize leisure services them and between 18- 35 % said that it is the duty of the state. The share of those who favored private enterprises remained under 20 % in both years.

So, the picture is clear: most Russians are quite unsatisfied with the quality of services in health-care or education and most of them do not trust them very much but still most of them want state to be responsible for their organization, not private companies or citizens themselves. People believe that the state-organized welfare services guarantee social equality better than the private services, even if the quality of public services is mediocre to private. One indication for the valuation of more equal and universal welfare is the fact that 63 % of Russians think that it is rather or very unfair that people with higher incomes can get better education for their children or that 67 % of them see it unfair if more wealthy people can get better health-care services for themselves. On the other hand, 72 % of Russians were unwilling to pay more taxes for the improvement of health-care.

	2003 VIII	2004 VIII	2005 VIII	2006 VIII	2007 VIII	2008 VIII	2009 VIII	2010 VIII	2011 VIII	2012 IX
Definitely yes	2	3	2	2	3	2	3	2	1	1
Yes, rather than no	9	11	9	10	14	13	15	13	14	15
Neither yes, nor no	23	20	21	19	21	20	23	22	22	22
No, rather than yes	39	36	36	36	34	36	36	35	37	33
Definitely no	23	29	29	32	26	27	22	25	22	24
Difficult to answer	4	2	3	2	2	3	1	4	4	4

Table 4: caption here *Source: Levada Center 2014*

	Child 1999	Care 2007	Elderly 1999	Care 2007	Medical 1999	Care 2007
State	66.4	42.8	77.4	55.7	76.4	60.5
Regional authorities	2.8	6.1	4.2	8.4	4.6	15.0
Local authorities	7.2	9.1	9.3	14.1	11.3	18.6
Private enterprises	0.3	0.5	0.8	0.6	2.2	0.9
Citizens	18.8	36.7	5.4	16.2	1.4	0.1
Hard to say	4.5	4.8	2.9	5.0	4.1	4.9
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0

Table 5: Who should run the following services? *Source: Distinctions in Modern Russia-surveys 1999/2007*

In the end, neither the government has totally abandoned the principles of state provision in the social field nor have the Russian citizens changed their expectations towards the state. In the middle of the described, often controversial state policies, the liberal idea of an individually based social responsibility has never been widely accepted among Russians. On the contrary, the social welfare norms established by the Soviet socialism still largely retain (Collier 2001, 3) and Russian citizens still expect the state act as a main provider of social welfare (Henry 2009; Kulmala 2013).<sup>9</sup>

<sup>9</sup>Yet, today Russians seem to be slightly readier to increase the role of NGOs, for instance, in the field

### 3.5 Federalism matters

As Jäppinen, Johnson & Kulmala (2014) argued, more so than most observers acknowledge, Russia's federalism matters especially when looking at social policy. The administrative structure of the Russian Federation is organized at three separate levels: the central government at the federal level; regional governments at the level of 83 federal subjects, and local self-governments (at their two levels) in around 24,500 Russian municipalities. Each of these three levels has both representative and executive bodies and their own powers and responsibilities defined by the federal legislation. According to law, in many spheres of welfare, the Russian federal state answers only for the general principles: social obligations are mostly under the responsibility of the regions. The welfare services themselves naturally take a concrete form in municipalities. (See details in Kulmala 2013, Chapter 4.)

As Kulmala described (2013), the 2006 administrative reform remarkably revised the division of powers in the fields of social support, health care, and education, which are usually considered major areas of welfare services. These obligations were almost entirely moved from the municipal level to the regional level (Lankina 2003). Currently, in the field of social and health care services, the Russian federal state answers for general policies, principles, and national standards. The implementation of these national principles is under the responsibility of the federal subjects, which enact regional laws to organize, manage, and finance the related services. Exceptions to this are the targeted (material) social support and social housing, which are in the hands of municipalities, and the categorical benefits, which belong to the federal responsibilities. PENSIONS???

Concerning the organization of health care, the basis of the Russian health care system lies in state-run public health care, which is in principle free of charge for Russians. <sup>10</sup>

Similarly, as with social policies, the federal state is responsible for general principles, standards, and the overall coordination of the system. The federal subjects have the responsibility to organize – rather autonomously from the federal level – the system of health care within their region. This organization is implemented by regional-level legislation that needs to correspond to the federal framework. In principle, the subjects are responsible for specialized health care, while municipal districts are in charge of community health centers and maternity care. Yet, in practice, in some regions, for instance recently in Karelia, the single-channel funding has been introduced, which meant that all the public health care institutions including hospitals, primary health care clinics (polyclinics), and smaller settlement-based health care units are all funded from the regional-level funds. Thus, municipal powers have been delegated to the regional level.

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– though, only alongside the state responsibility (Kulmala 2013; OPRF 2012, 53-54, 70). Moreover, it seems that Russian citizens are also ready to undertake some social responsibilities on a more individual basis: the above-mentioned project of “Vsem mirom” proved to be successful: as a result of this one-day project nearly 20 million euros (almost 830 million rubles) were collected to resolve the problems that clearly would belong to the state structures.

<sup>10</sup>See details in Health Systems in Transition (2003); Cook (2007).

Powers and responsibilities in education are divided according to the grade of education among the three governmental levels. The federal level is responsible for higher education, while the regional level is in charge of intermediate schools and, as noted, municipal districts for elementary schools. The above-mentioned National Priority Projects in turn were – and their follow applications are – federal policies and purely under the responsibility of the federal government in terms of funding. The federal government distributes ear-marked funding directly to the lower-level institutions which are responsible for their implementation: for instance, a local maternity clinic receives finances in accordance to the given birth certificates. Though, as soon discussed, due to several reasons in reality the picture concerning federal funds and local circumstances might be quite complex.

All in all, no matter which level of the government has the official responsibility for the organization of the welfare services, actual welfare services are obviously often arranged and located at the local level in municipalities, which is the closest locus of the government to the citizens. One possibility to organize state services in municipalities is to establish a state institution in a given municipality: in such case, a given service has a status of a federal or regional institution, which only functions locally.<sup>[11]</sup> Another possibility is to delegate state powers to a municipal institution, as done for instance in Russian Karelia, where the concrete organization of social services is delegated by a regional law (N899-ZRK) to the level of the municipal districts (i.e. to upper municipal level).<sup>12</sup>

Thus, despite the fact that the federal-level social expenditure seems to be overwhelming in comparison to regional and municipal ones (Sutela 2012, 2000), it is necessary to have a closer look at the functioning of the three-level welfare state in contemporary Russia. The high share of the federal expenditure becomes much explained by the large share of pensions and in-kind benefits (*l'goty*) that are the federal responsibility (Korhonen 2013), while most other social responsibilities indeed lie in the hands of the regional governments. Due to such situation, one can expect huge amount of regional variation in the welfare arrangements throughout the country, which gives is a good reason to look at these lower levels as well.

As Jäppinen, Johnson & Kulmala (2014) showed, for instance, in Saint Petersburg (which is one of the federal subjects), there has been created quite unique system of social services for families with genuine input from the grassroots: women-activists were successful (and strategic in their use of well-resonating family rhetoric to better serve and protect women!) in planting their new ideas into the state structures. As a result, a uniform system of the so-called “Family Centers” was created. Currently such centers operate at the district level throughout the federal city. As the authors argue, the process was largely possible due to the fact the regional government – at that time lead by the female governor – was open to the initiatives from below and importantly had the legal powers to structure its social service system. In many fields of welfare such federalism

<sup>11</sup>See for concrete examples of such organizations in Kulmala 2013, 90-92).

<sup>12</sup>See for instance Chapter 7 in Kulmala 2013, which analyzes the activities of the the Sortavala Social Service Center, which is a municipal center but provides mainly, but not exclusively, services that are at the regional-level responsibility.

and regional variation is a significant factor when it comes to the role and possibilities of NGOs in social policy making and social service provision since much of the policies take concrete form and most funds are available at that level (cf. Kulmala 2013; Kulmala & Tarasenko 2014).

In other words, in the context of Russia, understanding of the welfare system requires the inclusion of the regional level into our analyses since much of the official powers – as well as possible agencies! – are primarily located in there. Even more generally, in such context, where the political opportunity structure basically closed at the federal level, it is indeed worth going to lower levels to consider developments in there (Kulmala 2014). Though, not even the investigations of the regional level (in parallel to the federal one) give us any comprehensive picture since much might happen even very locally: unlike often thought there is room for local welfare solutions within the somewhat restricted circumstances, as Kulmala (2013), for instance, has illustrated. Next, we turn to consider the local conditions of the Russian welfare state.

### **3.5.1 Federal policies and local (im)possibilities**

Even if it is the regional level of the Russian government that carries the major organization of the social policies, we argue that investigating the local level as well is necessary since any of the upper-level policies take their actual form locally. Furthermore, local-level manifestations of the upper-level decisions might take very different form than initially aimed by the decision-makers. Thus, the consideration of the actual practices at the local level enables us to understand intended and unintended results of the federal policies. Instead of top-down treatment with a major focus on Putin, the Kremlin and/or the federal government, such bottom-up approach allows us to see how the state policies function in practice at the level of people's daily lives (cf. Kulmala 2014). Furthermore, such an approach leaves room for consideration of local level agencies: upper-level policies and decisions become negotiated and constituted through the practices of the local actors (cf. Creed 1998, in Smith and Rochovska 2007, 1164-5).

Most Russian municipalities live with very scarce of resources which has led to a situation of range spectrum of the so called hybrid efforts in the field of local welfare efforts. Resources to resolve local issues and serve for the local population are sought from every possible available source, which, as Kulmala (2014, 275, 306) argued, creates complex interdependences between various local actors – including local authorities, welfare services, businesses and social organizations. Such a situation blurs the boundaries of the “traditional” societal sectors and especially in the field of welfare arrangements it might be difficult to draw a clear line which sector in practice carries the main responsibility over a welfare service in question: instead of pure state- or market-based provision, the reality shows a more complex picture of combined efforts. That is to say, even if the federal-level policies would indicate statist or neo-liberal solutions in service provision, for instance, a complex interdependence between various actors seems to better characterize the local sphere of welfare provision.

Interestingly enough, local solutions seem to follow sometimes even contradictory logic against the federal policies. For instance, as noted, the federal state has made effort to outsource a great deal of its previous efforts onto the shoulders of Russian social organizations by creating national-level legislation on socially oriented NGOs. Yet, in practice, in many places NGOs have served as initiators of certain services for certain groups of people. Later these services are given over to state institutions. For instance, help for women suffering from domestic violence was initially provided exclusively by NGO sector, while nowadays public (i.e. state-based) service centers tend to dominate the service sphere (see e.g. Jäppinen, Johnson & Kulmala 2014; Kulmala 2013, 176-181; see also Johnson & Saarinen 2011). The similar logic can be seen also in other spheres: for instance in Saint Petersburg, HIV positive mothers were first served by an NGO, but currently also these women are served under the public sector. Or as in a Karelian small town, mentally disabled people – a group of people which the official social service system has completely ignored in Russia (cf. Phillips 2011, 55) – were brought under the public rehabilitation service alongside the physically disabled thanks to a local citizens' association (Kulmala 2013, 183-185). It seems that many new forms of services are first initiated and then tested by NGOs but later, if successful, taken over by the official structures, which indeed is completely opposite logic to neo-liberally oriented federal outsourcing policies. In the end, it seems that in contemporary Russia the public sector is still more reliable place to arrange services for citizens' rather than NGO sector (cf. voluntary failure by Salamon and Anheir 1998). This interconnects also with the above described citizens' expectations for the state to serve as the main agent in the field of welfare service. Yet, ever-increasing funds for socially oriented NGOs might change the picture in future. Also Russian citizens seem to be readier than earlier to increase the role for civil society organizations in this field – though, only alongside state responsibility in the field (OPRF 2012, 53-54, 70). Yet, as noted, the locally operating public sector suffers from chronic lack of resources, which is why the public services become often complemented by voluntary efforts – and private sponsorships as well (also Nikula & al. 2011).

Even in those cases, when there is federal funding for local public services to implement certain federally assigned tasks locally, as with the above-mentioned National Priority Projects, there might appear shortcomings in their local implementation due to disparities between the federal policies and local circumstances. As Kulmala (2013, 93-96), for instance, has shown, the National Priority Projects have indeed penetrated to the local level but not without problems. For instance, finances for local maternity clinics have been distributed from the federal level through the birth certificate program that was created through the Priority Project “Health”, but these new services for expectant mothers and new-born babies required quite a lot also from municipalities where those services concretely took place and where the infrastructure seemed to be far from adequate. For instance, in one small Karelia municipality: Yes, the program guaranteed regular check-ups for the pregnant mothers. Yet, women could only laugh at this opportunity, since in the stages of late pregnancy, it was almost impossible to climb the ragged stairs to the second floor of the old wooden house, where the clinic was located,

not to speak of the lack of any decent chair in which to sit at the clinic. In addition to the described pro-natal policies, “Health” project aimed at modernization of the Russian health-care system by supporting Russian public hospitals to purchase new technology. In the above-referred Karelian municipality, a main hospital got its equipment according to the program, but such equipment has been cold comfort compared to the fact that there was no properly working heating in the hospital. It also became apparent that many people who are in urgent need of many kinds of health-care services – for example, the disabled and retirees – had not even heard about the new equipment or not to mention any access to it (also Cook & Kulmala 2013). Another Priority Project, “Education,” for its part, aimed at modernization of the Russian educational system. Through the project, information technology was brought to each Russian school. In Karelia, again, thanks to this federal program, local schools indeed became equipped with new IT equipment. But what can one do with computers and Internet connections if the roof of the IT room is leaking, and there is no possibility of using state-level resources to fix the roof, as Kulmala (2013, 94) witnessed in her study?

In other words, the most evident flaw in the local implementation seems to be the disparity between the ideas – even though resourced – brought by the programs from above and the local circumstances and infrastructure (Cf. Collier 2011) – as in the above-given examples. All the mentioned problems result from the fact that the mentioned public buildings – clinics, hospitals, schools – are municipal prosperity and thus under the responsibility of the municipalities, which clearly lacked the resources to maintain these facilities. The federal resources in turn were earmarked and could not be used for any other purposes – not even to fix the needed facilities to ensure full use of the resources provided from above, like the example of the IT room roof leaking onto new computers. (Kulmala 2013, 118). There are, though, more positive examples of people benefiting from these projects. For instance, young families have gained their new homes thanks to “Housing” and mothers received the certificates for the Maternity Capital. It seems, however, that citizens find the programs bureaucratic why they remain underused in practice (see also Borodina et al. 2014).<sup>13</sup> In addition, the salaries of the medical staff, for instance, have been increased as promised in “Health”, and school buses indeed run in the remote areas on a daily basis thanks to “Education” project. (Kulmala 2013, 118.)

All in all, it is obvious that local settings in contemporary Russia live within somewhat tight constraints: the federal state is present and functioning in the studied local setting through its policies (see also Ristolainen 2008, 312-313), but importantly, there seems to be room for local maneuvers as well. We need to take into our consideration these local maneuvers as well in order to create a more comprehensive picture of the functioning of the welfare state in contemporary Russia. While making such claim, we do not aim to downplay the obvious recentralization efforts of the Putin administration, but what we are saying is that federal welfare policies cannot be treated as static – instead, they become negotiated by people at the lower levels. Perhaps, thus, as Kulmala (2013, 310)

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<sup>13</sup>Local civil society organizations have a role in help their beneficiaries in realizing the state promises (Kulmala 2013).

argued, we have tended to exaggerate the overreaching ability and totalitarian nature of the Russian central government. EI KAIKKIVOIPANEN VAAN PARADOXAALINEN; PARADOXIEN MÄÄRÄ SUUREMPI KUIN MAHDOLLISUUDET/EFFORTIT

## 4 Discussion

- What we need in order to understand welfare developments in Russia (or in any other context?) is multi-level and –layered analysis
- New questions to be asked

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