

Transformation of Russian Legislation in the Field of Pension Provision: Problems, Solutions

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Abstract: The national security strategy of our state was determined by Decree of the President of the Russian Federation dated December 31, 2015 No. 683. The document points out the inextricable link between the national security of the Russian Federation and the socio-economic development of the country. Among other things, socio-economic development involves improving the social security system, the social structure of society. One of the areas of activity through the process was the reform of the pension system in Russia. The study assumes an analysis of the legal regulation of the pension system formation in Russia from the beginning of the 90s to the present, its connection to the changes taking place in the state. It will make possible to formulate recommendations for improving legislation in this area, and as a consequence, to improve the socio-economic situation of certain categories of citizens. In the course of the study, the comparative legal, chronological, sociological methods were used as the basis of methodological tools. The comparative legal method is based on the study of the problem in the dynamics of legislative change. The application of this method made it possible, to identify the positive and negative consequences of law-making reforms for Russian society, compare the extent of government support at different time stages. The sociological method was used to validate the authors' conclusions. The authors initiated the revision of the legislation, which establish the provision of state old-age pensions, since it is focused on citizens who are objectively unable to participate in social production and provide themselves with an independent income.

1 INTRODUCTION

Socio-economic changes taking place in Russia dictate the need for changes in its regulatory legal framework. The pension system is one of those socially significant areas by which the social well-being of society can be measured. Citizens' right to pension provision is reflected in the basic law of the Russian Federation. Article 39 of the Constitution of the Russian Federation, guarantees the provision of social security by age to every citizen, in case of illness, disability, loss of a breadwinner. In this norm, the legislator has enshrined a variety of types of pension and a guarantee for this type of assistance to all citizens without exception, subject to an insured event.

The pension system of our country has come a long way of development. At the present, we cannot talk about its final design. The needs of society are changing, the socio-economic situation in our country is not static, demographic indicators in Russia are showing a decrease. All of these factors have an impact on reformation of the pension legislation.

2 METHODOLOGY

The works of domestic and foreign authors formed the methodological basis of the study: Feldstein (2005), Barr, Diamond (2009), Mikhalkina, Pysanka (2011), all of these authors devoted their research to

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the directions of the modernization analysis of the pension system.

The work is based on a comparative analysis of regulatory legal acts, the effectiveness of their adoption in conjunction with the data of sociological research. The reform of the Russian pension system is explained from a methodological point of view, which is based on its institutional change.

3 RESULTS

It has been established that the modern pension system needs to be improved. As an integral element of the state's social policy, effective reform of this sphere will allow avoiding social tension in society, supporting economically weak categories of the population.

4 DISCUSSION OF THE RESULTS

Over the past thirty years, starting in 1990, the pension system in Russia has changed dramatically. However, the reforms carried out in this area were aimed at increasing the financial stability of the pension system, increasing the size of pension payments. Ultimately, the pension system should be built on a parity basis, an insurance and a funded basis.

Let us consider the main stages in the reform of the pension sphere.

Step 1. Adoption of the Russian Federation Law "On State Pensions in the Russian Federation". According to the law, the estimation of pension rate provision was implemented on grounds of service length and the rate of wages. According to Article 16 of the mentioned document, the pension amount would be 55 % of earnings. In addition, 1 % of earnings was added to the calculated pension for each full year of total length of service or special length of service above the essential amount for a pension establishment. While the pension could not exceed 75 % of earnings. Another innovation was the establishment of the minimum and maximum amounts of pensions (Articles 17, 18) (Consultant-plus, 1990)

Step 2. Adoption of the federal law "On individual (personified) accounting in the compulsory pension insurance system". The law consolidated the concepts of "insurance premiums", "insurance experience", established the rules for digital accounting of information on pension savings of citizens and made

it possible to ensure the correctness of the calculation of pensions based on data on official labor activity (Consultant-plus, 1996). The adoption of this law formed the basis for the creation of a digital system that ensures effective work in various fields, including the field of social security (Starinov and Tseveleva, 2020).

In addition, in order to implement the state guarantee for pensions, the federal law "On tariffs of insurance contributions to the Pension Fund of the Russian Federation, the Social Insurance Fund of the Russian Federation, the State Employment Fund of the Russian Federation and to the compulsory medical insurance funds for 1997" was adopted February 05, 1997. The document changed the tax system for citizens, established the insurance contributions rates to non-state funds. Thus, the state tried to increase pension payments.

Now, the rates of premiums for the state compulsory pension insurance, compulsory medical insurance, compulsory social insurance are determined by the Tax Code of the Russian Federation.

Step 3. Adoption of the law "On labor pensions in the Russian Federation". This document established the following types of work experience: insurance experience, total work experience, work experience in the relevant types of work (formerly - special work experience) (Consultant-plus, 2001). The labor pension included three parts: basic, insurance and funded. The basic part of the pension was considered as a state guaranteed payment from federal funding. Essentially, this is a fixed amount, indexed every year by the Government of the Russian Federation. Citizens with a length of service of at least 5 years had the right to apply for this payment. The insurance part of the pension was forming at the expense of employers' insurance contributions as part of the unified social tax. The funded part was forming at the expense of employers' insurance premiums – 6 % of the employee's salary.

Now, the funded part of the pension is replenished only for citizens under 1967. As such, the funded part of the pension is established for men younger than 1953 and women younger than 1957, inclusive.

In fact, the 2002 reform became the first large-scale pension reform in Russia since 1990. Citizens excluded by age from the category of persons entitled to the funded part of the pension turned out to be in a disadvantageous position.

Step 4. Adoption of the federal law "On insurance pensions". This normative legal document canceled the effect of the above-mentioned law, with the

exception of the rules governing the calculation of labor pension.

The adoption of the law has not changed the structure of the pension (basic, insurance, funded). The conditions for the emergence of the right to an insurance old-age pension have changed:

- 1) age restrictions: as a general rule, 65 years old - men, 60 years old - women;
- 2) the duration of the insurance experience - 15 years (starting from 2024);
- 3) restrictions on the minimum amount of pension points - 30 points (starting from 2025).

Clauses 2 and 3 have references to Art. 35 of the Federal Law "On Insurance Pensions", in which there are transitional provisions regarding the duration of the insurance period, the size of the individual pension coefficient for persons applying for an insurance old-age pension earlier than 2024 (Consultant-plus, 2013).

At the end of December 2015, the law "On the suspension of certain provisions of legislative acts of the Russian Federation, amendments to certain legislative acts of the Russian Federation and the specifics of increasing the insurance pension, fixed payment to the insurance pension and social pensions" dated December 29, 2015 was adopted No. 385 of the Federal Law. Which suspended the indexing of pensions for working pensioners (Consultant-plus, 2015). The legislator proceeded

from the consideration that a pensioner who has additional income from wages is not afraid of inflation and the loss of part of the income will not affect the general financial well-being. Due to this measure, the state planned to save funds for increasing pensions to persons who, for objective reasons, cannot participate in social production. Indexing of pensions for working pensioners is provided only after the termination of employment. Pension rate for such pensioners is calculated depending on the fixed payment effective at the date of dismissal and the cost of the pension coefficient.

The attempt to save budgetary funds did not fully justify itself, which is explained by the following reasons. Firstly, for the present, it is impossible to cover the planned costs at the expense of working pensioners. Officially, employed pensioners are mainly employed in state-owned enterprises or in enterprises with a state share of at least 50%. In other cases, employers do not make efforts to formalize labor relations with old-age pensioners. Thus, there is a situation when a pensioner actually continues working, but without signing an employment contract.

Secondly, the problem of the proportion between the number of unemployed citizens and the number of those employed in social production remains a serious problem for the modern pension system. We present statistical data from 2012 to 2019 (Table 1).

Table 1: The total number of pensioners in the Russian Federation in 2012-2019 for January 01, 2020, thousand people (Rosstat-1, 2020).

	2012	2013	2014	2015 *	2016	2017	2018	2019
The total number of pensioners	42367	42837	43327	43797	45182	45709	46070	46480
* Presented without taking into account data for the Republic of Crimea and the city of Sevastopol								

Source: Compiled by the author based on Rosstat data, Older generation.

The presented data indicate, firstly, a constant increase of pensioners' number in our country, and, secondly, confirm the fact that this category accounts for 1/3 of the number of people in the Russian Federation. The total number includes all citizens without exception, in the data presented, including children and disabled people of group I, but they do

not participate in social production and, accordingly, do not make a financial contribution to the country's budget and state extra-budgetary funds, including the Pension Fund of Russia.

Next, we present the statistical data on the population of Russia for 2012-2019 (Table 2).

Table 2: The population of the Russian Federation in 2012-2019 for January 01, 2020, million people (Rosstat-2, 2020).

Years	2012	2013	2014	2015	2016	2017	2018	2019
Population	143	143,3	143,7	146,3	146,5	146,8	146,9	146,8
* Presented without taking into account data for the Republic of Crimea and the city of Sevastopol								

Source: Compiled by the author based on data from Rosstat, Demography.

Next, we present the data on the dynamics of the working-age population of the Russian Federation in 2012-2019 (Table 3).

Table 3: Dynamics of the working-age population of the Russian Federation in 2012-2019 as of January 01, 2020, thousand people (Rosstat-2, 2020).

Years	2012	2013	2014	2015	2016	2017	2018	2019
Working-age population	87055	86137	85162	85415	84199	83224	82264	81362
* Presented without taking into account data for the Republic of Crimea and the city of Sevastopol								

Source: Compiled by the author based on data from Rosstat, Demography.

As it can be seen from the data presented, the percentage of working-age population in the overall number of citizens has been steadily decreasing over the past eight years in the Russian Federation, which could not but affect many spheres and systems of society.

Pension provision in Russia is currently being built on a solidarity basis, when pension payments for non-working citizens are financed from part of the funds of working people. The unfortunate tendencies in the demography have reduced the number of working age people and, as a result, to amendments to the pension legislation. The amendments to Part 1 of Article 8-Federal Law "On Insurance Pensions" came into action From January 1, 2019.

These changes marked the beginning of the fifth stage of pension reform. The decision to increase the timescale of retirement in stages has been made by the deputies of the State Duma of the Russian Federation. Starting in 2019, the retirement age will increase by one year every year. The exception will be 2019 and 2020. During this period, preferential treatments will be given for retirement, according to the amendments to the law, 6 months minus from the established period. The definitive changes in the age of retirement will be set from 2023. Thus, the "transitional period" of the new pension reform will be five years, but it will affect all citizens of the Russian Federation, without exception, who are able to participate in social production without age and health restrictions.

In addition, as a part of the reform of the system, the changes in the timing of retirement for privileged categories of citizens are in evidence. People who work in the Far North and equivalent regions are also now retiring five years later than the previously established set time. Requirements for the total duration of the insurance period and the value of pension points for this category of persons remained the same. The increase in the retirement age is being carried out in stages as a part of overall reform.

Changes not affected:

1) women who have given birth to two or more children who have an insurance experience of at least 20 years and have worked for more than 12 calendar years in the Far North regions or at least 17 years in equivalent areas. For this category of women, the retirement age remained the same - 50 years;

2) reindeer herders, fishermen, hunters-traders at the age of 50 and 45 (men and women respectively) who are permanently residing in the the Far North and equivalent regions, who worked for 25 and 20 years in the above-named professions, respectively;

3) persons working in harmful industries with hard working conditions, according to the Lists No. 1 and No. 2, approved by the Resolution of the Cabinet of Ministers of the USSR No. 10 dated January 26, 1991; individuals affected by radiation and man-made disasters; flight test personnel, etc. (Consultant-plus, 2013).

In addition, benefits have remained unchanged, establishing an increased amount of a fixed payment to pension. Subject to the availability of the required length of service in the Far North and equivalent areas, the amount of the fixed payment will be:

- 50 % of those who have worked for 15 years or more in the Far North, while the duration of the insurance period is 25 and 20 years (men and women);

- 30 % of those who have had a period of work of 20 years or more in areas equated to the Far North, while the duration of the insurance experience is 25 and 20 years (men and women) (Consultant-plus, 2013).

The concept of the pension reform to raise the retirement age received positive feedback from 77 constituent entities of the Russian Federation, as reported by the State Duma Committee on Labor, Social Policy and Veterans Affairs in mid-July 2018. However, in the long term, this reform may not have the most favorable consequences for the northern regions of our country. Historically, the settlement and development of remote, with the country's harsh climatic conditions territories, was realized with the

state's support and participation. Support measures varied: from the establishment of percentage allowances for wages and additional leave-days, to benefits for the age of retirement. All of which stimulated the influx of the population into the northern territories and contributed to their economic development (Vologdina et al., 2019). To date, residents of these localities have lost one of the incentives that keep them in their place of residence. Moreover, if we take into account the territorial remoteness from the central areas of the country, due to this factor, the high cost of goods and services, and the relatively low salaries, then the question logically arises about the expediency of further residence in these areas. All of this, ultimately, will negatively affect the economy of not only the northern territories, but also the country as a whole. As a confirmation of the relevance of the population problem in individual constituent entities of Russia, we present statistical data on the Khabarovsk Territory (Table 4).

Table 4: Dynamics of the population of the Khabarovsk Territory of the Far East of the Russian Federation in 2012-2018, thousand people (Rosstat, 2019).

Years	2012	2013	2014	2015	2016	2017	2018
End of year estimate	1342	1340	1338	1334	1333	1328	1321

Source: Compiled by the author based on data from Rosstat, 2019 "Regions of Russia Socio-economic indicators".

After the pension reform, the leaders of some of the Russian Federation constituent entities began to speak out about the need of establishing additional measures to support citizens. First, this concerns the development of the health care system and the increase in workers' wages.

As noted above, for the moment, the pension system in Russia is being built on a solidarity basis - it is based on the insurance contributions of working citizens. Accordingly, such system will be effective if there is a natural increase in the population in the country, when the number of employed is correlated with the number of non-working citizens, recipients of pension payments.

The increase of the retirement age is primarily associated with demographic problems in the country. In accordance with Rosstat, the number of births in 2018 was 1,604,344. From the previous year - 2017, this figure decreased by 85,963 people (1,690,307 people). The natural decline was 224,566 people (Rosstat, 2018). In these conditions, not only the problems of maintaining the financial stability of state extra-budgetary funds in order to support socially

vulnerable groups of the population become relevant, but also the problems of increasing the birth rate in our country, as well as reducing mortality rates.

Within the framework of pension provision, several types of pensions can be discerned. One of them is a survivor's pension. If we refer to the data of official statistics, in 2018 the mortality rate was 1,828,910 people, 393,518 of them were of working age (Rosstat, 2018). In comparison with the data of 2017, this indicator decreased by 6,554 people (400,072 people) (Rosstat, 2017), however remains quite high. This category of population includes persons who are potentially capable of having children, that is, those of reproductive age, who on the day of death may have minor children. Children who have lost their breadwinner can apply for an insurance or social pension in the event of the death of their breadwinner. The type of payment will depend on the breadwinner's work experience availability. If, on the day of death, the work experience of the deceased breadwinner was at least 6 months, then the child will be granted an insurance pension. In the absence of the required length of service, a social pension.

Regardless of the kind of payment, children - pension recipients, in case of loss of breadwinner, anyway, are state dependent and it increases the financial burden on the state.

Among the main causes of death in our country are the blood circulatory system diseases and tumors. They account for the number of deaths. In the context of increasing the retirement age, the issue of improving medical care is becoming urgent.

Thus, we see that the problems of pension provision in our country are associated with problems of a demographic nature, problems in the health sector.

By increasing the retirement age, the state must create all the necessary conditions for increasing the birth rate and life expectancy of the Russian population, reducing the number of deaths, especially infant mortality and mortality among people of working age.

The implementation of the constitutional rights of citizens to pension provision is carried out according to the Strategy for the pension system long-term development of the of the Russian Federation, authorized by the order of the Government of the Russian Federation of December 25, 2012 No. 2524-p. The specified normative legal act is intended to prevent citizens' pension rights violation in accordance with the adopted legislation, "a socially acceptable level of pension provision, ensuring the balance and long-term financial stability of the pension system" guarantee (Consultant-plus, 2012).

5 CONCLUSION

The guarantee of citizens' rights to pensions is one of the primary factors in the preservation of the country's national security. Any state is interested in maintaining social stability in society, economic well-being in the country as well and in its individual regions, in particular. In this regard, it seems appropriate to amend Part 6 of Article 32 of the Federal Law "On Insurance Pensions" and establish the previously valid standards for the retirement age for old-age citizens who have worked in the Far North and equivalent regions. This will allow avoiding migration losses of the able-bodied population in these regions, and, as a consequence, economic losses.

In addition, to supplement Part 1 of Art. 32 "On Insurance Pensions", clause 1.3 in the following content: "to women who gave birth to two children and raised them until they reach the age of 8, who have reached the age of 58, if they have an insurance record of at least 15 years." Thus, to guarantee the right of early assignment of an old-age pension and thereby stimulate the birth rate for this category of women.

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