Authoritarian Welfare State, Regime Stability, and the 2018 Pension Reform in Russia

ABSTRACT This article evaluates the role of the authoritarian welfare state (AWS) in upholding regime stability in Vladimir Putin’s Russia. The AWS has contributed to sociopolitical stability over the past 20 years by (1) maintaining frequent interactions between the state and the population, (2) providing a way for the regime to uphold a reputation for not cheating the population out of the proceeds of growth, and (3) generating significant benefits for the rulers and the ruled. The pension reform enacted in 2018 undermined the three pillars of the AWS and, therefore, increased the chances of future political instability. KEYWORDS Russia, redistribution, social policy, authoritarianism, welfare state

1. INTRODUCTION

Repression is rightfully considered to be the cornerstone of governance in authoritarian political regimes. Nevertheless, there are also a variety of nonviolent mechanisms of political exchange that nondemocratic regimes employ to stay in power. This article sheds light on the role of one such mechanism, redistributive policies, in Vladimir Putin’s Russia. Welfare state institutions are particularly important in the context of post-communist authoritarian countries, all of which have significant legacy welfare states and resilient social norms regarding the state’s responsibility for the provision of economic protections. The pension reform enacted in 2018 undermined these norms and institutions in Russia, raising questions about the vulnerabilities of Vladimir Putin’s regime and illuminating the significance of social policies in authoritarian settings.

This article describes the role of the authoritarian welfare state (AWS) and evaluates its role in upholding regime stability in Vladimir Putin’s Russia. AWS is a set of paternalistic practices, institutions, and beliefs that delineate the regime’s responsibility for the economic well-being of the citizens, which the regime provides in exchange for political support. The Russian AWS has contributed to regime stability over the past 20 years by (1) maintaining frequent interactions between the state and the population, (2) providing a way for the regime to develop and uphold a reputation for not cheating the population out of the proceeds of growth, and (3) generating a significant benefit for both the rulers and the ruled. By increasing the retirement age from 55 to 60 for women and from 60 to 65 for men, the 2018 pension reform undermined all three of these elements of the social pact between the rulers and the ruled in Russia. The reform diminished the capacity of the AWS to contribute to regime stability in the future and increased the chances of future challenges to the regime. Consequently, if the Russian economy continues to stagnate, we may expect the Kremlin...
2. REDISTRIBUTIVE POLICIES AND AUTHORITARIAN REGIME STABILITY

What makes political regimes stable? From a political economy perspective, a “political regime” is an equilibrium solution to the social conflict over economic assets between different groups. As Carles Boix defined it, it is “a mechanism employed to aggregate individual preferences about the ideal distribution of assets among those individuals governed by this institutional mechanism” (2003, p. 10). The extent to which a regime is “stable” is a function of its ability to consistently resolve conflicts over the redistribution of resources. In authoritarian settings, the leaders, “instead of representing the wishes of the population at large, represent the preferences of a subgroup of the population: the ‘elite’” (Acemoglu & Robinson, 2006, p. 17). The question of how a wealthy minority of elites manages to rule over the poor majority has long been a subject of fascination for thinkers. David Hume mused on this quandary in his 1758 essay “Of the First Principles of Government”: “Nothing appears more surprising . . . than the easiness with which the many are governed by the few.” (Hume, 1758, p. 20). It might be tempting to surmise from the lack of protest activity or challenges faced by most autocratic governments that authoritarian rulers can govern with “ease” because they employ coercion and threats of violence. The reality is far more complicated.

With respect to redistribution, it would be safe to assume that authoritarian elites prefer to spend very little (or nothing) on social policies, all else being equal. In fact, some influential models of political regimes treat the presence of redistribution as the critical theoretical difference between autocracy and democracy (Acemoglu & Robinson, 2006; Boix, 2003; Meltzer & Richard, 1981). Democracy is conceptualized in these models as “a credible commitment to future redistribution” (Acemoglu & Robinson, 2006, p. 36). Economist Robert Barro has argued that some dictatorships can produce higher rates of economic growth, because they can “avoid the drawbacks of democracy,” chiefly “rich-to-poor redistribution” (1996, p. 1). Francois Bourguignon and Thierry Verdier have shown that, although it may have social benefits, the “redistribution of wealth in slow growing and authoritarian societies . . . is more wishful thinking than a true policy option” (2000, p. 308). In other words, an autocrat, unlike a democratic leader, should be able to shut down or ignore popular demands for redistribution.

Cross-national research, however, shows that nondemocracies employ redistributive policies extensively and that these policies are central to regime survival (Deacon & Saha, 2005; Duckett & Wang, 2017; Gallagher & Hanson, 2009; Morrison, 2009; Yep, 2008). One reason why dictatorships may choose to redistribute income is the inability of such regimes to command the loyalty of the population through elections and open political competition (Wintrobe, 1998). In democratic regimes, stability is predicated on the “self-enforcing” nature of its institutions (Przeworski, 1991, p. 26). The very purpose of democratic political institutions is to serve as the mechanism by which incumbent leaders can commit to holding periodic and fair elections, to abide by their results (unknown in advance), to be transparent.
about their governance choices while in office, and, at least in principle, to redistribute income in favor of the median voter. Failure to deliver on these promises results in a loss at the polls in the next elections, but the democratic regime itself remains intact. In regimes where the political elites cannot be held to account through electoral politics, the population at large cannot trust government promises. The inability to enforce promises made by autocratic political elites is one of the key obstacles to enacting policies of political exchange (as opposed to repressive policies) based on lasting agreements between the rulers and the ruled. The next section describes one way past that obstacle: in Russia, the AWS has maintained a social pact that has significantly contributed to broader sociopolitical stability and the longevity of Vladimir Putin’s regime.

3. AUTHORITARIAN WELFARE STATE AND REGIME STABILITY IN RUSSIA

The literature on the welfare state was developed primarily in the context of Western European democracies (Arts & Gelissen, 2002; Esping-Andersen, 1990). The democratic welfare state (DWS) has been commonly understood as “a basic system of government-driven benefits that seek to provide a minimum level of income, health, and safety” (Adascalitei, 2012, p. 59). In the DWS tradition, the emergence of a welfare state is predicated on several key developments, which can be summarized as “industrialization, democracy, political parties, and a working class capable of pressing for social benefits” (Quadagno, 1987). As Natalia Forrat has argued, however, the DWS’s roots in the Western, liberal-democratic tradition make it unsuitable for application in nondemocratic settings. This line of inquiry, by the nature of its fundamental assumptions, tends to overlook crucial aspects of the authoritarian analog of the welfare state, including a policy formation process that is top-down rather than bottom-up; an institutional environment that is based in the state rather than society; and the production of social meanings through ideology, norms, and political legitimacy rather than a democratic social contract (Forrat, 2013, p. 13). The Russian AWS originated and still largely continues to operate as a top-down, state-directed set of policies and institutions, permeated with paternalistic attitudes that are widely shared by both elites and the population.

In contrast to the DWS, the AWS includes a set of institutional and ideational components that go beyond questions of welfare provision to the economically disadvantaged. In other words, the AWS is about much more than welfare. For example, when the state directly or indirectly controls and operates sizable segments of the economy (as it does in Russia, China, Venezuela, Saudi Arabia, Qatar, UAE, and other countries), it employs large numbers of workers and extends the redistributive capacity of the state into the productive core of the economy. For example, because employment was compulsory under the Soviet system, the system of unemployment insurance in today’s Russia is weak, and there is little popular demand for its development. The AWS targets social policies to a wider set of social groups, rather than only to “weak” groups, such as the unemployed and the poor. In the post-communist context, even payments to the “weak” groups, like the Russian pensioners, are a question of national norms and values, of “who owes what to whom,” and not just a matter of economic calculus with respect to government outlays (Butrin, 2018; Levinson, 2018).

Understood in this more expansive fashion, the Russian AWS contributes to regime stability by making it possible for the elites to credibly commit to redistribution without being
accountable through a competitive electoral process. The successful functioning of the AWS has aided in the formation and maintenance of a pact between the beneficiaries (who agree to acquiesce to the ruling regime by abstaining from protest activity) and the ruling elites (who can continue holding on to power and using it for personal gain). As Russian commentator Vitaliy Tarlavskiy aptly summarized, “The social-economic structure [of Russia] enables reproduction of paternalism not only top to bottom, but also from the bottom up. Consequently, the loyalty of the governed becomes the criterion for redistribution of benefits” (2015, par. 9). In order for such a pact to be sustainable, it has to be undergirded by institutions as well as the ideas and beliefs about the role of the state that are shared by the elites and the masses.

In the language of game theory, both actors (in this case, the governing elites and the masses) have to be locked into an equilibrium, in which neither party is interested in deviating from the prevailing strategy. Many economists and game theorists have long recognized the importance of social context, identities of actors, and other cognitive factors to game-theoretical notions like “credible commitment” (Basu, 2000; Greif, 1993; Hausman, 2000; Weingast, 1997). For example, Avner Greif has demonstrated that social norms, reputation, and even culture are key to “determining societal organizations [and] in leading to path dependence of institutional frameworks” (1994, p. 914). Barry Weingast has focused his arguments about the role of democratic institutions as contributors to political stability on “citizen views about the appropriate role of the state and about what actions constitute a transgression” (1997, p. 21). Similarly, in order to serve as a mechanism by which an authoritarian regime can credibly resolve the problem of the enforceability of its promises, an AWS must include at its core certain beliefs and social norms about the role of the state in the well-being of individual citizens.

It is now well established that institutional practices, structures of social interactions, and norms are crucial to understanding cooperative social outcomes (Henrich et al., 2005; Orbell and Wilson, 1978). Some institutions, norms, and structures can increase the number of interactions between parties (extending the “shadow of the future”), improve transparency and communication (maintain mutuality of shared beliefs), create stable and lasting rules, and shame and/or punish defectors. Ronald Wintrobe specifically identified three conditions that could solve the problem of the enforceability of promises between the rulers and the ruled: (1) the prospect of future interaction between the parties, (2) a reputation for not cheating, and (3) the existence of a premium on the exchange (1998, p. 30). The next section describes how the Russian AWS has contributed to regime stability over the course of the past 20 years by fulfilling these conditions.

4. AWS AND REGIME STABILITY IN RUSSIA
The welfare state and the redistributive compact it helps to uphold between the Kremlin and the Russian people, are the key legacies of the 70 years of Soviet rule (Cook, 1993; Remington, 2011a). Some central provisions of the AWS, like early retirement age, were introduced at the height of Stalin’s totalitarianism in the 1930s. The AWS then expanded significantly during the post-Stalin era, as Soviet authorities reduced repressive policies in favor of political exchange via redistributive policies (Bunce, 1983, p. 131). By the end of the
1980s, the USSR had developed a welfare system of nearly universal reach: even though the monetary value of these services was relatively low, they enveloped the population in an extensive network of benefits and perks (Cook, 2007b). After state socialism collapsed in 1991, reliance on redistribution as a policy tool continued to be deeply woven into the pattern of governance choices by the Russian state during both economic downturns and periods of prosperity.

As the number of avenues for electoral feedback between the population and the regime declined during Putin’s two decades in office, the AWS began to serve as an important mechanism for political exchange and the maintenance of sociopolitical stability. To a significant extent, the durability of Putin’s rule has been premised on a pact according to which the regime shared some of the proceeds of economic growth and the population at large agreed to support Putin and abstain from protest activity. Three key elements unique to the Russian AWS helped sustain this pact: (1) its vast reach, (2) the opportunity it gives the regime to develop and maintain a reputation for adherence to the pact, and (3) its ability to deliver benefits to both the governing elites and the masses that surpass the available alternatives.

Reach of the AWS

In order for the AWS to serve as a mechanism for upholding the credibility of promises made by the rulers, it must have significant reach and maximize the number of interactions in which the citizenry receive tangible benefits from the state. The Russian AWS allows the regime to interact with the population at multiple levels and during various stages of a citizen’s life. For most of the Russian population, the number of these interactions far exceeds the frequency of all the other interactions with the state, most especially the number of times they cast their votes in elections.

Under Putin’s leadership, the number of workers employed directly by the government and state-owned enterprises has skyrocketed. According to numbers compiled by the media group RosBiznesKonsalting in 2011, 17.7% of the Russian labor force was employed by the state (this includes government officials, government-employed doctors, teachers, police, military, etc.). Remarkably, there is a greater density of government officials in Russia under Putin than there was in the Soviet Union: a little over 100 bureaucrats per 10,000 people in Russia versus 73 in the USSR (Sokolov and Terent’ev, 2014). Combined with another 12.9% employed directly by state-owned corporations, the state effectively employs 30.6% of the labor force. By some estimates more than half of the Russian middle class depends on the state as a chief source of income (Remington, 2011b).

The other politically significant part of the AWS is the Russian system of social provision (sistema social’ego obespecheniya, SSO). The SSO offers benefits to old-age pensioners, those who have worked in hazardous conditions, mothers (including childbirth grants, childcare leave, adoption benefits), and disabled persons, as well as public medical care and education systems. The Russian pension system, though providing only modest monetary benefits, has a truly extraordinary reach. In 2017, some 42 million Russians were pensioners, accounting for almost 30% of the entire population (Kuvshinova et al., 2017). Until the 2018 reform was enacted, the official retirement age had been set at 60 and 55 years for men and women
respectively, with about 30% of pensioners taking retirement even earlier due to various special provisions established for workers in hazardous professions, the disabled, and other groups (Eich et al., 2012). Together the number of pensioners, and the 23 million workers employed by the state and state-owned enterprises (SOE), reaches about 65 million people. In other words, 45% of the total population, or 58% percent of vote-eligible adults, receives regular payments from the state or state-connected entities. This is a conservative estimate and the real number of beneficiaries of the AWS is likely much higher, as these figures do not include various other categories of benefits, such as utility subsidies, and do not account for social services, such as medical care, housing, and education. Simply put, the reach of the AWS in Russia is extraordinary.

Reputation for Not Cheating

It may appear surprising to a casual observer, but the AWS has been contributing to the maintenance of regime stability in Russia by allowing the rulers to uphold a reputation for not cheating the population out of the proceeds from economic growth, most especially from the sale of natural resources. Delays in payments and the unexpected reduction of benefits are consistently interpreted as transgressions against the implicit social pact, leading to increased protest activity. Some of the key norms central to the Soviet-era AWS played an important role during the difficult transition period of the 1990s. A 40% decline in GDP between 1992 and 1998 resulted in an unemployment rate that topped off at only 13%, as many employers kept workers on even if they could not meet payroll (Boeri & Terrell, 2002, p. 52; Hellman, 1998, p. 211). Remarkably, amid this historic economic depression some regional governments introduced new in-kind benefits to shore up political support and compensate public sector workers (Hemment, 2009, p. 39). During the crises of 1998 and 2008–09, Russian firms systematically reduced hours, drastically lowered real wages, and delayed wage payments, but following the Soviet norms of employment, they only infrequently used layoffs to cut costs (Aidukaite, 2009, pp. 25–26).

To a far greater extent than one might anticipate, the governing elites in Russia abide by the structure of redistributive institutions and social norms with respect to welfare provision in order to maintain a cushion against political backlash during economic downturns (Gimpelson & Kapeliushnikov, 2011, pp. 2–3). During the 2008–09 crisis, the Kremlin quickly recognized that reduction in payments channeled through the AWS could result in political instability, so it specifically directed resources to raise those payments (Baev, 2009; Feklyunina & White, 2011, p. 389; Whitmore, 2008). Between 2007 and 2010, pensions were raised from 27.5% to 40% relative to average wage, while pension spending as a percentage of GDP increased from 5.2% to 8.9% (Eich et al., 2012, pp. 7–8). During the crisis, unemployment increased only 2.5% (from 5.7 to 8.2), and it quickly declined as the economy recovered (Treib, 2011, p. 607). In large part this resulted from concerted efforts by the government to target large firms, public employees (wages of federal bureaucrats were raised by up to 30%), and spending for the elderly and young families (Easter, 2012, p. 113; Gimpelson & Kapeliushnikov, 2011, p. 26; Kramer, 2009).

Needless to say, Russians expect their “share of the pie” during the boom times too. The Kremlin has been careful to meet these expectations by calibrating the size of payments in
line with the growing economy and in the standard of living of the population at large. During the commodities boom between 2000 and 2008, the economy grew by 68%, wages by 340%, and pensions by 280% (all figures are in real terms; see Kudrin and Gurvich, 2015, p. 30). These attitudes are equally widespread among the economically disadvantaged and the relatively well-off Russians. For example, both post-Soviet mayors of Moscow, by far the most prosperous city in Russia, have used redistribution extensively to garner constituent support (Volkov & Kolesnikov, 2019).

Russian political elites hold different opinions about the welfare state, but most of them are all keenly aware of its political importance (Khodorkovsky, 2005; Kudrin & Gurvich, 2015, p. 50; Medvedev, 2008). The Kremlin’s ability to redistribute income among subnational governments has been an instrumental part of its strategy of centralizing political authority (Marques et al., 2016). The biggest protests during Putin’s first two terms in office came after the government implemented policies that monetized some of the in-kind benefits for pensioners and students. These protests ultimately forced the regime to reverse some of the key policy changes, including maintaining the option to receive social benefits for many categories of citizens (Hemment, 2009; Wengle & Rasell, 2008). During his third presidential campaign in early 2012, Putin published several programmatic statements regarding various issues facing the country, one among them devoted specifically to redistribute policies (“Building Justice: Social Policy for Russia”). He emphasized the Russian government’s outsized commitment to redistribution and the need to provide yet more:

We have a much higher level of social guarantees than countries with comparable levels of labor productivity and per capita income. In recent years, the expenditures of the budget system on the social sphere account for more than half of the total budget expenditures. . . . None of the social guarantees were reduced during the 2008–2009 crisis. Moreover, even during this period the salary of workers of the budgetary sector grew, pensions and other social payments increased. But our citizens are by no means satisfied with the existing situation, and their dissatisfaction is justified. (Putin, 2012)

Attitudes about the role of the state in the economy illustrate just how widely shared and consistent the acceptance of the paternalistic beliefs central to the AWS in Russia has been over the past two decades. For example, Russians see the already high levels of state intervention in the economy as still insufficient. Overwhelmingly, they hold the state directly responsible for the well-being of all citizens, not just pensioners or the disabled (Volkov & Kolesnikov, 2019). According to Aleksey Levinson of the respected independent pollster Levada Center, during the economic downturn at the end of 2015 most Russians considered “stabilization of political and economic situation in the country” to be the most pressing concern. Second, and almost as important, was the continuation of “social guarantees” and “timely payments of salaries and pensions.” Pensioners listed social guarantees as their number-one concern, with 65% of them making it a top priority (Levinson, 2016). In short, the overwhelming majority of Russian adults receive payments from the state or state-connected entities on a monthly basis throughout most of their lives, which allows the state to maintain a reputation for distributing economic wealth to the rest of society on a regular basis. Russians expect the fulfillment of the obligation by the state even and
especially during economic downturns, and the regime has generally held up its end of the bargain by maintaining and even expanding the AWS during Putin’s time in office. The population at large, in turn, generally abstains from protest activity and dutifully supports the regime in semi-staged elections.

Delivery and Size of Benefits

Finally, in order for the AWS to serve as a credibility-enhancing mechanism that facilitates regime stability, the exchange between the rulers and the population must be mutually beneficial. It is clear that the elites receive a significant premium from this exchange through political rent-seeking made possible by the absence of mechanisms of public accountability. It is widely understood in Russia that state officials’ access to financial resources for private use increases as one moves higher up the “patronal” pyramid (Hale, 2014). The population at large gains from the AWS a reasonable share of the monetary spoils of the economy and, just as importantly, nonmonetary benefits.

Indeed, one might wonder whether the size of the benefit from the social pact for the population is sufficiently large to account for their continued acquiescence to what most foreign observers would see as egregious transgressions by the Russian government. Notwithstanding Putin’s description of the breadth of the AWS, standards of living in Russia for pensioners or even ordinary public workers are very modest, while the extent of corruption and wealth accumulation by the top political leaders is truly among the most remarkable in the world (Dawisha, 2015; Foreign Affairs Committee, 2018; Rudnitsky & Arkhipov, 2016). Yet, “mere theft” or corruption by the elites (even on an enormous scale) does not by itself get interpreted as cheating, since it is understood to be a part of the pact (Holm-Hansen et al., 2019; Paneyakh, 2018). This might explain, for example, the Russian public’s tolerance of large-scale corruption in contrast to the outpourings of anger over relatively modest reductions in social benefits (Shamanska, 2016). The public will remain quiescent so long as the elites perform their side of the bargain by keeping social payments reasonable while maintaining the broader institutional framework of the AWS, including its nonmonetary benefits.

Particularly with respect to the pension system, the amount of the payments is only part of the benefit valued by pensioners. Early age of retirement, various l’goty (“categorical” benefits like discounts, utilities, services, and public transport) and, most importantly, the attainment of the status and recognition of a worker who has done one’s duty to the country have all been enormously important parts of the package. Russians see many of these facets of the AWS as basic rights and as a recognition of having lived a hard Russian life, which “should be marked by the state as such” (Levinson, 2018; Paneyakh, 2018). While the size of payments is key to understanding how Russians benefit from social spending, one cannot fully understand the political importance of the AWS without considering the nonmonetary benefits it bestows, which are rooted in the longstanding social norms of paternalism and statism that date back to the Soviet era.

In sum, the AWS has served as a mechanism for upholding the credibility of the social pact between the regime and the population by (1) maintaining frequent interactions between the state and the population, (2) providing the regime a way to develop a reputation...
for not cheating, and (3) generating benefits to the parties involved (ruling elites and the masses). The pension reform enacted in 2018 has undermined all three elements of the AWS and, therefore, likely undermined the durability of Putin’s regime.

5. POLITICAL IMPLICATIONS OF THE 2018 PENSION REFORM

Although many important features of the Soviet-era AWS have endured through the years of economic and political transition, this enormously costly system has been reformed in profound ways since the days of Soviet state socialism. Housing, employment, significant shares of healthcare, and education provision were shifted to the private sector. Even some hallowed aspects of the Soviet AWS were reformed into need-based programs rather than status-based benefits. For example, while the government had to backpedal on some key provisions of the 2005 legislation that monetized l’goty for several categories of citizens (most notably for pensioners, the disabled, and students), delivery of social benefits has become somewhat more streamlined and cost-specific under Putin. As Wengle and Rasell put it, the monetization reform was “a watershed between an era when unlimited public services were available to many different recipients . . . and an era when people must economize with fixed sums” (2008, p. 748). The Russian state has increasingly begun using its redistributive capacity selectively to placate the populations in slow-growing regions in times of economic downturns (Marques et al., 2016). Similarly, central among the many goals of the 2015 presidential decree to promote modernization and deinstitutionalization of the foster care system in Russia was an effort to cut social expenditures on state-run orphanages (Bindman et al., 2018, p. 5).

Pension reform, however, has long been an especially politically sensitive issue, even if all post-Soviet governments understood that the Soviet-era state-run, defined-benefit pension system required modernization (Cerami, 2009; Cook, 2007a; Remington, 2018). In the 1990s, some pro-market reformers wanted to modify the Soviet-style pension system to better match its Western analogs by introducing individual savings accounts and privately-run pension funds. These efforts stalled because of poor economic conditions, the influence of powerful vested interests, and robust electoral showings by the Communist Party, which controlled the Duma until 1999 (Cook, 2007b). In 2002, the Russian government finally introduced individual savings accounts, but the policy was reversed in 2012, and the accumulated savings from individual accounts were diverted into the general state-run pension fund (Remington, 2018, p. 2).

As negative demographic trends persisted and the economy entered a recession in 2015, many policy makers and commentators deemed reform of the pension system to be inevitable. Aleksey Kudrin, former finance minister and one of the chief proponents of redirecting social spending toward investment, had long advocated raising the retirement age (Kudrin, 2012). In a 2017 report issued by the Kremlin-affiliated Center for Strategic Research, he spearheaded a draft reform program that aimed at creating a “structurally sustainable” pension system that would guarantee an acceptable standard of living for retirees. The report proposed gradually raising the retirement age to 65 years between 2019 and 2029 (Kuvshinova et al., 2017). Six months after Putin’s reelection to his fourth term in March 2018, the Duma passed the most drastic revision to the Russian pension system since
1991, one that was based in large part on Kudrin’s template. Discussions regarding the reform began in late spring of 2018, and the reform was publicly announced on the first day of the World Cup, which Russia hosted in 2018. Despite the jubilation accompanying the biggest football tournament in the world, tens of thousands of protestors took to the streets. Putin’s popularity rating declined by 15 percentage points and support for the pension reform remained in single digits, even as Putin softened the reform by lowering the proposed retirement age for women from 63 to 60 years in August (BBC News, 2018). As the Russian business daily Vedomosti put it, the government “broke the longstanding taboo on raising the retirement age” (Lomskaya, 2018). Unquestionably, the reforms were marked as the most important political event of 2018 in Russia, and they are likely to remain politically salient for years to come.

Any predictions about the political impact of the reform have to be made with great care. Putin continues to be popular, and the opposition to the regime is in a state of discord (Gelman, 2018b). Protests in response to the reform, while significant, were short-lived (Kommersant, 2019). It is also entirely possible, as has happened in the past, that the reforms will be reversed if they produce enough new social turmoil in the coming years. However, even a few months after its enactment, it is safe to say that the 2018 reform has already undermined the capacity of the AWS to support sociopolitical stability through the maintenance of the social pact in three key ways.

First, raising the retirement age reduced the reach of the AWS, creating millions of economically vulnerable citizens who will no longer be participating in as many repeated interactions with the state. The advocates of the reform, like the Minister of Finance Siluanov, believe it will impact “only” about 10 million people who will retire by 2029 (Kommersant, 2019). By the time the reform is fully implemented, the number of pensioners will have declined by about 9%, from 42 million to 38.5 million, which at first glance is not a hugely significant number (Kuvshinova et al., 2017). Yet, the key losers of the reform are members of one of the most politically important groups in Russian society: women nearing retirement age. These women, who belong to the “sandwich generation” between the ages of 50 and 60, are the key pillars of stability in Russian families. At this stage in life, they often take on significant burdens: providing childcare for their grandchildren, and serving as caretakers for their husbands (who begin having major health issues before women), and their own elderly parents (Paneyakh, 2018). Retirement at 55 affords women an opportunity to devote their energies to several generations of their family members. Delayed retirement will make it more difficult for them to fulfill this role, producing ripple effects that will spread to millions of Russians beyond this important group.

Second, the pension reform undermined the credibility of the AWS by essentially breaking a longstanding promise to keep the system of benefits intact, particularly the “sacred” part of the AWS—the age of retirement. The rollout of the reform was clumsy, with Putin having to make a televised address to plead for the necessity of the changes. Prime Minister Dmitry Medvedev called the pension reforms of 2018 “the most difficult decision of the last decade” (Vedomosti, 2018). As Ella Paneyakh put it, in enacting the reform the regime treated “the majority, the core electorate,” the way it usually approached “minority groups, who are unable to resist or mobilize sympathy of the others” (Paneyakh, 2018). By revising
the social pact without considering the wishes of the majority of the population, who overwhelmingly opposed these measures, the regime’s credibility has been significantly damaged (Kamyshev, 2019). It is quite likely that pension reform will be viewed as the most significant breach of trust on the part of the regime over the course of Putin’s time in office. It is not surprising that trust in Putin (a measure separate from his approval rating) reached a 13-year low of 33.4% in January 2019, with half of the population favoring the resignation of the cabinet (bne Intellinews, 2019). Moreover, the reduction in benefits will make it easier for opposition forces to highlight corruption and theft by government officials. Already in 2018, pro-Putin governors in four regions were not reelected and the United Russia party failed to win majorities in several regional elections during the September elections (Mukhametshina, 2018). Tolerance for the state transgressions in other arenas has been premised on the idea that the broader population will continue to receive its part of the spoils, but with the benefits reduced, ordinary Russians are already becoming less patient with the state in areas outside of redistributive policy (Aptekar, 2019).

Third, the most obviously damaging impact of the reform is the reduction of a nonmonetary benefit: the ability to retire early. Raising the age of retirement revised a central element of the social pact in Russia. There has always been a sense of discontent about the size of pensions, but changing the pension age produced a different emotion: indignation (Levinson, 2018). The reform was explicitly structured as, first and foremost, a way to preserve current levels of benefits for future generations, not as a way to raise the benefits for current and future pensioners. Considering that average pensions declined 7% in real terms between 2014 and 2016, the reform will be experienced by most welfare recipients as a cut in benefits (Kuvshinova et al., 2017). Current retirees and those expected to retire in the next two years have been kept quiescent via promises that the reform will raise their benefits (Kommersant, 2019). These promises are unlikely to materialize, since the reform will have only a modest positive fiscal impact.

The government has already backtracked on some aspects of the policy by lowering the proposed age of retirement for women from 63 to 60, making it possible for people planning to retire in 2019–20 to do so six months earlier, and offering to index the pension by 1,000 rubles every year before the reform comes into full effect. Members of the military, police, and security services were excluded from the reform from the start, limiting budgetary savings of the policy change. Thus, despite spending considerable political capital to implement the reform, the regime has not actually solved the fiscal issues that precipitated the need for reform in the first place. In the short term, the Pension Fund of Russia will actually increase its reliance on the federal budget from 11.3% in 2017 to 12.2% in 2019, with the number projected to decrease to 10.1% only in 2022 (Lomskaya, 2018). It is thus a near-certainty that additional changes to the pension system will need to be made in the coming years, leading to further diminishment of the AWS as a mechanism of stability-maintenance in Russia.

6. CONCLUSION

I have argued here that features of the authoritarian welfare state in Russia have contributed to sociopolitical stability during Vladimir Putin’s time in office. The importance of the
influence of the welfare state on political outcomes in Russia has generally been underappreciated. The AWS has made it possible for the regime to credibly deploy redistributive policies that placated the population and maintained regime stability. It has done so by (1) maintaining a high frequency of interaction between the state and the population, (2) providing a way for the regime to develop and uphold a reputation for keeping its promises, and (3) generating a significant benefit for both the rulers and the ruled. The 2018 pension reform, hastily and poorly enacted, undermined all three mechanisms by which the AWS contributed to regime stability. Scholars of authoritarian politics generally and Russia-watchers especially should keep an eye on how changes in longstanding social policies will impact political developments in the country over the coming decades.

Even in its reduced form, the AWS continues to have enormous reach into Russian society. Although several Soviet-era benefits have been abolished under Putin (including some categorical benefits and the early retirement age), it has grown in the area of state/SOE employment and fertility policies. It is possible that as the Kremlin reacts to the budgetary pressures brought on by lower growth rates, lower energy prices, and economic isolation, its social policies will continue to evolve away from the universalist model toward a more targeted approach that aligns closely with the “selectorate model,” whereby the AWS will be used to deliver payouts to critical groups of regime supporters at the expense of other groups (Bueno de Mesquita et al., 2003). It is clear, however, that such an evolution will result in more political discord in society and a greater risk of destabilization.

The Russian case holds important lessons for the study of post-communist politics and authoritarian policy making elsewhere. Redistribution under authoritarianism is a complex issue that will continue to demand further scholarly scrutiny. As I have demonstrated, ideas, social norms, and institutions all play an enormously important role in welfare policy formation, as do international influences, which this article has not addressed directly (Appel & Orenstein, 2013; Deacon & Saha, 2005; Duckett & Wang, 2017). Focus on authoritarian institutions at the expense of policy making can blind researchers to important aspects of governance in nondemocracies (Pepinsky, 2013). For example, future research should explore how a nondemocratic political environment influences difficult policy choices. Considering the importance of the AWS to the stability of the Russian political system, one might wonder why Putin (and his democratic predecessors) have so often tried to undermine it. The question of why leaders act against their objective self-interest is a different matter entirely, although one might suspect part of the answer is that they did not fully appreciate either its importance or its fragility. Critical policy choices, like the 2018 pension reform in Russia, offer an opportunity to understand some of the motivations and trade-offs behind the policy-making decisions made by authoritarian leaders.

Social and economic policies will continue to be intertwined in all developing and emerging-market economies in the coming decades. In recent years, pension reform has already become a source of political discord in Hungary, Czech Republic, China, and Brazil (Boadle & Paraguassu, 2019; Houska, 2017; Hurst & O’Brien, 2002; Korolev, 2015; Reuters, 2014). As Hung Tran, the former deputy director of the IMF, has suggested, the aging population in emerging markets will be the major challenge in adjusting to lower growth rates in the coming decades (Hung, 2019). Navigating between pressures for economic growth and the
political demands for social protections from increasingly restive populations will constitute the central challenge of all governments, but it will produce especially destabilizing political effects in countries that lack mechanisms of democratic accountability and the institutions of the rule of law. As nonviolent mechanisms of political exchange, like the welfare state, become undermined, authoritarian rulers will become more likely to resort to the “traditional” tools of autocracy: repression and violence.

REFERENCES


