



► Social Protection in Action: Building Social Protection Floors for All

2022

Russian Federation: Historical development of social protection

Summary

Over the past four centuries, the Russian Federation has experienced a wide diversity of political, social and economic environments, with the national social protection system changing and adapting to the concurrent ideologies and circumstances constantly. This came to a headway in the last century with the expansion to universal social protection coverage of the population during the Union of Soviet Socialist Republics (USSR) period.

The development of social protection in the Russian Federation can be divided into three periods. The first period (1598–1917) saw the origins of the earliest social protection schemes, in the form of scattered interventions by the State and mainly provided to State officials, the military and workers in large factories. The second period (1917–1991) existed during the erstwhile Soviet Union and saw the expansion of universal social protection coverage throughout the USSR. Following a comprehensive reform in

► **Figure. Historical development of social protection in the Russian Federation**



► Source: Authors' elaboration.

1956, all employees and members of collective farms¹ were covered. The third period (1991–present) shows how the social protection system changed following the Russian Federation's transition from a centrally controlled to a market economy (see figure).

Social Protection Floors Recommendation, 2012 (No. 202)

SDG 1.3 aims to implement nationally appropriate social protection systems and measures for all, including floors, and by 2030, achieve substantial coverage of the poor and the vulnerable.

Social protection floors (SPFs) guarantee access to essential health care and basic income security for children, persons of working age and older persons. 187 countries have adopted the Social Protection Floors Recommendation, 2012 (No.202), to achieve universal social protection.

The developments undertaken in building the Russian Federation's social protection systems underline the importance of how such systems should be realized progressively, including by the setting of targets and time frames, as listed in the principles of the Social Protection Floors Recommendation, 2012 (No. 202).

¹ In the USSR, a collective farm referred to one or many farms organized as an economic unit operated by members of a community under the supervision of the State.

Main lessons learned

- Expansion of coverage to all employees and members of collective farms in a short period of time was made possible by the strong will and commitment of the State to implement the Soviet socialist ideology and provide protection to all workers and their families.
- This was aided by strong centralised governance and powerful public institutions.
- During the Soviet period, all enterprises were State-owned which made it relatively easy for the State to collect contributions efficiently without evasion by employers and thereby mobilize sufficient resources to provide a wide range of benefits to the population. However, the nature of the system necessarily meant that social dialogue mechanisms and tripartite structures were relatively weak.
- Following the dissolution of the Soviet Union and transition to a market economy, the system faced new challenges such as poverty, unemployment, informality, and so on, and is still undergoing reforms to tackle them.

First period (1598–1917): Origins of social protection in the Russian Federation and “pre-socialist” period

The Russian Empire had a population of 125.6 million registered by the 1897 census, the third highest in the world after China and India. The empire comprised diverse ethnic and religious groups of peoples living in regions at significantly different levels of economic development.

The period of the Russian empire saw scattered interventions by the State to provide social protection to the population. The first recorded implementation of a social protection intervention dates back to 1598. The Code of Law of Tsar Ivan IV of Russia mentions, among other provisions, that a widow having no children after the death of her husband had the right to receive a pension.

The 1649 Council Code of Tsar Alexis² contained a larger number of articles devoted to the rights of people to social security. The Code enshrined the right to a benefit, after the

death of a landowner, for the maintenance of his widow, children and elderly parents.

The amount of the benefit depended on the previous salary of the breadwinner and the cause of death. For example, benefits varied for those landowners who were called upon to perform military duties and died in the course of execution of those duties and landowners who died outside civil service. The Code also enshrined the right of nobles to receive a minimum allowance in case of resignation from duty or during education and training.

All the social protection provisions thus far had been for nobles and landowners alone. There were no social benefits for the common people such as peasants who constituted the large majority of the population. Only during the reign of Empress Elizabeth from 1741 to 1762 did parishes become commonplace. They provided shelter, food, clothes and care for orphans, elderly people and people with disabilities belonging to peasant families. The parishes were financed through a special tax collected in favour of the poor people.

In 1827, a new decree on the payment of lump-sum pensions was adopted, covering high-level government officials only. The size of the lump-sum benefit was established by the Emperor's sole decision.

At the end of the nineteenth century, with the Industrial Revolution taking root in Europe, large thermal power plants, textile mills and steel production factories started to grow. Workers, both adults and children, operated in large factories and mines in extremely unsafe conditions and without adequate protection, thus necessitating the introduction of basic social protection measures. The factories began to put in place some elements of social insurance for their workers mainly in the form of sickness and work injury benefits. However, the benefits were scattered, ad-hoc and varied from factory to factory without any systemic approach. On 15 May 1901, the “Provisional pension regulations for mine workers who have lost the ability to work” were adopted, marking the beginning of rights-based insurance for industrial workers.

In 1912, four laws on social insurance were adopted, which expanded social security to workers in large factories,

² The Council Code was a legal code promulgated in 1649 under Tsar Alexis of Russia as a replacement for the “Sudebnik” of 1550 introduced by Ivan IV of Russia. The code survived well into the 19th century (up to 1849), when its articles were revised under the direction of Mikhail Speransky.

mines and transportation companies.³ The first kinds of social insurance to be provided in the Russian Federation were sickness and accident insurance for employees. Later, old-age, disability and maternity insurance were introduced.

Therefore, until 1917, social security schemes in the Russian Federation only covered State officials, the military and workers in large factories. In 1917, the Russian revolution dissolved the empire and paved the way for the creation of the USSR. Following this, the development of social protection gained new momentum.

Second period (1917–1991): Social protection in the USSR

The principal feature of communism, according to Marxist-Leninist ideology, was public ownership of the means of production, in an effort to end the exploitation of workers by landowners and large employers. Right from 1917, the Soviet Socialist Government actively promoted the principles of solidarity and social justice and proclaimed workers' rights as the central element of policy. The Government assumed the central role in guaranteeing and implementing social protection for people. To address the increased demand for security during and after the First World War, a few days after the revolution of October 1917, the establishment of a new social protection system covering people for contingencies through a more systemic approach was announced.

The system protected people in the event of temporary inability to work due to sickness, pregnancy, childbirth, childcare or caring for sick relatives. It provided old-age, invalidity and survivor pensions. Free medical care and treatment in hospitals and sanatoria were also provided, including vacation and recreational facilities. Children received free education as well as pre-school facilities. These measures were still covering only government officials, the military and workers in large factories. Workers in small enterprises and farmers were mostly excluded from effective access to social protection.

The Second World War put strains on the social protection system as the regular economic activities were disrupted when people had to go to fight in the war and existing factories and production activities were diverted to meet the needs arising from the war. After the war, the new Government initiated a series of political, social and economic reforms in the USSR.

In 1956, the Soviet Government carried out a comprehensive reform of the social protection system, mainly focused on pensions. This resulted in a significant expansion of social protection along the vertical dimension (increase in benefits) and the horizontal dimension (increase in coverage). Social protection programmes now covered all workers, including workers in small enterprises and members of collective farms, and provided higher old-age, disability and survivor pensions; sickness and maternity benefits; family allowances and compensation for work-related injuries. A minimum pension was introduced and guaranteed to all workers. Medical and maternity care were provided separately under the public health system. No provisions were made for unemployment insurance.⁴

The social protection system of the former USSR can be considered as comprehensive in the provision of benefits and services and effective in its outreach. The system was implemented and managed by a highly centralised governance system and powerful public institutions. During Soviet times, there was no private sector and the State was the only employer. Social contributions were made solely by the State-owned enterprises, that is employers made the full contribution and workers did not have to make any contributions. The funds were effectively disbursed, collected and managed by the State.

This structure helped the fund collection and benefit distribution mechanisms to run very efficiently and resulted in a social protection budget that was large enough for the income levels of all people to reach the minimum subsistence level.⁵ The system therefore provided insurance-based benefits to all workers, with a minimum stipulated level.

³ The laws only applied to enterprises with more than 20 workers and which used mechanical power in their industrial processes, thus aiming to ensure continued national economic growth brought about by the Industrial Revolution.

⁴ Official documents of the USSR hold that there was no unemployment in the Soviet Union, thus creating no necessity for an unemployment protection scheme.

⁵ In countries of the former USSR, the minimum subsistence level is a measure used by the State to define the minimum level of income of any individual required to meet the daily requirements at an adequate living standard.

It is important to highlight that during Soviet times, there were no private enterprises, and only State-owned enterprises existed. The centralised governance model of the Soviet system was not fully conducive for genuine tripartite governance of social security.

Third period (1991–present): Dissolution of the Soviet Union and transition to a market economy

Prior to the dissolution of the Soviet Union in 1991, the socio-economic circumstances were such that everyone was guaranteed to receive the minimum subsistence level of benefits. Put simply, the social protection system worked in a practical sense meaning that most people had a place to live and food to eat. Although living standards were below those in other European countries particularly in the area of housing, daily life was predictable.

After the dissolution of the Soviet Union, the newly formed Russian Federation had to grapple with huge challenges arising from the switch from a centrally controlled economy to a market economy. The Russian Government has been making significant changes to the social protection system to align it with the principles and needs of a market economy system. These have included recalculation and adjustment of pensions, identification of new financing sources, introduction of new institutional arrangements, inclusion of newly formed private sector enterprises and identification of ways to reach a growing informal economy. This period was difficult for the population as the State was not equipped to carry out the transition in a smooth and efficient way.

From 1992 to 2000, there were socio-economic shocks causing high instability, turmoil and impoverishment reaching critical levels. The Russian Federation's social protection system had to develop spontaneously, adapting to the emerging needs and challenges in a new socio-economic environment. According to official estimates, more than a third of people in the Russian Federation were living in poverty in 1992, one year after the dissolution of the Soviet Union. As a result, priority was given to the most vulnerable people through emergency assistance to alleviate poverty.

One of the most pressing things to be done was the introduction of new institutions and institutional mechanisms. Between 1991 and 1995, several new ministries and funds were created including the Ministry of Labour and Social Protection, Pension Fund, Social Insurance Fund, Medical Fund and Employment Fund. Around 25 laws on social policy were adopted.

From 1995, in accordance with its transition to a market economy, the Russian Federation started to implement social assistance schemes targeted at poor and vulnerable groups of people as well as conditional cash transfers and vocational training. Starting in 2000, the need to reform and improve the system was recognised. Significant reforms have taken place such as the introduction of mandatory individual savings accounts in 2002, the introduction of a unified social tax⁶ in 2001 and its rescission in 2010 accompanied by the introduction of social insurance contributions in 2010, and the increase of the retirement age from 60 to 65 years for men and from 55 to 60 years for women in 2018.

What's next?

The revision of legislation intended to improve the national pension system is underway in the Russian Federation. The administration of social insurance payments for certain categories of workers and entrepreneurs has been simplified with the objective of expanding social security coverage. Social services and long-term care in the context of an ageing population as well as improvement of the healthcare system are high on the government's agenda. The Government is also developing new schemes to ensure sustainable poverty reduction.

The Russian Federation ratified the Social Security (Minimum Standards) Convention, 1952 (No. 102) on 26 February 2019, accepting the obligations for seven out of nine branches mentioned in the Convention. These branches are medical care, sickness benefit, old-age benefit, employment injury benefit, maternity benefit, invalidity benefit and survivors' benefit. The branches related to unemployment and family benefits have not been included yet, giving time and opportunity for the Government to design schemes based on national legislation.

⁶ A unified social tax was collected by the Tax Agency at a rate that was lower by 6 per cent than the rate of social insurance contributions. The social tax was introduced in an effort to reach people in informal employment. However, this did not work, and the social tax was rescinded.

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«Эволюция системы социальной защиты населения в России (Сравнение со странами Европы)» В.В. Кижикина.

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