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Watering down the pension reform in Russia

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On 29 August, Vladimir Putin gave a televised address in which he presented a rationale for implementing the reform raising the retirement age, which has proved unpopular among Russian society. Putin pointed out that he had been against such reforms for many years in view of the socio-economic instability they might cause. Today, however, the situation in Russia finally allows changes to be implemented: life expectancy has increased by about 8 years, and inflation & unemployment have both fallen. Putin justified the need to raise the retirement age by referring to negative demographic trends (the decline in birth rates, the decline in the percentage of the working-age population), which in the long run threaten to overwhelm the pension system, as well as economic and financial problems (the pension fund's annual deficit would rise from the current 3.3 trillion roubles, i.e. about US$50 billion, to 5 trillion roubles, i.e. about US$75 billion, in 2024).

At the same time, Putin proposed solutions to alleviate the severity of the rise in the retirement age: pensions are to be raised annually by 1000 roubles (from the current 14,000 roubles, i.e. $200, to 20,000 roubles, i.e. US$300, in 2024); the retirement age of women is to be raised by 5 years, not 8 as originally proposed (thus from 55 to 60); a 5-year pre-retirement protection period (during which a person cannot be dismissed); the proposed minimum period of employment qualifying the worker for early retirement is to be reduced by 3 years, to 37 years for women, and 42 for men; and finally, regional benefits for pensioners (such as free public transport, discounts in municipal fees, discounts for medicine, etc.) are to be retained during the entire transitional period.

Commentary

- President Putin's adoption of a direct stance on the controversial pension reform had been long awaited, the more so as the government had already come into collision with its negative social consequences; public protests, ongoing since June, as well as a drop in poll ratings for Putin (of up to 15 percentage points), the prime minister and the government. Putin decided to speak out and announce a relaxation of the reforms before the upcoming (9 September) regional and local elections, as well as the nationwide protests (announced on the same day) organised by opposition leader Aleksei Navalny's structures (he himself was put under preventive arrest).
- President Putin did not retort to his (hitherto frequently used) tactic of blaming an unpopular reform on the government and dismissing individual officials. In a spirit of 'controlled sincerity', Putin appealed to the citizens, taking responsibility for the reform

upon himself. He expressed his understanding of the public's concerns, while presenting a catastrophic vision of alternative scenarios. His narrative can be summed up as an offer to the citizens of the following choice: either the authorities implement this necessary reform now, in exchange for increases in pensions and other benefits; or after a few years, 'you and your children' will face social collapse.

- The watering-down of the pension reform will not resolve the problem of growing pauperisation, which particularly affects pensioners, who bear the highest cost of rising prices for food and medicine. In addition, after the changes take effect, pensioners will only be able to supplement their low pensions with additional (usually low-paid) employment after a further five years. Nor is it clear whether the Kremlin's concessions will stop the fall in support for the government. They may reduce public willingness to participate in protests against the rise in the retirement age, though. Opinion polls carried out by the Levada Centre on 3 September (before Putin's statement) indicated that 53% express a willingness to take part in protests, compared to 37% in July. In turn, according to polls by the state-run VTsIOM carried out after the change was announced, the percentage of people ready to protest had fallen from 38% in July to 31% today. In Russian conditions, while declarations of readiness to participate in protests reveal the level of social frustration, they do not overlap with the (significantly smaller) scale of actual participation in the demonstrations. This will soon be verified, however, as the wave of protests may peak during the period of further work on the reform project (the second reading of the bill has been announced for the end of September).