

**FROM STATE TO SELF:
TRANSFORMING SOCIAL PROTECTION IN THE RUSSIAN FEDERATION**

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Abstract: In the early 1990s, post-communist governments were faced with political and budgetary pressures to restructure the universally provided state-funded social programs of communism, which—because citizens relate to their governments on a daily basis through services like healthcare and pensions—ultimately alter citizen-state relations. While some post-communist countries have changed their insurance systems to rely more on individual insurance (risk individualization), others have maintained the communist-era structure of national social insurance programs (risk socialization). The decision to shift the risk (responsibility) of social insurance from state to self is highly politically salient as there are vested interests in society and the government that favor maintaining (or changing) the current system. Surprisingly, in at least one case—Russia—pensions have become individual, while healthcare has remained largely social. In this paper, I assess the development of Russian pension and health insurance policy. I then examine the most useful theoretical framework for explaining the distribution of risk in the Russian case and more generally.

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1. INTRODUCTION: FROM STATE TO SELF?

In the late 1980s, upon retirement all Russian citizens could expect to receive a state-funded pension adequate to support them through their retirement (regardless of individual contributions). Similarly, healthcare – in principle – was universally provided and accessible to all, although informal “under the table” payments constituted a very private aspect of Soviet healthcare. Today, upon retirement Russian citizens can expect to receive pensions based on formulas (albeit complex and poorly understood ones) that take into account their individual contributions. While previously pensions were universally provided, in 2002 Russia instituted notional individual accounts meant to directly tie contributions to benefits. As a result, the state no longer bears the majority of risk and responsibility associated with supporting retirees.

In contrast, Russian healthcare has remained a largely social system in which services are universally provided regardless of individual criteria. Health insurance has been established, but it does not depend on individual accounts and benefits are not tied to individual contributions. In fact, payroll contributions to health insurance funds constitute a small proportion (about 15 percent) of total health expenditures (Tragakes and Lessof 2003).¹ For the average citizen, mandatory health insurance represents little divergence from the Soviet system. Tragakes and Lessof (2002) speculate that many Russians are not even aware that mandatory health insurance exists, but rather consider the system to be universally provided, state funded healthcare. While in principle the new system allows individuals to choose both their insurer and their provider, insurers only contract with specific providers such that the choice of insurer determines the providers. Many regions do not have insurance companies, or often only have one insurance company, so that even that decision is not meaningful. In these cases, the territorial insurance

¹ Territorial insurance funds should collect a 3.6% payroll tax, which is then pooled across the country, distributed to insurance companies; insurance companies then pay providers for their services.

fund acts as the “insurer” and directly compensates providers for the care they provide. From the perspective of the average Russian citizen (who cannot afford private healthcare), her locality has a dentist, oncologist, family practitioner, etc. who provides state-funded healthcare. Informal “under the table” payments are common as providers are underfunded and often cannot provide the necessary treatment (such as anesthetics for surgery) without additional money from payments. This is little different from Soviet healthcare in which consumers had no choice because providers did not compete to provide services (Twigg 1998).

Why are Russian pensions individualized, while healthcare remains a social service? In this paper, I analyze possible approaches to this question. In section 2, I discuss the concept of risk individualization and the variation in individualization across the post-communist cases. In section 3, I present the Russian puzzle. In section 4, I assess the applicability of existing theories of the welfare state as well as post-communist liberalization. Section 5 concludes with a consideration of the most useful theoretical framework for moving forward. .

2. PRELIMINARIES: RISK INDIVIDUALIZATION

Conceptually, risk individualization refers to the transfer of risk from the state to individuals. Table 1 below demonstrates the range of risk socialization to risk individualization.

[INSERT TABLE 1 ABOUT HERE]

At one extreme are systems in which social goods are provided directly by the state and at the other extreme systems in which social insurance has been entirely privatized. Countries will not necessarily have uniform distributions of risk across all social insurance policies. For instance, Russian health insurance is highly social, while Russian pensions are highly individual.

Scholars have studied the distribution of risk in other contexts. American healthcare is characterized by “risk privatization” in which health insurance is mostly privately provided by employers (risk is individualized). In contrast, Social Security is very social (risk is socialized) as it covers all but a small percentage of the U.S. population (Hacker 2002, 2004). In my research, the term “risk individualization” is more accurate than “risk privatization” because the latter suggests the role of private actors and private property in the welfare state. Hacker explores why private insurers are much more important in American healthcare than in the American pension system. In post-communist countries, individualization may have nothing to do with the introduction of private actors and private property. Rather, in some of the post-communist cases, the state has taken the lead in managing individually tied benefits. While a very private system would be highly individualized, there is not an example of highly privatized social insurance in the post-communist context.

The assignment of risk is an important aspect of the welfare state *and a politically salient one as well*. Whether or not the state bears the inevitable risk associated with old age and poor health is a policy issue in which there are vested political interests. Since risk individualization ultimately limits the redistributive aspect of a welfare system, it is a politically relevant characteristic of the welfare state. Furthermore, bureaucracies (such as ministries of finance and welfare ministries) have vested interests in the continuation or modification of certain policies. Recognizing that welfare retrenchment is often unpopular, the World Bank recommended individualization as a sort of political middle road for developing countries that needed to shrink the size of the welfare state. Meanwhile, citizens are less certain about the effects of introducing individual accounts, or individually based criteria. While individualization often does result in a

retrenchment of the welfare state, in some countries such as Poland politicians successfully framed pension privatization as linking contributions to benefits and not as a retrenchment.

3. PUZZLE: RISK INDIVIDUALIZATION IN THE RUSSIAN FEDERATION

Russian pensions are individualized, while healthcare remains a socially provided good.

Arguably, the variation could occur because pensions are technically easier to reform than health insurance (Nelson 2001). Although pensions probably required more legislation than healthcare because they were more politically, one Russian expert noted that the government does not currently understand pension policy well enough to fix problems in the system; pensions are simply too complex. Below I consider the development of pensions and health insurance in Russia.

3.1 Pensions

Pension reform was first debated during the *glasnost* period of the late 1980s, but notional defined accounts were not created until 2002. Appendix A gives a timeline of pension reform. Even in the late 1980s pension reform proposals suggested rewards for the hardest working, most productive, and most efficient workers. Linking benefits to contributions was considered to be in keeping with the principles of “social justice” (Chandler 2004). A Soviet Pension law was passed in 1990 (which never actually went into effect) that granted the Supreme Soviet significant discretion to grant special privileges to people with exceptional service (Chandler 2004). Had it been implemented it would have introduced a contributory pension scheme with universal coverage based on pay-as-you-go (PAYG) financing, not funded individual accounts (Branco 1998). In 1992, a Russia passed a pension reform law very similar to the previous

Soviet one. Most importantly, the 1992 law created specific criteria for early retirement and special pension benefits, while allowing for supplemental grants to existing pensioners. This law resolved to create an independent pension fund to finance the new system (Chandler 2004).

In 1995, legislation was passed that began implementing changes in the pension system; it tied benefits to contributions and paved the way – at least by declaring the government’s intent –for the creation of a multi-tiered system. The 1995 legislation provided for a base pension according to one’s work experience, and also ensured special benefits for pensioners (Maleva and Sinyavskaya 2005). In June 1997, an important reform was passed entitled “FZ-113”; the objective was to recalculate pensions for some senior citizens and define a formula to calculate pension increases. Pensioners could choose whether to operate under the new “FZ-113” law, and a number of retirees did not choose the new formula because it was poorly understood how the calculations worked (Chandler 2004). In 1998, legislation was passed indicating the government’s intent to finance mandatory individual pensions, in part through notional individual accounts (Maleva and Sinyavskaya 2005).

The important actors in pension reform were two government bureaucracies: the Ministry of Economic Development and Trade Openness, and the Pension Fund. Cook (forthcoming) refers to a “pension war” that was fought between the Ministry of Economic Development and Trade Openness headed by Mikhail Dmitriev, and the head of the Pension Fund, Mikhail Zurabov. Zurabov resisted reforms that would diminish the redistributive nature of pensions, while Dmitriev pushed for a funded component (individual accounts) to alleviate budgetary pressures and promote economic growth. Business interests also favored reforms that promoted a mandatory individual insurance system. A compromise was finally struck after negotiations were conducted via Putin’s National Council on Pension Reform in 2001 (Cook forthcoming).

The new system was implemented in 2002, and provided that pensions retain a redistributive component, but also that the guaranteed minimum pensions would increase in real value over time. Pensioners could choose to keep money in the state managed fund, or to invest it privately. The reform was also designed so that it would have no immediate costs for pensioners *and* so that real pensions would increase slowly but steadily (Cook forthcoming). Russia's pension fund is now made up of three tiers: 1) a basic part, 2) an insured part, and 3) a funded part. The basic part is a fixed payment established at a flat-rate amount. The insured part constitutes mandatory insurance contributions which is:

a differentiated part depending on work performance of a particular individual, to be registered in his/ her individual account in the form of notional defined capital which is understood as the amount of pension rights earned by the individual in connection with insurance payments made on his/ her behalf throughout the entire working life as adjusted for inflation (Afansiev 2005)

The funded part is paid according to the amount that is registered in the individual notional account. Pension payments are the sum of the basic, insured, and funded parts.

Ultimately, pensioners appeared to have little input into the design of reform legislation. Interviews with pension experts during the summer of 2006 confirmed that pension policy is most influenced by the government and bureaucrats. In fact, an intergovernmental battle between bureaucracies—one favoring pensioner benefits and the other favoring economic growth—appears to have been the primary determinant of the Russian pension system's form.

3.2 Health insurance

Healthcare was not nearly as politically salient as pensions, and there was no policy debate comparable to that over pensions. The major actors in Russian healthcare policy are the Ministry of Health and the regional governments. Russia's healthcare system was designed to

ensure mandatory medical insurance for all citizens (in keeping with Russia's constitution, which mandates universal healthcare). Legislation passed in 1991 and 1993—much earlier than pension reform—provided for the establishment of a mandatory health insurance that has not been fully implemented (as of 2007). Because healthcare, including health insurance management, was massively decentralized, there is substantial regional variation in the quality and nature of health insurance.

The aforementioned legislation was subsequently amended in 1993 in response to severe under-funding in the health sector and the desire to make “a radical transition to the market economy” (Tragakes and Lessof 2003, p. 38). With respect to individualization, the most important change was the creation of mandatory health insurance funds. The World Health Organization (WHO) reports that the Russian government considered the UK and Nordic national health models too close to the Soviet system, while the requirement that the population be responsible for a large portion of financing (through out-of pocket payments) would forego concerns about equity. Compulsory health insurance, therefore, was considered a type of political middle ground in which there are individual contributions through a payroll tax, but contributions that are pooled and then redistributed to help insure equity within and across regions. Market-based health insurance was considered to be, “in line with the rapid introduction of market oriented reforms in other sectors of the Russian economy” (Tragakes and Lessof 2003, p. 71). Furthermore, the Russian government decided that, “Russia would introduce a system of mandatory health insurance that would rely heavily on market forces to correct the many ills of Russian healthcare” (Tragakes and Lessof 2003, p. 71). In fact, by design Russian health insurance is very social.

According to the law, each of Russia's 89 regions should have a territorial fund. These funds are intended to collect and manage insurance revenues from a 3.6% payroll tax on employers. The regional government is to contribute on behalf of the non-working population, although this does not always happen. The territorial MHIFs are supposed to pool all of the collected funds and pay insurers on the basis of risk-adjusted capitation. Of the 3.6% payroll tax, 3.4% goes to the regional MHIF and .2% to federal MHIF (Tragakos and Lessof 2003). By law, the federal and territorial funds were initially meant to be independent, non-profit institutions that would be responsible for the management of the financial resources of health insurance system. In practice, the MHIFs have boards that operate as management bodies; these boards consist of representatives of government authorities, the Central Bank, health insurance companies, and professional medical associations (Tragakos and Lessof 2003).

Russian health insurance is less social than intended by law, in large part because of under-funding and the resulting prevalence of informal payments. Furthermore, rapid and poorly managed decentralization has meant that Russia lost the benefits of centralized health planning without gaining the advantage of regional level competition between providers (Chernichovsky and Potapchik 1999). In principle, citizens can choose their insurer and provider; however, in practice insurance companies (or the territorial MHIF in some cases) only contract with certain providers, so that the choice of insurer determines your doctor (Tragakos and Lessof 1998).

Decentralization has also resulted in a number of regions being left without health insurance companies; the Ministry of Health has had minimal involvement with health insurance implementation. Half of all the insurance companies are concentrated in Russia's three largest cities (Twigg 1998). In some regions (from about one-quarter to one-third), the new financing system has not been implemented at all and there are no insurance companies. In other regions,

the new financing system has only been implemented in some localities (rayons). In still others, the new system has been implemented without insurance companies (Tragakes and Lessof 2003, p.77). In contrast to the 1993 legislation, MHIFs were granted the right to act as insurers and to purchase services directly from providers. These MHIF branches—initially intended to be temporary—are now permanent features in rural areas. As a result of the wide regional variation in insurance companies, the territorial funds have not successfully pooled health insurance funds (Tragakes and Lessof 2003).

Doctors in at least one region lobbied in favor of the MHIF financing system because they thought it would increase doctors' salaries (Twigg 1998). Additionally, Tragakes and Lessof (2003) argue that many Russians do not realize that there is a health insurance system in operation; rather, they think of it as universally provided healthcare since in practice there is not much choice of insurer or provider. Individuals must deal with the insurance company in their region, and insurance companies only contract with certain providers. Finally, it is estimated that nearly half of total healthcare expenditures comes from private “under-the-table” payments. Why, in the face of pressure from doctors (and a system which is unofficially privately funded with “under-the-table” payments), does the Russian government *not* create individual health insurance accounts?

4. THEORY: EXPLAINING THE DISTRIBUTION OF RISK IN SOCIAL INSURANCE

What explains risk individualization in social insurance systems? Specifically, what explains why Russian pensions are individual, while healthcare is social? Theoretically, we lack a full understanding of the political processes that produce risk individualization, including how politics mediates economic incentives favoring welfare state retrenchment. Empirically, standard treatments of the welfare state cannot fully explain the distribution of risk we observe in

Russia, nor can standard explanations of liberalization in the post-communist world. In particular, these literatures are unable to account for differing outcomes in pensions and health insurance within a single country, or more generally the between country variation we observe in the post-communist cases.

4.1 Expectations for the Welfare State

4.1.1 Economic Explanations

Trade openness, capital flow, debt, economic growth, foreign direct investment, and budget constraints are some of the factors thought to influence the size of the welfare state (Garret and Mitchell 2000; Rudra and Haggard 2005). Empirically, although the post-communist countries do vary economically on a number of these significant factors, countries with very different economies made similar decisions with regard to risk privatization. For instance, Latvia, Estonia and Kazakhstan (as well as the other Central Asian countries) chose to similarly privatize risk in pensions..

Other important factors affecting social policy expansion/ retrenchment are budget constraints and the age dependency ratio. Some scholars have pointed out that demographic factors like age dependency ratio are as much political factors as they are external constraints. While government pension obligations may be increased by a rise on the number of older people, the government can always choose to revise the policy in light of an ageing population (Brown and Hunter 1999; Rudra and Haggard 2005). As such, we should be careful not to consider demographic changes as solely external economic factors.

4.1.2 Political Explanations

The political configuration includes a wide range of factors making social policy retrenchment more or less likely. These factors include: 1) path dependence/ policy feedbacks, 2) the mobilization and organization of interest groups, 3) public opinion, 4) party configuration and the strength of left-wing parties, 5) labor organization and density, and 6) executive-legislative relations.

Factors 1-3. Path dependency and “policy feedback loops” are thought to explain why the welfare state is often very slow to change (Pierson 1991; Hacker 2002). Vested interests prevent significant retrenchment or expansion of the welfare state. Vested interests did play an important role in the reformation of the communist welfare state in the early 1990s, although the extent to which societal input was incorporated likely depended on the extent of democracy. Former regime type –which I discuss below – offers specific predictions for post-communist liberalization, including the welfare state. Path dependency encompasses the idea of competing groups with vested interests in the nature of the welfare state. Cook (forthcoming) argues that elites in Russia designed social policy with little societal input. On the other hand, Roberts (2003) finds evidence in Hungary, Poland, and the Czech Republic that public opinion did affect pension and healthcare policy. Interest groups and societal pressure appear to have played little role in the formation of Russian pensions and health insurance.

Factor 4. Cross-class coalition building (Esping-Anderson 1990) and the nature of domestic politics, including the strength of the left-wing parties (Garrett 1998), are thought to play an important role in social policy formation. Scholars of coalition building have favored what Kitschelt (2001) calls a “center-of gravity” explanation in which social policy will follow the preference of the median voter (Downs 1957; Cox 1990; Olson 1982; Shepsle 1991). On the other hand, retrenchment may be most likely in party systems configured around strong center-

right, non-socialist parties. In such cases, the political configuration enables the social democrats (or any left wing party) to push retrenchment and the voters have no electoral alternative (Kitschelt 2001). In the post-communist countries, left-wing parties may be able to push retrenchment in instances where voters are unable to switch to another left-wing party. In the case of Russia, if the communists decided (very unexpectedly) to favor retrenchment and no other credible left-wing challenger arose, left-wing voters would be left with no electoral alternative to vote against welfare state retrenchment.² Based on party configuration, in Russia we would expect individualization to occur across the board. In the absence of a stronger left-wing party and a government dominated by the center-right, we should expect risk individualization in health insurance and pensions.

Factor 5. Labor organization and density are also thought to be important in the formation of the welfare state. However, labor organizations are generally very weak across the post-communist cases, including Russia (Cowley 2000). While certain sectors such as the coal industry did win concessions during the Yeltsin period, these were sector-specific benefits that did not apply to general public goods.

Factor 6. Executive-legislative relations are thought to be particularly important in determining social policy in the Russian case. Cook (forthcoming) argues that liberalization of the welfare state was delayed in large part due to a standoff between the legislature and the executive. She provides a compelling argument that in the case of Russia reforms has been negotiated mainly among the state, social, and business elites with limited societal influence. Because Russia had more restrictive institutions and more concentrated power, overall the

² While the party configuration explanation does not explain the Russian case, it might explain why Eastern European countries like Hungary or Poland were able to individualize so extensively without much public opposition.

government was able to liberalize “more deeply.” However, in the case of Russian healthcare, it does not appear that Russia’s approach actually created a very liberal (market-based) system.

Traditional explanations of the welfare state offer a useful starting point for understanding the transformation of the welfare state in the post-communist context, but scholars attempting to understand this context could benefit from a modification of welfare state theories.. The theoretically interesting aspect of the post-communist cases is that it allows us to examine how different countries deal with sudden pressure to retract or modify the welfare state. In fact, Chandler (2004) speculates that pensions affected the Russian political system as much as the political system affected pension policy.

4.1.3 Integrating Political and Economic Explanations

Scholars of welfare state retrenchment have posited that the effects of economic conditions may be contingent on political factors (i.e. the extent of democracy); democracies respond to political factors while authoritarian regimes respond to changes in state revenue (Brown and Hunter 1999). However, we lack a specific understanding of which aspects of a democracy (e.g., representation, party system) are the most important in shaping the welfare state.

It may be that political factors matter more in some countries, while economic factors are more important for social policy outcomes in other countries. According to this argument, democracies are more responsive to public opinion and more constrained in making rapid policy changes in response to economic fluctuations. Authoritarian regimes, on the other hand, can respond rapidly to changes in revenue, investment, etc. Brown and Hunter (1999) provide evidence supporting this point from 17 Latin American cases over a 12-year period (1980-1992). Brown and Hunter code democracies using a dummy variable because they want to capture the

influence of being a democracy generally. We might think that democracies are more bound to political constraints (like public opinion). If this is the case, we might expect democracies to increase their pension provision as the size of the population over 55 increases (which is what Brown and Hunter test). Likewise, we might expect authoritarian regimes to *not* increase their pension provision as the size of the population over 55 increases. According to Brown and Hunter, authoritarian regimes change social/ economic policy more rapidly in response to changes in revenue. Revenue growth prompts more social spending and vice versa, while democracies are less responsive to economic changes (like changes in revenue).

It may not make sense to code the post-communist countries as democracies and non-democracies using a dummy variable, as we could get more leverage out of post-communist variation if we considered a continuous measure of democracy. What happens in semi-democratic regimes or semi-authoritarian regimes? We lack an understanding of which *aspects of democracy* are the most influential for welfare state retrenchment, as well as how the effects change at varying *levels of democracy*.

4.2 Expectations for Liberalization in the Post-Communist World

It is not surprising that the post-communist countries diverge on a number of political and economic outcomes; they were very different countries to begin with. However, how these countries vary on social policy (especially risk individualization) is very puzzling because they do not follow the normal pattern of post-communist liberalization. In the cases of industrial privatization, price liberalization, and financial stabilization, the East and Central European countries have undergone the greatest transformation, the Central Asian countries the least, and the Slavic and Balkan countries lie in the middle. In contrast, countries as diverse as Estonia,

Latvia, Uzbekistan, and Kazakhstan similarly restructured their social insurance systems to be highly individualized, while others like Lithuania and Ukraine have maintained *social* insurance systems for health and pensions very similar to communist times. Even among the Baltic countries, Lithuania has maintained a very social pension system while Latvia radically individualized its pensions.³ Because Russia falls in the middle (i.e. we would expect some liberalization, but not a lot), it is surprising that Russia has not partially individualized both health insurance and pensions.

Differences in communist legacies are often-posed explanation for diverging outcomes in the post-communist countries. Although these countries share a communist past, there are important differences in post-communist country legacies (Kitschelt et al. 1999). Important differences among the communist countries regarding the nature of the nature of the bureaucratic state apparatus, the extent of pluralism, and the regime type during the fall of communism could affect the formation of social policy. If elites in Russia have an incentive to individualize social services (because of budgetary pressures) and societal inputs into the political process are limited, we would expect high individualization of both health insurance and pensions.

According to Kitschelt et al. (1999), citizens should have the most impact on the policymaking process in countries with stronger citizen-party linkages, which include national-accommodative regimes such as Hungary. Countries such as Bulgaria and the Czech Republic (bureaucratic-authoritarian and patrimonial communist respectively) severely repressed opposition groups; in these countries citizens are less likely to influence elites, and thus we might expect individualization to follow the preferences of elites. Although Kitschelt does not classify Russia in his work, Russia would best fit in the bureaucratic-authoritarian category in part

³ My empirical characterizations are primarily based on the *Health Care in Transition* reports published from 2000 to 2005 by the World Health Organization, and the *Social Security throughout the World* reports published by the U.S. Social Security Administration in 2004.

because of the repression of opposition groups; this means that risk individualization is inclined to follow the preferences of elites.

5. CONCLUSION & IMPLICATIONS

My theoretical framework is guided by the integration of political and economic factors influencing the formation of social insurance policies. A number of scholars have provided compelling evidence that politics mediates economic influences (Brown and Hunter 1999; Cook forthcoming; Rudra and Haggard 2006), but I would like to consider how politics mediates economic factors at varying *levels of democracy* (as opposed to just grouping countries as “democratic” or “authoritarian”). Furthermore, we need a better understanding of which *aspects of democracy* are the most important for mediating economic pressures on social insurance systems. As such, it would be useful to understand the conditions under which social insurance policy is more influenced by politics (such as party competition, coalition-building, and representation), and the conditions under which social policy is more influenced by bureaucratic factors (such as intergovernmental fighting) and economic pressures. This might explain why some “bad” democracies such as Kazakhstan ended up with more highly individualized social insurance systems similar to “better” democracies such as Latvia.

The preferences of citizens and elites in regard to risk individualization depend on a number of factors; preferences are likely to vary by class and by the type of elite. Ministries of Finance are likely to favor cost-cutting measures, especially in countries with large deficits and/or declining revenues, while Ministries of Welfare are likely to favor maintaining social benefits (as that is their bureaucratic mandate) (see Müller 2003). However, in light of inevitable cuts in the welfare state, such welfare bureaucracies might see bureaucratic management of individual

accounts as a way of preserving their position in the government amidst rapid policy change. The preferences of citizens are likely to depend on their economic class (wealthier groups tend to favor less redistribution) and, perhaps more importantly, the information they have about the effects of programs. Citizens' opinions about risk individualization depend at least in part on how politicians frame the issue. Risk individualization presents an opportunity for politicians and parties to frame complex economic reform in multiple ways. In less democratic countries, elites may not bother to frame individualization as politically appealing, because societal input into the political process is limited. In more democratic countries, elites may or may not successfully frame risk individualization strategies as something politically acceptable (i.e. as something other than welfare state retrenchment).

In part, because preferences about risk individualization strategies are difficult to specify across countries, a more useful theoretical framework for explaining social insurance policy should focus on which groups of explanations matter across varying levels of democracy.

APPENDIX A

Timeline of Major Russian Pension Legislation

Year	Reform
1988	First began preparing pension reform.
1990	Soviet pension law. Article 98 of this law granted significant discretion to Supreme Soviet to grant special privileges to people with exceptional service. This legislation resolved to create an independent pension fund to finance the new system.
1992	RSFSR law was passed which was very similar to the Soviet law. Important differences included the omission of language referring to “socially useful labor”, the inclusion of specific and streamlined criteria for early retirements and special pension benefits, and significant discretionary power to grant supplements to existing pensions
1995	“Concepts of the Pension System Reform in the Russian Federation”: Preparatory legislation that established the concept behind introducing a three-pillar pension system, insurance principles for entitlement to retirement pensions, introduction of personalized accounting, and transference of early pension related to work conditions to occupational pension systems
1997	FZ-113: Reform was highly technical in nature. The objective was to recalculate pensions for some senior citizens and define the formula for calculating pension increases. It was meant to provide systematic, universal formula to increasing pensions on a regular basis. Provided very confusing guidelines as to how it should be interpreted and applied. Some pensions opted not to use FZ-113. This legislation also provided the conceptual basis for a three-tiered system.
1998	“Pension Reform Program in the Russian Federation”: Preparatory legislation regarding the introduction of a funded mechanism to finance retirement pensions, transition to calculating the amount of retirement pensions on the basis of paid contributions and expected period of payment (i.e. annuities)
2002	“Pension Reform Program in the Russian Federation (revised)”: This legislation was passed in 2001 and implemented in 2002. It created notional individual accounts. Implemented all three tiers (flat rate basic part, mandatory individual contributions, and voluntary individual contributions)

Sources: Afansiev 2005; Chandler 2004; Maleva and Sinyavskaya 2005 (p. 30, 33)

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INTERVIEWS

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TABLES

Table 1: Risk Individualization as a Concept

	←----->				
	Social (Risk Socialization)				Individual (Risk Individualization)
Type	Direct public provision	Indirect or in-kind provision	Use of individual criteria (means-tested benefits)	Provision through individual insurance accounts that closely ties contributions to benefits	Entirely private provision
Explanation	Social good is provided through a direct transfer or direct production	Purchaser-provider split; government collects funds and pays an intermediary (such as an insurance company) who in turn pays the provider of services	Services provided based on need (only for those in lower income groups)	Benefits depend on individual contributions (which are based on years worked, salary, etc.)	Provision of the public good is left to market mechanisms, or voluntary provision
Examples	U.S Social Security (Hacker 2002)	Russian health insurance	U.S. Medicare and U.S. food stamps (Hacker 2002)	Russian pension system	Employer-provided health insurance, charity, personal savings

Note: Hacker (2002) uses a similar table & classification scheme to distinguish private and public social programs (see page 30).