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**Russian Social Model: Is There Room For Regional
Disparities?**

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fulfillment of the requirements for the degree of**

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ABSTRACT

This study has attempted to fill an analytical gap that exists in literature on observation of elements of continuity and change in the post-Soviet welfare system of Russia. Although much research has been devoted to specific issues of welfare regime change, few efforts have been made to systemise all the developments and to view them in a historical perspective. The goal of the study is to analyse the specific characteristics of the emerging social model in Russia, with particular emphasis on the process that led to system fragmentation during the period of 1990s.

The study provides a unique opportunity to observe the interrelatedness of such factors as history, institutional legacies, political orientations and interests of the elite in determination of ways in which the social model of post-Soviet Russia was restructured. It observes how the complexity, high level of fragmentation and manifold 'mixture' effects characteristic of the system were built up through the course of reforms, which in many ways were undermined by the lack of conceptual vision or any social strategy that would be able to guide the process of transformation at both the federal and regional levels. This grasp of the particularities of the evolving social model of Russia is deemed to widen analytical horizons of social sector reform in conditions of high uncertainty and instability.

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A NOTE ON TRANSLITERATION

For transliteration of Russian names and titles I use a modified Library of Congress system. Some names are spelled according to their most common usage, i.e. Yeltsin, instead of Eltsin, Ulyanovsk, instead of Ulianovsk, etc. Titles of the Russian books are not capitalized; laws and other primary sources are given in both English and Russian. Titles of the Russian newspapers are transliterated, but not translated.

To improve readability of the paper, some subtitles are given in italics; some words and phrases are given in bold; abstracts at the beginning of each chapter and some tables are single-spaced.

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INTRODUCTION

The literature on social policy and the welfare state has expanded quickly in recent years. On the one hand, the processes of globalization, restructuring of domestic economies, population ageing and gender revolution have put certain constraints on the Welfare policies of many countries; on the other hand, the 'social' dimension continues to be perceived as an important correlate of economic growth. These developments pose a question of reconceptualization of welfare politics, while becoming subject to hot debate among scientists and politicians.

Restructuring of the Soviet welfare state, however, inspires comparatively little discussion, being overshadowed by the persistent attention to the process of economic change in post-Communist countries. This neglect is detrimental to an adequate understanding of major gains and failures of systemic transformation, being one of the impediments to the analysis of world trends in welfare system evolution.

The neglect of the transformation of Russian social policies can be explained by several reasons. First, for the whole period of transition, the Russian government undertook very few efforts to restructure the Soviet welfare model to make it compatible with the principles of a market economy. Secondly, there was a general reluctance on the part of scholars and politicians to look at these transformations systemically. The system, during the post-Communist period, was characterized by the high level of complexity and fragmentation which created impediments for an adequate interpretation of major trends. More than that, it was considered that the lack of reform could make the study of the

Russian social system irrelevant. Because of these factors, the bulk of analysis was centered on specific policies, which might not provide ground for broad generalizations.

This thesis makes an effort to fill a gap that exists in the literature on a complex analysis of social system change in Russia. The purpose of the study is to analyse the specific characteristics of the emerging welfare model in Russia, with particular emphasis on models of social reform in Russian regions. Topics examined include continuity and change affecting the social security system under economic transformation, ways and mechanisms of social policy reorientation in changing circumstances, strategies of social reform applied across the country, regionalization of social policies and redistribution of competencies, funding and responsibilities in the social sphere. The study will examine both the federal and regional level.

To understand the problems surrounding the development of the Russian social security system I will refer to the analysis of the Soviet legacy, trying to identify the problems of continuity and change affecting the system. While comparing the Soviet and post-Soviet systems, as well as implementing original research using primary sources, an attempt will be made to find out major contradictions and problems associated with the transformation of the social model in a changing environment. In this respect, social reforms implemented during the presidencies of Boris Yeltsin and Vladimir Putin will be analyzed. This will include delineation of stages of social policy transformation in Russia, contemplation of major initiatives at each stage, their impact on Russian regions and their meaning for the process of social reform in general. First of all, the problems of social policy formulation and the politics of social reform will be analysed, since it can be suggested that they are responsible for the general trends of social restructuring in all

Russian regions. The impact of the Soviet legacy will be traced along the lines of organization, structure and ideology.

Two hypotheses that are taken as a point of departure in this endeavour are deemed to throw light on the way in which social policies were restructured at the federal level and the choices of various Russian regions to preserve or dismantle some of the remnants of the Soviet-era welfare state. First, it is suggested that the lack of strategy for social reform at the federal level throughout the transition period resulted in a growing systemic complexity of the post-Soviet social model, which created opportunities for regional powers to develop distinct welfare regimes, some of which were liberalised while others incorporated Soviet-era practices and commitments.

The second hypothesis rests on the idea that social policies in Russian regions during the period of transition were subordinated to the political interests of regional elites. If the political cost of social reform was too high then the choice was made to preserve commitments of the Soviet era; accordingly, if liberalization of the social system didn't threaten the political power of regional authorities, then the choice was made to dismantle Soviet-era commitments and practices.

Testing the hypotheses outlined above requires that many questions be asked about the nature of the evolving social model in Russia. What changes have been made to the welfare model at the early stages of post-Soviet transformation? Has any strategy been worked out and applied by the federal powers? Which factors exercised significant influence over regionalization of social policies in Russia? Why did the disparities between the ways of social reform in Russian regions occur? How can the social policy choices at the regional level be explained?

In a search for answers to these questions, the study will attempt to a) distinguish the most suitable theoretical framework for the analysis of social system transformation in Russia; b) establish the impact of the Soviet legacy over the emerging Russian welfare model; c) identify patterns of social reform in Russian regions; and d) analyse various explanations for differences between the models of social reform in Russian regions.

Overall, the study will consist of several chapters. The first chapter will describe major approaches and theoretical conceptualizations of social system transformation in post-communist countries. While looking for the most suitable theoretical framework for the analysis of post-communist restructuring, the study will focus on the applicability of at least some of the existing approaches to the analysis of problem at question. In this respect, path-dependency theory, elite-centered approach and liberalization perspective will be reviewed as those that hold the greatest explanatory power for the Russian case.

In the second chapter, an attempt will be made to understand the nature (major principles and systemic features) of the evolving social model in Russia. The peculiarities of the emerging system will be analysed against its Soviet background which will contribute to an understanding of the extent to which the 'modernizing path' was radical and all-embracing. At this stage, analysis of the primary sources (federal laws, social programmes and other documents) will be undertaken. Since it is difficult to cover all the dimensions of the welfare model, I will concentrate on just a few of them.

Taking into consideration the fact that the transition period is still not over, the second chapter will also try to cover recent social initiatives by the Russian government, implemented during the presidency of Vladimir Putin. There is no reason to state that since Putin came to power much has changed in the social security system. However,

social initiatives have become more intensive, tending to touch important principles of redistribution between various social groups. Political reforms that have changed relations between the centre and regions do have impact on regional welfare regimes as well. Overall, it is suggested that periodization of the social reform process will make the link between federal initiatives and regional policy choices more obvious.

The third chapter will be devoted to the problem of regionalization of social policies in Russia. Conditions leading to regional diversity in social reform, as well as regional types of social reform in Ulyanovsk, Samara and Tatarstan (most vivid examples) will be considered.

Finally, the fourth chapter will involve a case study of one of the Russian regions (Orel region) where gradualist measures seemed to be mostly apparent during the period of transition and where the role of the regional leader was particularly high and where the second hypothesis regarding political factors behind social policy choices at the regional level can be tested. Beside the analysis of social policies, the chapter will examine opinions of regional officials concerning the reform process throughout the transition period. Interview of regional officials and analysis of official documents and speeches is deemed to throw light on the way in which crystallization of the welfare regime in Orel region took place. In this respect, the study will ask questions about the course of reforms, the perceived impact of federal reforms on regional policies and the role of different actors involved in social policy formation in welfare regime consolidation. Overall, the study will be based on original research conducted through the analysis of regional social programmes, public speeches and interviews with officials from the executive and representative bodies of power.

Key concepts and definitions

In the scholarly literature it is hard to find any strict definition of the concept 'social model'. Sometimes it is used interchangeably with a similar term – 'welfare state' - but also includes connotations of social policy and social security system.

'Welfare state' represents a purely western model, built upon protectionist measures during the time of industrialization. In the post Second World War period, most of the leading western societies proclaimed themselves as 'welfare states', which meant that pension and insurance systems were put in place to boost workers against the adverse risks of sickness, job injury, unemployment and old age. The essence of this model was similar to that of the Soviet state, being defined as 'government-protected minimum standards of income, nutrition, health, education, safety and housing assured to every citizen as a social right'¹. In fact, however, the term was associated with western democratic systems.

The notion 'social policy' is more traditional for the Russian society, being defined as a combination of social security, social provision and social insurance systems. Social security, which is the key element and the main product of this system, is conceived as a combination of measures in the fields of employment policies, pension, healthcare, education, family and child care. In fact, the notion of social policy is rather diffuse, sometimes meaning nearly half of what governments do for their citizens.

To avoid conceptual ambiguity, the term 'social model' in this study will be associated with social policies which were put in place during Soviet times and the period of transition. As it is difficult to cover all the dimensions of social policy, the emphasis

¹ Naumescu V., 'The crisis of the Welfare State Model and the Social Policies' New Philosophy'. Studia Universitatis Babeş-Bolyai, Studia Europea, XLI, 1-2, 1996, p.167.

will be placed just on a few of them, i.e. healthcare system, sick, family and pension benefits.

The other concept, which is to be used in the study, is that of 'social contract'. This concept was widely applied in the studies of Sovietologists as a way to characterise the Soviet security system as a whole. It was argued that during Soviet times some kind of tacit agreement between the state and people existed, in which the former provided to the latter a certain level of welfare and stability in exchange for political compliance and loyalty. In this study I will use the term in this particular way. In this respect, crucial elements of the Soviet social contract (wage controls, subsidized prices, full employment, and socialized services) will be taken into consideration and contemplated in the study as those which characterise the transformation of the post-Soviet social model.

Methodology

While comparing the former Soviet and the newly emerged Russian social models, I will try to distinguish between major principles and structural elements, characteristic to each one. This will include analysis of social security system in its traditional understanding, as well as a reflection over the peculiarities of state-society relations, characteristic to both systems.

The greatest part of work will be devoted to the transition period, beginning from the 1990s, as it constitutes the major field in which my first hypothesis can be tested. I will try to indicate, which elements of the Soviet security system in the changing Russian environment have been radically altered, and which, on the contrary, were preserved. As well, of great interest will be the analysis of preconditions that contributed to a growing

fragmentation of the Russian social system. I suggest that analysis of conceptual social policy documents (strategies, federal laws and other documents) will help me clarify major directions of the social system change.

Moving to the regional level of analysis, I will concentrate on differences between regional welfare patterns. I will try to find out which variations in regional welfare regimes can be distinguished, and what are the major preconditions for their emergence. In this respect, the study will involve the analysis of official documents, public speeches and interviews with officials from the social policy committees in one of the Russian regions. Interviews are deemed to enrich this study by measuring perceptions and opinions of regional authorities concerning reforms at the federal and regional levels. The latter will supposedly help answering the question about the rationale behind social policy choices of regional authorities and the ways in which social policies, at the regional level, were formed. Since this hypothesis deals with the sphere of intentions and motivations, interviews, which are a part of qualitative methodology, represent the most appropriate method of research.

CHAPTER 1

THEORIES OF WELFARE STATE TRANSFORMATION IN POST- COMMUNIST COUNTRIES

This chapter conducts an in-depth analysis of major theories and approaches used in the academic literature to conceptualize the process of welfare system restructuring in Post-Communist countries. It highlights crucial points of each theory providing grounds for an adequate choice of the most appropriate framework for the contemplation of social transformation in Russia. The chapter argues that two frameworks (path-dependent theory and elite-centered approach) can provide a valuable source of inspiration, particularly in the case of multi-level analysis that involves country-specific and region-specific information. For the benefit of the study, a suggestion is made that each of these approaches might work best if applied appropriately to particular circumstances. The latter opens the floor for the debate and comprehensive observation of continuity and change affecting the Russian social model. In this respect, the major challenge of the subsequent chapters is to find ways through which broad generalizations derived from the experiences of different countries could be converted so as to become applicable to a highly fragmented social system.

The starting point of this analysis is the search for the most suitable theoretical framework for conceptualization of welfare transformation in Russia, and, specifically, in Russian regions. Although developments in Eastern European countries are not the main focus of this study, a wide range of theories and approaches that have been worked out of many cases taken from post-Socialist realm will be analysed. Scholarly works on postsocialist transformation provide extensive literature for alternative interpretations and better understanding of particular welfare regime change on macro- and micro level.

In the literature, several theoretical approaches are being used for the analysis of post-communist welfare transformation²: path dependency theory (used interchangeably

² The term of *transformation* here is used in a sense in which it is defined by David Lane as ‘the process by which former socialist countries which rejected Communist Party hegemony and centrally planned economy embarked on major changes of their political, social and legal institutions’ // Lane, D. ‘Trajectories of Transformation: Theories, Legacies, and Outcomes’, in The Legacy of State Socialism and the Future of Transformation, David Lane, eds., Lanham, Md: Rowman&Littlefield Publishers, 2002, 1-30.

with ‘legacies of the past’ approach), elite-centered approach and liberalization perspective. All of these theoretical frameworks are focused on *institution building*, and institution restructuring. To be more accurate, the researchers distinguish between two types of processes that penetrate contemporary welfare regimes in Central and Eastern European countries: a) the processes of institution building and b) the processes of natural development and mutation. The first type constitutes the formal side of welfare regime change, while the latter presents the hidden, less observable and more complex factor system. Each theory is built along the type of factors and processes it observes.

Path-dependent theory

The notion of path-dependent transformation originates in the field of technological development and economics³. In this tradition, path dependent evolution means that the transformation in the technological, economic or political field highly depends on the environment in which conditions for change have been formed. David gives the following definition of path dependency:

A path dependent sequence of economic changes is one of which important influences upon the eventual outcome can be exerted by temporally remote events, including happenings dominated by chance elements rather than systemic forces. Stochastic like that do not converge automatically to a fixed point distribution of outcomes, and are called non-ergodic. In such circumstances, ‘historical accidents’ can neither be ignored nor reality quarantined for the purpose of economic analysis; the dynamic process itself takes on essentially historical character⁴.

³ For more detail, see Garud, R., Karnoe, P., ‘Path Creation As a Process of Mindful Deviation’, May 2000, pp. 4-6 // <http://pages.stern.nyu.edu/~rgarud/path/PATHC.PDF> (Internet, January 12, 2007)

⁴ David P. (1985) *Clio and the economics of QWERTY*, “Economic history”, 75, pp. 227-332, in Garud, R. and Karnoe, P., Path Creation as a Process of Mindful Deviation. London: Lawrence Erlbaum, 2001, p.4.

Although this initial definition pertains to the realm of economy, it bears advantages of applicability to the field of socio-political and economic analysis of post-communist transformation. According to Cerami, the essence of the approach is that small events of the past predetermine long-lasting consequences. This is, to a certain extent, debatable since when speaking of path dependency, the emphasis should be not on 'small events', but rather on dependence and the long-lasting effects produced by a system under transformation.

In line with path dependent theorists working on post-Communist transformation, neoliberal values introduced in transitional societies are doomed to encounter the influence of the Soviet legacy. Crawford and Lijphart argue that structures that have been formed under the Leninist regimes and in Soviet times in Eastern Europe shape the environment for the battle for new institutions and regulations. More than that, they insist that this environment will ultimately undermine the liberalization process. Offe emphasises the role of mentalities (states of mind, sets of expectations and assumptions) that have been formed under the influence of state socialist institutions and, thus, appear to be inexorable part of institution building under capitalism and democracy⁵.

Influential economists state that there is correlation between the freedom of choice (versus the influence of path dependency) and the stage of socio-political transformation. Cerami suggests that the freedom of choice tends to be confined to the early stages of transition, since each of choices imposes significant net costs and risk for political status quo. According to Beyer and Wielgoths, path dependency matters only on

⁵ Offe, C., Designing Institutions for East European Transitions, Public Lecture, no. 9, ISSN 1217-582X, Collegium Budapest/Institute for Advanced Studies // <http://www.colbud.hu> (Internet, February 12, 2007).

the initial stage of post-communist transition, when the politicians choose its mode. Later, path dependency is relegated to the view that history matters⁶.

Cerami opposes the latter view, suggesting that “developmental path dependence” has been significant for the whole period of transition. He also proposes to use the notion of “path creation”. Coined by Garud and Karnoe, this notion contrasts with a path dependent way of thinking, in the sense that it takes into account the role of agency by bringing into play not only the institutional and social processes (that are usually considered in a path dependent tradition), but also the “socio-cognitive forces of enactment” that are involved in the creation of novelty⁷. Cerami simply reconciles path-dependency with actor-centered theory by introducing the notion of “the developmental path dependence”.

Trying to delineate between path-dependent theory and history per se, Garud and Kornoe assert that path-dependent theory changes the role and place of history in the analysis of certain events. The peculiarity of the path-dependence perspective is its suggestion that only relatively remote events shape the emergence of novelty. The very phenomenon of novelty, in line with this logic, emerges spontaneously due to an unpredictable coincidence of events, while the ‘path creation’ perspective views novelty as a product of an actor’s efforts that are made in a more rational way.

The theory of path dependency, to some extent, contradicts a widespread view, according to which the dissolution of Communism order resulted in ‘political’ and

⁶ Beyer and Wielgohs, cited in Cerami, A., Social Policy in Central and Eastern Europe. The Emergence of a New European Model of Solidarity?, Dissertation zur Erlangung des Grades eines Doktors der Sozialwissenschaft der Universität Erfurt. Electronic Text Center der Universitäts-und Forschungsbibliothek, Erfurt, 2005, p.47 // <http://www.db-thueringen.de/servlets/DerivateServlet/Derivate-4495/cerami.pdf>

⁷ Garud, R. and Karnoe, P., Path Creation as a Process of Mindful Deviation. London: Lawrence Erlbaum, 2001.

‘institutional’ vacuum that presented the best soil for the creation of new values (Karl and Schmitter)⁸.

Indeed, experiences of post-communist transformation in Central and East European countries show that there was enough of a vacuum created by destructive processes that allowed for new institution building and innovative decision-making. This, of course, does not fully discredit the idea of path dependency. It must be taken into consideration that destruction of some institutions was always limited. Very often it took the form of restructuring, implemented in view of existing structures and people’s expectations. Especially it was apparent in the sphere of social policy, where governments tried to adhere to gradualist measures and support high levels of social expenditures.

The weakest point of a path-dependent framework is that it does not provide an answer to the question of whether restructuring of the post-Soviet system as well as manifold selective and gradualist measures have been influenced by the political elite in power. The place of the elite in the process of transformation has not been sufficiently defined, though its role has been mentioned in several studies. Various authors whose work was centered around the notion of path dependency tried to overcome this shortcoming by introducing alternative or complementary concepts (such as ‘path creation’ and ‘developmental path dependency’ which were mentioned above). Cerami proposed to use a synthetic approach that might bring together path-dependent theory and approaches derived from economic and sociological theory (neo-institutionalism and

⁸

Cerami A., p.46

neoclassical sociology⁹). However, this approach has not been sufficiently elaborated in his study, which left opportunity for theoretical eclecticism and multiple interpretations of social transformations in post-Communist countries.

Elite-centered approach

Much of the discussion of the process of transformation, including its welfare component, is centered on the nature of elites and whether elites have made (or are able to make) an elite pact or settlement. The majority of political will during the period of transition rests on assumptions of class theory which claims that a class settlement, or the exhaustion of a potential ascendant class, may be a condition for a pact between elites to arise in the first place. In some studies (Ross¹⁰, others) a theory of class interest is outlined in terms of an 'acquisition class', a group of people who gain advantages by exploiting their cultural, economic and political capitals through a market. The risk for many Central and Eastern European countries, in this respect, is that most social policies

⁹ Although these two theoretical frameworks represent alternative views on social system change, they have not been elaborated very well in relation to post-communist transformation, thus, the applicability of these approaches is very limited.

Contrary to path dependent theorists, new-institutionalists are concentrated four main factors: history, institutions, environment and social interactions. This approach originated in Max Weber's idea system, according to which "the analysis of different organizational structures should be carried out within the context of the specific institutional framework of a given society in a given historical period, in which conventions, social norms, religious and cultural beliefs grow up and reproduce themselves" (Cerami, p.49).

Neoclassical sociologists make a step further, criticising neo-institutionalists for the fact that they relied on the assumption of the existence of a single unifying form of capitalism. These authors point out that social positions, points of view, identities and alliances of national and international actors can lead to the formation of new forms of capitalism in Central and East European countries. These new forms of capitalism, concomitantly may contribute to the formation of a unique social model, which however, risks converging with the Western one in future.

¹⁰ Cameron Ross 'Russia's Federal Legacy and Democratization', in The Legacy of State Socialism and the Future of Transformation, David Lane, eds., Lanham, Md: Rowman&Littlefield Publishers, 2002, pp. 69-87.

become distorted or undermined by political interests, external pressures or bureaucratic institutions.

According to Eyal, the transition in postcommunist countries was guided by a new post-communist leadership described as a coalition of pre-existent elites: the intellectual dissidents, the new political class and the managerial technocrats. To a large extent, elite groups faced the necessity to act in vacuum, since international organizations determined only general standards and regulations in the sphere of economy and social policy. Thus, not only the socio-political agenda of global actors, but also the political will of new elites, can explain the variety of policies implemented in post-communist countries. As Cerami points out, “the will of economic transformation had to be mediated either with the presence of strong egalitarian aspirations promoted by the civil society (such as in Czech Republic or Slovenia), or with the risk of loosing the elections caused by the public disapproval for a drastic reduction of welfare rights (for example, in the case of Bokros package in Hungary)”¹¹. A variation of the elite-centred approach can be found in the work of Oleinik¹² on Russia, who emphasises that the ‘rulers interested in a catch-up modernization in Russia had a tendency to import only those institutions that were congruent with the existing structure of power relationships’. According to the author, the opportunity left for the elite to choose among various options of reforms and import only those which did not endanger elite interests, led to the situation when “an

¹¹ Cerami, A., Social Policy in Central and Eastern Europe. The Emergence of a New European Model of Solidarity?, Dissertation zur Erlangung des Grades eines Doktors der Sozialwissenschaft der Universität Erfurt. Electronic Text Center der Universitäts-und Forschungsbibliothek, Erfurt, 2005, p.69 // <http://www.db-thueringen.de/servlets/DerivateServlet/Derivate-4495/cerami.pdf> (Internet, June 12, 2006).

¹² Oleinik, A., ‘Transfer of Institutions: Actors and Constraints – The Russian Case in a Global Context’. HWWA Discussion paper, no.320. Hamburgisches Welt-Wirtschafts-Archiv, Hamburg Institute of International Economics, 2005 // http://www.hwwa.de/Publikationen/Discussion_Paper/2005/320.pdf (Internet, January 10, 2007)

individual or a group in power transformed the constraints of power into the constraints of reforms”¹³.

Crawford and Lijphart generalize their observation of many cases in Eastern Europe, asserting that the more powerful the old elite, the greater the odds that new institutions will be fashioned to maintain their strength in the political system. And concomitantly, the less powerful the old elite, the higher the odds that electoral laws will be devised to minimize their political power¹⁴. Institutional choice of elites is also predetermined by their intention to remain in power. Because of that, the spread of western institutions in postcommunist countries turned out to be a highly selective process, the imperfections of which seemed to be rooted in informal norms and practices.

An interesting observation, based on the elite-centered theory, concerns the the relationship between the speed of transformation and the behaviour of the elites, which suggests that in those slow transitions where there was no sharp break with the past and no great turnover of personnel, politicians were tending to turn to the most readily available means of advancing their careers: defence of their economic interests of the old regime. Thus the old elite proved to be less reform-oriented than the new one.

Generally, the idea of political will and its role in the developmental process in post-communist countries seems to put in question the applicability of the traditional path-dependent approach. Evidence shows that there has always been room for variation

¹³ Oleinik, A., ‘Transfer of Institutions: Actors and Constraints – The Russian Case in a Global Context’. HWWA Discussion paper, no.320. Hamburgisches Welt-Wirtschafts-Archiv, Hamburg Institute of International Economics, 2005, p.29 // http://www.hwwa.de/Publikationen/Discussion_Paper/2005/320.pdf (Internet, January 10, 2007)

¹⁴ Crawford, B. and Lijphart, A., ‘Old Legacies, New Institutions: Explaining Political and Economic Trajectories in Post-Communist Regimes’. In Liberalization and Leninist Legacies: Comparative Perspectives on Democratic Transitions, Beverly Crawford and Arend Lijphart, ed. University of California Press/University of California International and Area Studies Digital Collection, Volume 96, 1997, 1-39.

and innovative decisions that depended on policy choices. However, it's also true that even political factors and the factors of power structure have always been formed under the influence of the Soviet legacy, and thus cannot be viewed apart from the historical developmental process and, consequently, path-dependent framework.

Bova's work on political dynamics of the post-communist transition¹⁵ provides an insight into understanding how elements of path-dependency and elite-centered approach intertwine with each other affecting the course of post-communist reforms. Bova asserts that successful effects of transformation process require some initial institutional compromises, often taking form of explicitly negotiated pacts which ensure that vital interests of the old elite will not be threatened. Only in the latter case one can be sure that the old elite will not try to subvert the process of reform. On the contrary, if initial reforms prevent the regime from maintenance of some undemocratic elements during the transition period, then former rulers and bureaucrats tend to use their position and resources to stop the process of reform. The argument is centered on the comparison of several cases including that of the Soviet Union where the power of the old elite was particularly threatened by the process of elections and where attempts to restore the pre-existent order were accordingly rather intensive. Unlike Latin American countries where military establishments held direct responsibility for the repression and internal policies, the USSR transition process was guided by civilian actors. In this respect, all resources they had (wealth and property linked to a position) were used to protect the old regime in view of the fact that political pact was practically impossible:

¹⁵ Bova, R., 'Political Dynamics of the Post-Communist Transition: A Comparative Perspective'. *World Politics*, Vol.44, No.1 (Oct., 1991), pp.113-138.

The great paradox here is that the prospects of democratization would, over the long haul, have been improved had conservative forces fared better. As it was, the electoral results eroded any conservative confidence that the continuing ban on opposition parties, the reservation of legislative seats for loyal social organizations, and the other institutionalized limits on democratic “excesses” could successfully protect their vital interests...Some even began to call for an electoral change that would emphasize voting based less on territorial districts than on production units on the assumption that such a change would produce outcomes more favourable to conservative candidates¹⁶.

Bova’s findings provide a clue for understanding how imperfections of the reform process can lead to imperfections of a reform’s outcome. Particularly, the incoherency and contradictory character of social laws can be explained, from this perspective, as a result of power struggle and the lack of legitimacy attributed to the reform process per se. What it does not highlight well enough, however, is that the inability to establish an elite pact in such a country like Russia may testify in favour of path-dependency, rather than an elite-centered approach. The imposition of reforms from above, as well as the persistence of deeply entrenched interests and value orientations of the old elite must be considered, at first hand, when the post-Soviet reform process is analysed.

Liberalization perspective

The ‘liberalization perspective’ has been suggested by Crawford and Lijphart whose work¹⁷ was based on experiences of post-Communist transformation in Eastern

¹⁶ Bova, R., ‘Political Dynamics of the Post-communist Transition: a Comparative Perspective’, *World Politics*, 44, no.1 (1991): 131.

¹⁷ Crawford, B. and Lijphart, A., ‘Old Legacies, New Institutions: Explaining Political and Economic Trajectories in Post-Communist Regimes’. In *Liberalization and Leninist Legacies: Comparative Perspectives on Democratic Transitions*, Beverly Crawford and Arend Lijphart, ed.

Europe. Unlike most other scholars who try to put theory first, Crawford and Lijphart start their analysis by answering particular questions: what predetermines certain policy choices in post-communist world, how property rights are created, how political elites make new choices between the competing notions of fairness and equity; and finally why some political institutions are chosen while others are disregarded. As a result, the authors distinguish between the two commonly used analytical and theoretical frameworks: 'the legacies of the past approach' (the model derived from the works of Comisso) and 'the imperatives of liberalization' perspective (the model derived from the works of Lipton, Sachs, Brada, Aslund).

Both 'the legacies of the past' and 'imperatives of liberalization' approaches focus on factors underlying policy choices in post-Communist countries. The divergence is indicated in factors that are taken as most important in shaping or motivating choices by the political actors.

The 'legacies' approach, which is, in fact, very similar to path-dependent theory, explains post-Communist transformation through the perspectives of structures created during the Leninist period that persist in the present period. It emphasises the uniqueness of each individual case of transformation, while the liberalization perspective, in contrast, emphasises the significance of the present moment with its specific circumstances that influence the path of transition.

The legacies approach contends that the forces that shape current choices have deep roots in cultural, political, economic and social conditions inherited from the past. In

line with this perspective, most of the reforms risk failing if the old elites remain in power.

Hanson emphasised that Leninist legacies largely explain the locus of executive authority. He suggested that ‘the closer one gets to Moscow, the more negative effects of Leninist legacies will be felt and thus the more likely that the establishment of rules favouring strong parties and parliaments will be blocked by ‘insider’ politicians’.

The ‘*imperatives of liberalization*’¹⁸, on the contrary, suggests that what is important in a transformation process is a set of new international pressures that are able to eliminate influences of the past.

From the liberalization perspective, elites and their power do not matter, if many interrelated changes occur simultaneously, and the leaders of the reform manage ‘to get institutions right’.

The liberalization perspective is vividly exemplified by the views of Geddes who asserted that ‘if new democratic institutions are constructed then vested interests in those institutions will develop rapidly and will have long-term consequences that overshadow past legacies’. Generally, Geddes provides one of the strongest arguments in support of the liberalization paradigm: she shows that that once the articulation of opposition views became possible, there was a rapid disintegration of political support for the old Communist political elites. More than that, she demonstrates that Communist elites themselves responded to incentives created by electoral competition in the same way that other politicians in other regions faced with the same choices would have responded.

In its essence, the ‘liberalization perspective’ is very close to the ‘*system transfer approach*’. The latter relies on the same optimistic ground, assuming that the legacy of

¹⁸ The same

the previous regime can be neutralized relatively quickly and that a move to a completely new system may occur through the introduction of the appropriate institutional forms copied from Western practice. The system transfer position views state socialism as a fundamentally defective system that is to be overcome by introduction of a neoliberal policy of markets, private property and competition in economy. David Lane characterised this view as 'explicitly reformist, but implicitly revolutionary'¹⁹.

Alternative explanations

Apart from all theories mentioned above, there are also numerous interpretations of social transformation in post-communist countries. In fact, they do not fall into any theoretical perspective or paradigm.

Stark and Bruszt, while analysing manifold examples of postcommunist transformations in Eastern Europe, conclude that the path of transformation often depended on particular institutional context, significance attached to the particular historical events, and the identities of political actors, which were formed in the particular process of political struggle that marked the end of communism. In many cases, due to the absence of strong states and functioning markets, restructuring rested on what Stark and Bruszt call the 'transformation capacity of social networks', the presence of which is considered to be the distinctive feature of Eastern European societies²⁰. The comparative

¹⁹ Lane, D. 'Trajectories of Transformation: Theories, Legacies, and Outcomes', in The Legacy of State Socialism and the Future of Transformation, David Lane, eds., Lanham, Md: Rowman&Littlefield Publishers, 2002, 1-30.

²⁰ Stark, D., Bruszt, L., Postsocialist Pathways. Transforming politics and property in East Central Europe. Cambridge: Cambridge University Press, 2001.

analysis undertaken on behalf of Stark and Bruszt demonstrates that the not unrestrained government but government rooted in the broad context of social relations and constrained by the institutional structure of the state is more likely to formulate a coherent economic policy.

Lane²¹ suggests that most important for postcommunist transformation are values and norms, structures, societal preconditions, interests and class relations. Preconditions of transformation can be analysed in terms of the norms and values of the population on the one hand, and the level of modernization on the other. Interests, in this respect, include the types of elites that emerge and their value system. Institutions, which are embedded in the social structure, are recognized by Lane as constraints on action; examples here are legal systems – forms of, and rights to, property, the organization of science and technology and other institutional clusters. Finally, class structure is defined in the sense of aggregates of people sharing the same life chances and market situation. Political culture, modernization and production relations are also taken by Lane as a necessary precondition for change.

All these explanations are quite vague. Although they entail both the elite-driven component ('types of elites', 'value system', 'significance attached to the events', 'identities of political actors') and the history-driven element (norms, structures, societal preconditions, class relations, institutional context), in fact, they are not able to provide a comprehensive framework that would be applicable to most of the cases of post-communist transformation.

²¹ Lane, D. 'Trajectories of Transformation: Theories, Legacies, and Outcomes', in The Legacy of State Socialism and the Future of Transformation, David Lane, eds., Lanham, Md: Rowman&Littlefield Publishers, 2002, 1-30.

Applicability of approaches

Testing the applicability of various theories and approaches to the analysis of post-communist transformation has always been problematic. Several approaches mentioned above have been worked out of particular cases, and thus can hold some explanatory power when applied to particular circumstances. Others, on the contrary, have never been enough elaborated and their explanatory power is minimal.

Most of the studies on post-Soviet transformation in Central and East European countries are usually claimed to be written in the tradition of path-dependent theory. Many such studies provide rich and interesting material on post-communist transformation in Central and East European countries.

Verwiebe and Wegener²², for instance, distinguish between three types of path-dependent transformations in Central and Eastern Europe: the first applying to the Czech Republic and Hungary; the second, to Russia and Bulgaria; and the third to East Germany (table 1). According to this typology, there are systemic differences in transformation processes of post-Soviet countries in Central and Eastern Europe. The Czech Republic and Hungary are characterized by comparatively successful implementation of economic and social reforms, backed by western style modernization. Russia and Bulgaria, according to the authors, remain in a 'downward slope' in their economic and social development that is characterised by lack of continuity towards establishing market structures and institutional reforms. The authors also coin this type as 'stop-and-go' policy, influenced by permanent struggles for power among diverse elite groups as well

²² Verwiebe, R., and Wegener, B., 'Social Inequality and the Perceived Income Justice Gap', *Social Justice Research*, Vol.13, No.2, 2000, pp.123-149.

as insufficient economic expertise. Transformation of East Germany presents a special case, as it was a takeover by the 'ready-made-state' of the West, manifesting itself in substantial institutional and financial transfers to the East, the rapid economic and social reforms.

Table 1 - Types of Transformation²³

Attributes of transformation	Stable transformation (Czech Republic and Hungary)	Unstable transformation (Bulgaria and Russia)	Transformation to a ready-made state (Germany)
Economic policy	Consequent market reforms	Gradual strategy, stagnation, institutional inertia	Shock therapy
Institutional reform	(Almost) complete	Still underway	Complete
Social Policy	Moderate	Rudimentary, non-systemic	Comprehensive
Social inequality	Moderate	High	Low
Stability of transformation	Relatively high	Low	High
Character of transformation	Western type modernization	Social change, open outcome	Western type modernization
Theories and approaches, holding greater explanatory power	Path-dependency/elite centered approach	Path-dependency/elite-centered approach	Path-dependency/liberalization perspective

The typology, proposed by Verwiebe and Wegener, describes systemic features of post-communist transformation. Although some of its elements are quite debatable (such as the characteristic of Russian economic strategy as gradual), the typology allows for a comprehensive view on the environment in which social policies have changed. It allows for understanding of the major differences between post-communist countries, as well as why some countries transform the welfare system more rapidly and more successfully

²³ Verwiebe, R., and Wegener, B., 'Social Inequality and the Perceived Income Justice Gap', *Social Justice Research*, Vol.13, No.2, 2000, pp.123-149. The table is adapted by the author.

than the others. However, as can be seen from the table, the typology is rather static and does not illuminate why some aspects of socio-economic transformation are path-dependent or not. More than that, it seems too simplistic to say that moderate reforms in the social sphere of Hungary and the Czech Republic have led to successful results. According to some alternative sources, it was not liberal transformation, but rather some gradualist measures combined with liberal rhetoric that gave positive effect²⁴.

Zweynert and Goldschmidt²⁵ also try to apply a path-dependent framework to the analysis of post-communist welfare transformation. Their analysis is more concentrated on the issue of path-dependency than that of the previous authors. However, the theorem of path dependency in the work of Zweynert and Goldsmit²⁶ is relegated largely to cultural determinism. It is observed in their study that the increasing gap between formerly socialist countries of Central and Eastern Europe cannot be explained by their different starting conditions after the collapse of the USSR. Rather, it is due, in their view, to different cultural and historical circumstances that shape the particular tradition and societal environment. The authors find a correlation between the level of success of the imposition of western formal institutions in a country and a type of its culture (i. e. informal rules, values). In Orthodox countries, such as Russia, Belarus, Bulgaria, Moldavia, the Ukraine, Romania, Serbia and Montenegro, liberalization appeared to be less successful and coherent than in the Catholic/Protestant Baltic States, Poland,

²⁴ Tomka B. 'Determinants of East Central European Welfare Systems: A Comparative Perspective', 1945-2000, University of Szeged, Hungary, Conference Paper, 20th ICHS, Sydney, 3-9 July, 2005 // <http://www.iisg.nl/ishc/documents/sydney-tomka.doc> (Internet, March 12, 2007)

²⁵ Zweynert, J., and Goldschmidt, N., 'The Two Transitions in Central and Eastern Europe and the Relation between Path Dependent and Politically Implemented Institutional Change'. HWWA Discussion Paper No. 314, Hamburg Institute of International Economics, March 2005. // http://www.hwwa.de/Publikationen/Discussion_Paper/2005/314.pdf (Internet, March 12, 2007)

²⁶ The same

Hungary, the Czech Republic, Slovakia and Croatia. Largely, it is due to weakness of liberal ideas in the former group of countries (that exist under 'Holistic order') and a relative strength of those in the latter one (that exist under 'Extended order').

In my view, the relegation of path-dependent theorem to cultural determinism is not fully correct. Instead of describing 'primary' causes of some events (as has been made in the study of Zweynert and Goldschidt), path dependency theory makes possible complex analysis of different factors: social, economical, political, and cultural. Thus, cultural determinism cannot be mixed with the theorem of path dependency. However, analysis of Zweynert and Goldsmidt can provide a possible way for understanding some set of reasons why in some countries (including Russia) obsolete institutions persisted for a long time and left no room for the successful implementation of new institutions. If understood as a set of informal constraints, the notion of culture can explain much in the way of reform implementation. However, this works only in the case when culture itself is sufficiently defined and is not used as an ad-hoc variable that explains everything.

The fact that path dependency exerts real influence over the Postsocialist countries is evidenced by the fact that nearly all of them have developed similar welfare regimes after the collapse of Communism. The similarity between tools applied by the countries to solve their social problems was even taken by some scholars as an argument for the evolving of some unique welfare system, attributable only to the countries of Eastern Europe.

First, nearly all the countries after the dissolution of the USSR referred to the Bismarck social insurance. Cerami explains this by three reasons. First, this kind of arrangement was already in place in the pre-Soviet period, and parts of its structure were

preserved during the Soviet period. Second, a Bismarkian orientation left opportunities for fast privatization of important state sectors. The third reason was connected with the nature of the pre-existent welfare state that had a mixed character: corporatist and universal. The Soviet protection system was work-related, while the government provided full employment for all citizens, which resolved the contradiction between the corporatist and universal principles. The legacy contributed greatly to the present 'mixed' characteristics of welfare systems in Eastern Europe.

From the liberalization perspective, the convergence among post-Socialist countries was influenced by global actors, i. e. international organizations, such as the International Monetary Fund, the World Bank, the Organization for Economic Cooperation and Development, the European Union and the International Labour Organization, which established the initial set of rules. However, the key point suggested by most authors is that the neo-liberal welfare state that is in place now in Central and Eastern European countries was introduced partly by design, and partly in line with interests of the political and economic elites in post-communist states. However, 'imperatives of liberalization' perspective falls short when the failure of Eastern European welfare regimes to copy any of their western counterparts is taken into consideration. In line with a neoclassical approach, welfare regimes in CEEC countries cannot be similar to those in the West, since they develop in line with formation of new forms of capitalism. The other, no less important reason, is the fact that no one welfare regime can be considered an ideal model to be transported abroad. The crisis of the welfare system all over the world poses many questions that can not be solved in view of scarce financial resources and high expectations of population. Indeed, although there is a

trend toward increasing social expenditure all over the world, states become more and more vulnerable financially: social commitments cannot always be fulfilled, while the commitments themselves cannot be abandoned for political reasons. Many states with a strong social component, like for example Germany, experience these problems. Overall, the strongest argument against the 'liberalization perspective' is that even in ideal environment the transplantation of institutions is accompanied by many problems. Not all institutions and regulations can be transferred, as the Soviet legacy (the Soviet welfare structure and the interests of different actors) stipulates the uniqueness of welfare systems in Central and East European countries.

Framework for the analysis of the Russian social model

Testing the applicability of theories and approaches to the Russian case seems to be a particularly challenging endeavour. Transformation of the Russian social model constitutes one of the most difficult cases for social policy analysis. Due to the high level of complexity and fragmentation pertaining to the system, each of the approaches mentioned above can be applied with certain limitations.

The problem associated with the Russian case is that the system of social policy, which was developed throughout the period of reforms, consisted of reactive and incoherent measures aiming to catch up with the pace of economic transformation. Ideology, strategy and logic were practically absent at the federal level, which contributed to the growing inefficiency of the social system across the country. At the regional level, the system was characterised by a high level of fragmentation, which gave

life to the so called “castle metaphor”²⁷ and numerous descriptive labels, such as the “model of Tatarstan”, the “Ulyanovsk smooth transition to the market”, “Corporation Kalmikiya”, etc. The “castle metaphor” pointed out at the process of consolidation of regional elites through which unique political, economic and social regimes in the middle of 1990s were built. Facing the failure of the federal powers to become active actors of policy-making, most regions have become active participants of the political discourse themselves. In this context, political interests of local elites were put in the forefront of regional policymaking, which contributed to the growing regional diversity even more than ever.

A growing body of scholarly works on welfare system transformation in postcommunist countries provides little analysis on regional dimensions of social system change. This is, to a large extent, consequent to the ambiguity of information coming from primary sources on regional life, as well as to the high level of complexity of transformation per se, which means that it cannot be measured apart from the broader context of political, economic and social restructuring on the federal level. However, analysis of regional responses to initiatives coming from above represents one of the most important dimensions of scholarly research which may through light on the causes of social system fragmentation across the country throughout the period of transition.

To date there is no clarity over the question of how the complexity of the post-Soviet social transformation might be captured. It is obvious that the logic underlying the

²⁷ For more details about the ‘castle’ metaphor, please, see Magomedov A. K., Kirichenko M. M. ‘Ot Yeltsina k Putinu: Kreml’ i regional’naia Rossiia (na primere Ul’ianovskoi oblasti i Krasnodarskogo kraia)’ (From Yeltsin to Putin: Kremlin and Regional Russia.) // Fenomen Vladimira Putina i rossiiskie regiony: pobeda neozhidannia ili zakonomernaia? Sbornik statei. Matsuzato K., ed., Slavic Eurasian Studies I, Moskow: Materik, 270-271.

course of reforms at the federal and regional levels has been predetermined by the lack of the overall strategy. However, the way in which this factor influenced Russian regions, as well as the reasons for contrasting policy choices made by regional authorities are not quite clear.

Out of all approaches mentioned above, path dependent theory represents the most comprehensive and suitable theoretical framework for the analysis of social system change at the federal level. The peculiarity of path-dependency, as it was formulated by respective authors, is that it does not exclude alternative explanations which point out the role of institutions, norms, structures and historical trends. Path dependency grants explanatory power to a combination of all possible events, leaving space for the assumptions about embeddedness of the past in contemporary structures and processes.

The first hypothesis of my study benefits from the advantages of path-dependent theory. It is suggested that the lack of strategy for social reform at the federal level throughout the transition period resulted in a growing systemic complexity of the post-Soviet social model, which created opportunities for regional powers to develop distinct welfare regimes, some of which incorporated Soviet-era commitments and practices, while others were significantly liberalized. I assume that there was a path-dependent logic behind all the developments which took place at the federal level: social policies, as in the Soviet era, were subordinated by economic goals; ideology and principles behind the Soviet welfare model remained in place; remnants of the Soviet-era commitments were mixed with the neoliberal tools and mechanisms; organizational structure remained inflexible and inefficient. Overall, difficulties associated with the path

of extrication from state socialism, created opportunities for multiple interpretations of reforms, multiple choices and multiple solutions.

The rationale behind social policy decisions at the regional level can also be viewed from the perspective of path dependent theory. However, given the fact that the process of regionalization throughout the transition period in Russia was rather intensive, and the role of the elites in consolidation of political regimes was particularly high, it can be suggested that the benefits of the elite-centered approach, for the purposes of this study, may hold greater explanatory value. According to this approach, elites exercised significant power over the process of social system restructuring. Although their actions could be confined by the stage of socio-economic transformation, they have always had the choice either to dismantle Soviet-era commitments or to preserve them. In this study, a hypothesis is made that social policies in Russian regions were subordinated to the political interests of regional elites. If the political cost of social system restructuring was too high, then the decision was made to preserve Soviet-era commitments; and on the contrary, if the social system restructuring posed no danger to political power, then the decision was made in favour of policy liberalization. The notion of cost is built around considerations that include assessment of threat to political legitimacy and political power; it can also include assessment of social and economic impact which decisions at the regional level entail.

In line with the existing studies of Russian regions, choices of regional elites may depend on three factors 1) ideology (commitment to reform/commitment to the Soviet legacy), 2) relations with the federal centre (opposition/conformism); 3) electoral base of regional powers. In the literature, there is no clear indication how these variables

intertwine with each other, though the relationship between them is obvious. Ideology may be the driving force of reforms (in this case, path-dependency may exert a particular impact on the process of transformation), or, on the contrary, it may be utilized for legitimization of political power through the influence on constituency bases of regional authorities (this case argues in favour of the elite-centered approach). Position in a system of centre-periphery relations may be incorporated into the electoral strategy of regional authorities, or, on the contrary, be intertwined with ideological considerations (the same, elite-driven versus history-driven components). Finally, opinions and expectations of the regional electorate can make the cost of reforms either particularly high or insignificant, which will have political implications on decision-making processes. In fact, all three variables may constitute building blocks of the process of power consolidation. The question is whether this is so in the case of Russian regions.

In this study, an attempt will be made to control for the variables listed above, which will be achieved through the contemplation of interests of regional political leaders, their legitimacy foundations, ideological orientations and major decisions in social policy area. The study will be based on the analysis of primary and secondary sources that will involve several case studies (Ulyanovsk, Tatarstan, Samara and Orel), observed in a wider context of political, economic and social restructuring. Overall, the study is deemed to delineate boundaries of the history-driven and elite-driven components of social system change in Russia.

CHAPTER 2

TRANSFORMATION OF RUSSIAN WELFARE STATE: FROM THE SOVIET ERA TO THE ERA OF LIBERAL REFORMS

Although there are plenty of studies devoted to the welfare regime transformation in Russia, few attempts have been made to compare the Soviet and post-Soviet welfare regimes in detail. This chapter attempts to fill an analytical gap that exists in the literature on observation of elements of continuity and change in the post-Soviet welfare system of Russia. First of all, an attempt is made to look at the systemic (organizational, ideological, structural) characteristics of the Soviet and post-Soviet models. Secondly, a path of extrication from state socialism, including the restructuring of welfare system in 1990s is analysed. To put it in a more specific way, the chapter tries to delineate which elements of the Soviet welfare system have been abandoned, and which, on the contrary, have been preserved during the period of transition; how the process of restructuring was conceptualised on a federal level; and what implications this had for Russian regions. The first part of our study draws from a path-dependency framework. However, subsequent analysis shows that different approaches can hold explanatory power for different stages of social transformation in Russia. It is argued that institutional inertia of the transition period has led to a growing complexity of the Russian social model throughout the 1990s. Partial and selective measures have produced effects, characterised by merging of the Soviet and post-Soviet norms and principles. The major challenge of this chapter is to find ways that would allow embracing the complexity of social reform in Russian regions.

2.1 The legacy of state socialism: examination of a system in a dynamic perspective

The difficulty of understanding how path dependency influences the development of social policy in the post-communist countries arises from the fact that the developments of the Soviet era have been of a highly contradictory and complex character. Much debate is centered on the nature and characteristic features of the Soviet social model.

According to Connor¹, the first thing that has to be taken into consideration in analysing the Soviet type of welfare system is that the Soviet welfare model was formed

¹ Connor, W. D., 'Soviet Society, Public Attitudes, and the Perils of Gorbachev's Reforms', *Journal of Cold War Studies* 5.4 (2003):43-80.

under conditions of a totalitarian regime. The latter, characterised by intensive use of threat and repression, material dependence of Soviet citizens on the state (whether seen in "social-contract" terms or otherwise), and the isolation of the Soviet public from the outside world stipulated some peculiarities of the Soviet social system, paradoxically playing a key role in determination of further systemic collapse.

The second feature that is also of crucial importance for the analysis of the Soviet welfare system is represented by state paternalism and overcentralization. Being applied in a realm of social policy, this feature has had implications in terms of a tough control and regulation in the sphere of production, distribution and exchange of services and goods; a disproportionately huge role for the state in the social sphere (social institutions, social services); egalitarianism, i. e. tendency towards equalization in consumption of goods and services; and state guarantee of full employment. The central role in this system was played by the state that took responsibility for economic and social development and thus could use any administrative instrument while pursuing its goals. On the one hand, this model suggested great opportunities for the state as a major actor in the social sphere. On the other hand, paternalism irreversibly led to the rise of unprofessional bureaucracy and state corruption that was accompanied by a widespread social passivity of the population and a lack of individual initiative and responsibility.

An unjustifiably large role for the state in socio-economic regulation allowed some scholars to make statements on the uniqueness of the Soviet welfare model. Kastels considered that the USSR existed under a special regime that tended to maximise state power and state influence over people. Shkaratan² coined the Soviet welfare state as a

² Sidorina T. Iu. *Dva veka sotsial'noi politiki* (Two centuries of social policy). Moscow: Rossiiskii gosudarstvennyi gumanitarnyi universitet, 2005, 346-347.

distinct social system of a new type that could be characterised by features attributable neither to capitalism nor to socialism. However, the existence of a distinct Soviet social model during the Soviet era has always been debatable. When analysis of the Soviet welfare system shifted from the USSR-case to a wider range of Socialist countries, the dissimilarities between policies in those countries appeared to be so great that it was quite hard to aggregate them into one model. In one study, conducted on behalf of the Soviet scientists in late 1980 (embracing China, Cuba, Czechoslovakia, Hungary, North Korea, Poland, the Soviet Union), it was established that nearly all the Soviet states had constructed different social policy systems. Although the latter appeared to possess much in common, the states managed to demonstrate manifold forms of social provision, while elites appeared to adhere to different variations of Marxist ideology. The dissimilarities appeared to be so apparent that the scholars had even a hard time applying the notion of “socialist conditions” to the title of their work³. When taking into consideration various factors (ideology, values, history, political and socio-economic life, the structure, administration, finance of social provision, as well as specific aim groups of social policy), it appears that different ideological conditions can lead to absolutely different strategies of social development.

The peculiarities of the distinct social system of a new type, as they were listed by Shkaratan (entrenchment of property into the system of power relations; state monopoly in the sphere of production, distribution and exchange; technologic stagnation; militarization of the economy; hierarchical social structure; corporatist system as a dominant form of power relations, and distribution of privileges; social mobility as a

³ Dixon, J., Macarov, D., et al., Social Welfare in Socialist Countries. London; New York: Routledge, 1992.

state-governed process of selection of people; absence of civil society, law and order; ethnicity as a precondition of social status) hold very little explanatory power. All of them characterise the system as a whole rather than particular sphere of social policy. The utility of these characteristics is consequently of a highly limited character, though they can be used for a better understanding of a context in which social policy was formed.

The vagueness in defining the uniqueness of the Soviet welfare model is stipulated by the fact that although it incorporated some elements of well known western welfare regimes, it appeared absolutely different in aspects of moral basis, ideology, and practical schemes of social policy implementation.

According to Kovacs⁴, the communist welfare regime was an embodiment of the Bismarckian idea of social security based on the principles of employment, state corporatism and hierarchy, as well as on the principles of German conservatism in the late 19th century. This model embraced elements of Swedish style welfare universalism without copying the liberal and democratic characteristics of the latter. According to the same author, the so-called “communist welfare state” was “an excessively interventionist, monolithic and egalitarian regime caring for (or neglecting) the citizen from cradle to grave and excluding by definition any competition by the private and voluntary sectors”.

Formally, social policy of the Soviet state could be compared to that of the social democratic type, which was distinguished in the Esping-Andersen classification (very important role played by the local self-governing institutions, high level of social expenditures, full employment, compulsory insurance)⁵. However, the Soviet model

⁴ Kovacs, J. M., ‘A Cushion that Suffocates? Transforming the ‘Communist Welfare State’ in East-Central Europe’. In: Kovacs J.M. Small Transformations. The Politics of Welfare Reform - East and West. LIT Verlag, Münster, 2003.

⁵ Esping-Andersen, G., The Three Worlds of Welfare Capitalism, Cambridge : Polity Press. 1990.

didn't satisfy some important criteria, attributed to the latter, i.e. it didn't provide an environment for the effective functioning of private organizations in the social sphere; it was not accompanied by democratic freedoms, and it was not flexible enough to change in accordance with new tendencies. Esping-Andersen himself characterised the Soviet social system as antiliberal, hierarchical, static, socialist and conservative, generally, as a non-welfare state⁶.

What was really unique about the Soviet welfare model was a set of ideological considerations underlying the adoption of certain social policies that formed some kind of consensus between different political figures throughout the time-span. The main ideological premise underlying the way social policies were implemented related to the principle of nationalization that was perceived as an effective tool to achieve at least three important socio-economic goals: 1) creation of classless society, 2) reduction of economic exploitation and 3) rapid economic development. Economic inequality, in this respect, was conceived as that which could be reduced through ideological means, while external economic motivation was minimised. According to the communist doctrine, later, after transition from socialism to communism, economic benefits would be distributed in line with the needs of people, while physical and intellectual differences between people would be eliminated.

Although the Soviet welfare system passed through several stages of historical evolution (Table 2), and was always subject to changes in line with changing economic and political goals, the utopian ideological considerations which formed the basis of social model did not significantly change over time. The foundation of the Soviet welfare

⁶ Boiko, O., 'Somnenie ili nadezhda: zarubezhnye obrazy sotsial'noi politiki Rossii (Doubts or hope: foreign images of Russian social policies). *Mir Rossii: sotsiologiya, etnologiya* 12, no.1 (2003): 85-97.

ideology continued being essentially social. Generally, it represented a stable and reliable model. The state constantly enhanced its efforts in full implementation of such principles as equality, availability and all-embracing character of its social support system. In this respect, Russian researcher Volkov considers that the USSR, as well as other Socialist countries, could be recognised as ‘social states’⁷. According to this point of view, even the totalitarian state of 1930s, which was characterized as a system of state socialism, was as ‘social’ as many other liberal states now.

During nearly all historical periods (except for the period of the Second World War) social policy issues were among the most important priorities of the Soviet government. The first decade of the Soviet power (1917-1920) witnessed the formulation of the utopian goals and objectives, most of which though incorporated into the Bolshevik egalitarian ideology, could not be fulfilled at the time due to the lack of resources and continuous political and economic upheavals. The period of late 1920s – early 1950s was characterised by the change of target groups of various social policies, which gradually became subordinated to highly prioritised economic goals, while after the Stalin period, starting from 1950s, social policies became again more comprehensive and generous, involving new actors, programmes and entitlements. Backed by the solid economic foundation, the government aimed at increasing state expenditures on the needs of citizens (provision of inexpensive or free services, enhancement of social assets). The Table 2 summarizes basic changes to the Soviet Social model during the 20th century.

⁷ Volgin, N., ed., *Sotsial'naiia politika* (Social policy). Entsiklopedicheskii slovar', Akademicheskii proekt; Triksta, 2005, 356-357.

Table 2 – The Dynamics of the Soviet Welfare System⁸

Period	Welfare System Developments
1917-1920	<p>The principles of social insurance and social provision are introduced; the burden of social provision is placed on state enterprises.</p> <p>Welfare measures: In view of scarce financial resources, the Family Code enhanced responsibility of the family on socio-economic support of its relatives. School is separated from the church. Church is separated from the state. Healthcare system has not been established.</p> <p>Social policy target groups: people working in key sectors of economy, workers of the collective farms, youth, i. e. those involved into the system of social insurance</p>
1928-1940 (Industrialization)	<p>The development of the Welfare system is quite slow, due to the fact that social policy issues are subordinated to highly prioritised economic goals (the development of heavy industry, elimination of private capital, etc.)</p> <p>Welfare measures: Introduction of orthodox system of education, with greater emphasis placed on fundamental disciplines. Family policy becomes also stricter: abortions are abandoned, divorces face direct and indirect obstacles, state support is directed at families with children.</p> <p>Protection system is aimed at increase of productivity, decrease of labour force outflow and support of labour discipline.</p> <p>The content of social policy recipients: families with children, women with children, women and youth migrating from rural to industrial areas. Some categories (primarily rural population) are excluded from the system of protection.</p>
Mid- 1940s (The Second World War)	Coined as the “death period” for social policy system in USSR.
Mid- 1950s - 1964	<p>The major aims of social policy measures were counteracting the demographic decline and mitigation of socio-economic disparities between people.</p> <p>The system of social provision was significantly modernized. Allowances became less strictly connected with working status; the amount of allowances increased.</p> <p>Pension system became more stable and less discriminatory. The law “On pension provision of workers of the collective farms” in 1964 enhanced the scheme of social protection, reducing the differences between urban and rural population.</p> <p>Education system became more open: since working experience was prioritised, the system became available for the working class.</p> <p>Enhancement of the housing sector was recognized as the highest in Europe.</p>
1966-1982	<p>Major achievements of the previous period were preserved and strengthened. During this period the Soviet state created one of the most advanced social policy systems, characterised by equality and availability of social services.</p> <p>Healthcare system has become of the best models in the world, especially on the criteria of universality and availability.</p> <p>Control over family relations and the processes of migration became less strict, which contributed to a rising divorce rate and intensive migration from rural to urban areas.</p> <p>The content of social policy recipients: State guarantees on payments for collective farming workers were introduced; workers of state enterprises were given more freedom in mobility from one enterprise to the other.</p>

⁸ The table is compiled by the author

By the time of economic prosperity (mid-1950s – mid-1970s), the Soviet state managed to create one of the most advanced social policy systems. As an ideal model it served as a *right prescribed to politically loyal working people and their families. In this system the principle of just distribution according to the working input of each person was considered to be crucial*, while wages and benefits were supposed to be dependent on the input of a person. Social protection, in this respect, was conceived not only as the indispensable part of socialist way of life, but also the genuine realization of the principle of class solidarity.

Not all of the ideological considerations, underlying the Soviet welfare policy formation were realized during that time. However, adherence to the high social standards as a mechanism speeding up economic development and socialism consolidation (at least at the level of rhetoric) was preserved.

Yarskaya-Smornova and Romanova⁹ distinguish the following declarative principles of the Soviet welfare state of the post-Stalinist period: (1) availability and equality as a dominant principle of distribution and provision of housing, welfare services, healthcare and social protection in the sphere of employment; (2) the unification, coherence and strict hierarchy of management as a principle that makes the system transparent, controllable and all-embracing; (3) stability and reliability in implementation of strict number of social guarantees; (4) inclusion as a main principle that predetermined the tendency of the system to embrace the largest number of social groups and categories as it was possible.

⁹ Iarskaia-Smirnova E., Romanova P., eds., Sotsial'naia politika i sotsial'naia rabota v izmeniaiushcheisia Rossii (Social policy and social work in changing Russia). Moscow: INION RAN, 2002, 121.

On a more practical level, attempts were made to realize these principles through a set of policies that used to cover nearly all aspects of state-society relations. According to Mikhalev¹⁰, these policies included: free and universal health care, education and vocational training, provided to all citizens; heavily subsidized housing (though scarce and mostly of inferior quality); very cheap child care services provided to ensure employment for female labour; a strictly observed guaranteed right to a job, official unemployment and heavily subsidized mass consumption goods and services. With universal employment and social provision the socialist state pursued an income leveling policy. The centralized control over employment and wages served as a powerful means to regulate incomes and keep them close to subsistence level. The average personal income was not much higher than the minimum amount necessary to cover very basic needs. Thus both the quantity and the quality of what society provided for the majority left much to be desired and caused a certain amount of popular discontent, but it nevertheless provided people with some sense of security. People generally agreed to accept a relatively low standard of living as long as there was no open income disparity.

In Western literature, all the policies listed above are usually coined as the components of the so called 'social contract'.

According to the 'social contract thesis' (supported by Kovacs, Bialer, Breslauer, Connor, Hauslohner, Hewett and Lapidus), the regime provided to the population broad guarantees of full and secure employment, state-controlled and heavily subsidized prices for essential goods, fully subsidised services and egalitarian wage policies. In exchange

¹⁰ Mikhalev, V., 'Social Security in Russia under Economic Transformation', *Europe-Asia Studies* 48, no.1 (1995): 5-25.

for such provisions, workers were expected to comply with monopolistic power of the party-state. Thus, the concept of social contract as it has been used in the Sovietology literature, denoted an exchange between regime and society in which each party tacitly committed itself to deliver political goods valued by the other¹¹.

The starting point for the formation of 'social contract' is usually attributed to the year 1956, when Khrushchev removed the harsh legal restrictions on worker's mobility as part of his overall destalinization of the political system. He also initiated new labour and wage policies that provided incentives and basic welfare, then codified these into a set of policy commitments which the Brezhnev-Kosygin leadership adopted later. All these commitments were placed at the foundation of state-society exchange relations.

Cook¹² emphasizes three essential components of a hypothesized 'social contract': 1) deep and nearly universal subsidies for housing, healthcare and education; 2) a broad system of retirement and disability pensions, sickness, maternity, and child benefits; 3) special privileges for veterans, civil servants and many other population groups.

The key features of the Soviet social contract, as outlined by Cook¹³, were, first, that the Soviet regime consistently delivered to workers economic security and social welfare; second, that the regime delivered these policy goods because it was constrained by its perception of workers' expectations or its fear of labour discontent if it failed to deliver them; and thirdly, that workers gave political compliance in exchange.

¹¹ Cook, L. J., The Soviet Social Contract and Why it Failed. Welfare Policy and Workers' Politics from Brezhnev to Yeltsin, Cambridge, MA: Harvard University Press, 1993.

¹² Cook, L. J., 'Institutional and Political Legacies of the Socialist Welfare State', in The Legacy of State Socialism and the Future of Transformation. David Lane, ed., Lanham, Md.: Rowman&Littlefield Publishers, 2002.

¹³ Cook, L. J., 'Institutional and Political Legacies of the Socialist Welfare State', in The Legacy of State Socialism and the Future of Transformation. David Lane, ed., Lanham, Md.: Rowman&Littlefield Publishers, 2002.

The essence of the social contract thesis is constructed upon the notions of 'exchange' and 'tacit agreement'. It also denotes the constraints that were latently imposed on the Soviet leadership decision-making power that used to acquire legitimacy through the minimum satisfaction of the population in its demands for social welfare.

Much debate is centered on the question of whether a social contract really existed in Soviet times. Cook¹⁴ provided convincing argumentation in favour of its existence. However, this does not falsify some other alternative explanations of the Soviet-era decision-making process.

Beside the social contract thesis, several concepts are used to explain the Soviet social policies: leadership paternalism or ideological commitment; the planning mechanism, managerial incentives; and bureaucratic bargaining.

One alternative view suggests that welfare-oriented decisions during the post-Stalinist period were dictated by its paternalistic inclinations, rather than a fear to lose legitimacy and support of the population. The Scholars argue, in this respect, that the ideological considerations formulated during the early Soviet period were the basis of decision-making process exerted by the Soviet leadership, while the workers were not empowered to influence any of the choices made.

Another alternative view asserts that most of the choices that concerned social policy during the Soviet era, were dictated by the operation of Soviet planning and economic mechanisms. The notion of 'soft budget constraints', introduced by Kornai, is used to explain the inclination of managers to inflate labour forces and hoard workers, producing systemwide overdemand for industrial labour. The latter, being a spin-off of

¹⁴ Cook, L. J., 'Institutional and Political Legacies of the Socialist Welfare State', in The Legacy of State Socialism and the Future of Transformation. David Lane, ed., Lanham, Md.: Rowman&Littlefield Publishers, 2002, 265.

the economic system, turned into full employment accompanied by chronic shortage and competition for labour.

Finally, there is a view, according to which the interests and interplay of bureaucratic actors were the main determinants of social policy formation during the Soviet era. According to Jerry Hough's 'institutional pluralism' view, Soviet party leaders functioned as brokers among bureaucratic or institutional claimants who competed for political goods and allocations.

The explanation that involves interests and interplay of bureaucratic actors is pretty much similar to social contract thesis per se. However, while the former is centered on exchange relations between elites and bureaucrats, the latter involves citizenry whose compliance has to be bought through popular social decisions that are forced or pressured. The distinction between alternative explanations and social contract theory is still quite vague, since each of them can hold explanatory power at a different point of time.

Organizationally, the Soviet social policy system was based on a simple mechanism, informed by the logic of a highly centralized state. The scheme included a number of strategic documents, such as the Programmes for scientific and technical development, Scheme of development and allocation of labour force which constituted the basis for the Main Directions of Economic and Social Development of the USSR, that have been adopted regularly by the CPSU party. They covered the period of 15 years and were renewed each five years.

In the document (Main Directions of Economic and Social Development of the USSR) containing the main principles for socio-economic development of the USSR a

paragraph was devoted to the improvement of living standards of people and their quality of life. It embraced not only general directions, but also specific indicators for the levelling up of wages, enhancement of social funds, improvement of social infrastructure.

The all-Union departments of ministers (the Ministry of Labour Force that was formulating programmes for active social policies, the Ministry of Social Provision, the Ministry for Social Development and the Ministries of Healthcare, Education, etc.) were the main actors involved in social policy decision-making process. They adopted federal standards, issued in the form of directives obligatory for all the republics and oblasts (among the most widespread were the decision on minimum wage, pension, housing standards). Republican authorities also adopted plans for socio-economic development in line with all-union documents. Beside that, all-union laws were adapted to regional conditions by regional social departments. The latter have been under 'double' supervision of local executives and all-union powers.

The role of professional unions was quite modest. In fact, they served as institutions that provided social insurance on enterprises and participated in the distribution of social benefits among workers.

One of the main imperfections of the Soviet social policy organization was its *non-systemic* character and a lack of flexibility. Few laws were introduced to modify organizational principles of social policy system in the Soviet Union. The only such law (the Law "On strengthening active social policy and enhancement the role of the State Committee of the USSR on labour and social issues"), aiming to update social policy organization in line with changing economic and political conditions, was introduced in

1987. However, it was not implemented due to the beginning of economic transformation.

Trying to find causes for the Soviet welfare system's decline in 1980s, most of the authors point at the deeply rooted imperfections of both economic and social origin. Some scholars consider that the system was doomed to fail from the very beginning of the Soviet era, when the planning mechanism was launched and excessive social commitments were taken by the state. However, it was only the end of 1970s, that social policy imperfections started being more and more noticeable, since the Soviet Union entered the most intensive stage of the Cold War, paralleled with the decrease of world prices on energy. As a result, by the beginning of 1990s, the USSR social policy system was characterised by many risks, with high rates of infant mortality, decrease of population growth, housing deficit and huge geographical disparities in the quality of life.

One of the views holds that the decline of social policy system in Soviet Union indicated nothing more than the fact that it was developing in line with the world trends. The advocates of this view assert that the Russian/Soviet welfare system has passed through the same periods of historical evolution, as Western welfare systems did. In this respect, welfare system retrenchment and decline were predetermined by global logic, rather than the peculiarities of internal politics. The following table reviews this 'global logic' by illustrating stages of the development of social state. In this scheme, Russia could obviously find its place, since the developments in social sphere of this country were generally coinciding with the world trends.

Table 3 – Stages of Social State Development¹⁵

The stages of social state development	The priorities of social policy
The Socialist (from 70s in 19 th century to 30s of the 20 th century)	Development of the state system of social provision and social protection, development of social insurance; social support for all citizens
Legal social state (30-40 of the twentieth century)	Legalization of social rights and social guarantees; transition of social functions from society to the state
State of social services (40s-60s of the twentieth century)	Provision of common national minimum income; provision of employment, social patronage, programmes for invalids, programmes for special categories, transition from passive to active social policy
Welfare state (60s to 80s of the 20 th century)	Welfare is equally spread among the citizens
Destruction and crisis (from the mid-1980s – mid-1990s)	Partial rejection of the already formed systems of social guarantees distribution; rejection of the solidarity principle of social insurance; revision of the concept of social rights; at the same time – appearance of mass categories that need social support
Liberal social state (from mid-1990 till now)	Rejection of state paternalism in social policy, the policies for reduction of social dependants; development of socially oriented market economy; measures to strengthen social responsibility of business; measures to strengthen the principle of compensation

Most of the authors view the Soviet welfare system decline as an inevitable consequence of growing problems which undermined the system internally. Among major factors, scholars name the contradiction between the formal and informal principles governing Socialist welfare policies. Kovacs¹⁶, for example, illustrates that 'egalitarian rhetoric of the communist leaders served to camouflage (and not to eliminate) the hierarchical differences in income, wealth and power, characteristic of the Soviet state. The latter view is supported by the Russian researcher Sidorina who proposed that

¹⁵ Kalashnikov, S. V., 'Priroda Sotsial'nogo gosudarstva i ego istoricheskii genesis', in *Sotsial'noye gosudarstvo: priroda i sushchnost*. DIE RAN, no.138, Moscow: IE RAN 'Ogni', 2004, 26.

¹⁶ Kovacs, J. M., 'A Cushion that Suffocates? Transforming the 'Communist Welfare State' in East-Central Europe'. In: Kovacs J.M. *Small Transformations. The Politics of Welfare Reform - East and West*. LIT Verlag, Münster, 2003.

the Soviet welfare system was exclusionary in its essence, since it aimed primarily at the protection of the Soviet political elite (so called nomenklatura).

A great part of social legislation of that time incorporated at least three goals: 1) to support people who rendered prominent services to the state; 2) to make payments through the insurance schemes (pensions and benefits) and 3) to provide services to those who were unable to work and did not get sufficient support from their families. Thus although the formal aim of the system was to ensure institutional redistribution of resources that had to guarantee social equality of citizens, on a more practical level, it served as a means of bringing about differentiation.

One of the imperfections, widely discussed in the literature (Kalashnikov, Kovaks, Sidorina, others), was that the system of state socialism didn't provide civic rights and liberties to its citizens. Although protected economically, people were not able to bargain for certain decisions and appeared under consistent state control. This social and political vulnerability, being practically unrecognized as a problem by the majority of population during the Soviet era, had negative impacts at the level of mass psychology. Excessive reliance of the population on the state and tremendous conformism, fostered during the twentieth century, resulted in a sense of victimization that disseminated widely and impeded reforms after collapse of the Soviet Union.

Another imperfection of the Soviet social system was that some major social problems such as unemployment, poverty, and suicide or drug addiction were disregarded for ideological reasons. Unemployment was hidden in expense of the loss-making state-owned firms, social work was practically nonexistent, and the human rights of the people were ignored or abused (using psychiatry as an instrument for political exclusion). Only

Gorbachev's policy of openness (*glasnost'*) in the late 1980s contributed to the fact that social problems of isolation of older and disabled people became a subject of open discussion.

What should be particularly emphasised, in this respect, is that by the beginning of the reforms, the Socialist welfare system was highly complex, contradictory and inflexible. Some of its dimensions were overdeveloped, others were practically non-existent. As an ideal model, it served as a right prescribed to politically loyal working people and their families. However, many factors of economic and social origin have made the system largely inefficient.

Overall, the problems of growing complexity and internal contradictions cannot be held responsible for the crisis of social policies at the end of the Soviet era. However, analysis of these problems may throw light on the inheritance affecting the post-Soviet system during the period of transition.

2. 2 Welfare system restructuring: continuity and change

After the collapse of the Soviet Union a set of radical economic reforms were put into place to guide political and economic transformation. The majority of these reforms were associated with price and trade liberalization, paralleled by the attempts to achieve macroeconomic stabilization through strict control of the money supply and government spending. The concept of reforms was centred on introduction of real prices and stable currency that would supposedly stimulate the formation of markets and other institutions crucial for market economy.

In scholarly debates these changes are conceptualized in a wider context of a shift from planning to markets, from communist autocracy to democracy, and from a totalitarian society to a pluralist one. Lane¹⁷ asserts that most of the changes presented not a series of radical reforms, but rather a revolution. Ash¹⁸ described the 1989 happenings as ‘refolution’ – a mixture of reform and revolution. Scholars in general, however, have always been reluctant to use the term of revolution¹⁹. The major reason for that was that not all the changes were introduced by force, and not all of them were of a radical character. Welfare system and social policies in general, in this respect, were mostly resistant to any kind of alteration. Although the system has always been under the process of modification, no one of the post-Soviet Governments adopted any strategic plan for reorganization of social provision in Russia. Because of that, many reforms appeared to be partial and, thus, could not lead to positive systemic effect.

Literature on post-communist transformation allows identifying at least three periods of social model restructuring in Russia.

1) The first stage of 1992-1996, was marked by intensive law formation, as well as by the attempts of the government to adapt the Soviet-era social policy goals and instruments to the changing economic conditions. During this period, a new Constitution was adopted; the latter proclaimed Russia to be a social state guaranteeing right of citizens for a decent quality of life. Generally, the Russian state took responsibility for

¹⁷ Lane, D. ‘Trajectories of Transformation: Theories, Legacies, and Outcomes’, in The Legacy of State Socialism and the Future of Transformation, David Lane, eds., Lanham, Md: Rowman&Littlefield Publishers, 2002, 4.

¹⁸ Ash T.G. The Uses of Adversity. New York: Random House, 1989, 276.

¹⁹ First, there has been very little or no internal violence; second, there has been no explicit ascendant and dominant social class; and finally, there has been no revolutionary ideology.

major social commitments inherited from the Soviet state: free access to education, healthcare system, sick, family and pension benefits were formally retained.

On a practical level, laws adopted during this period transformed universal, government-funded programs to more restrictive, employee/employer-funded schemes. The new system incorporated such 'western' mechanisms as medical insurance, accumulation-based pension system, social credits (ipoteka), social funds²⁰, etc. Social services become partly commercialized, along with that, new categories entitled to social support were introduced. The role of regional budgets accordingly increased which allowed for the enhancement of the set of social guarantees and real support of vulnerable groups of the population.

Table 4 - Social Security System of Russia under Transformation²¹

Elements of Soviet Security System	Social Security in Russia under Economic Transformation
Full and secure employment – was a part of income levelling policy, guaranteed right to job, Unemployment insurance was non-existent	The Employment Fund created in 1991- receives mandatory contributions of 2% from the payroll from enterprises plus budgetary transfers The principle of full employment was substituted by liberal model of a labour market
Universal access to child care services – served as a means to ensure employment for female labour	Family benefits were preserved, including child and single-mothers' allowances paid from the budgets of regional administrations In 1992 the Social Insurance Fund was created to take care of funding for sick, maternity and child care benefits. It derives its revenue from a payroll contribution of 5.4% from payroll of enterprises
Free and universal health care	Universal principle was formally preserved; healthcare system was preserved; However, introduction of health insurance (Medical Insurance Funds) and commercialization of health services undermined publicly provided universal medical care

²⁰ The largest is the pension fund, but there are also two social security funds and a small employment fund. The extrabudgetary funds are essentially financed out of a payroll tax of 37 percent.

²¹ The table is compiled by the author; summarizes major changes which occurred within the system under transformation.

Table 4 (continuation) Social Security System of Russia under Transformation²²

Elements of Soviet Security System	Social Security in Russia under Economic Transformation
Universal access to pensions – idea of employer and worker contributions to a pension fund didn't exist, while all benefits were paid from the state budget and funded through general tax revenues	Pension Fund was established in 1991, which was a first step towards insurance contribution-based pension system. The Fund's revenue was derived from employer contribution of 28% of the payroll Old-age pensions are the core of the Russian social security system
Education and vocational training	Free access to education was formally preserved
Heavily subsidized housing – served as a means to elimination of homelessness	Subsidies were cut down
State-controlled and heavily subsidised prices for essential goods	Elimination of price controls, reduction of consumer subsidies
Fully socialized human services	Cuts in public expenditure on social services
Egalitarian wage policies – was a part of income levelling policy, served as a means to regulate incomes and keep them close to subsistence level	Wages control was eliminated; fiscal crisis undermined ability of social security institutions to provide adequate levels of protection

If one looks at the changes to the social model from the point of 'social contract' theory, it appears that the major elements of social contract were altered: price controls were eliminated, consumer subsidies were reduced, subsidies to social services were cut and labor relations underwent radical changes (from the idea of rational employment in the period of perestroika to the liberal model of a labor market).

At the same time, it is obvious from the table presented above that social security system has not been completely changed during the period of transition. Although the Russian state modified sources of social funding in favour of a contribution-based system, social commitments of the Soviet era were partially preserved.

²² The table is compiled by the author; summarizes major changes which occurred within the system under transformation.

In Russian and Western literature, modification of the social, economic and political system in this period is usually described as an artificial process, in which some (not all) former structures and institutions were quickly substituted by the new ones, of a western type, while the others were retained. Badie, Polterovich and Djankov coin this process as the ‘transplantation of institutions’²³.

Generally, the formation of social policy in 1992-1994 was marked by significant increase in social expenditures. Although the part of it which was spent on social services significantly reduced, the general amount allocated from the state budget in three years increased more than 5 % of GDP. This increase was due primarily to the usage of resources from the state budget funds and territorial budgets. It encompassed social expenditures in the sphere of culture, education, healthcare, pension provision, social insurance, social benefits, etc. However, a lack of coherent programme of reforms in the sphere of social policy resulted in its systemic inefficiency. According to the study conducted on behalf of the EU Tacis Project²⁴, this pseudo-growth was financed primarily by extra-budgetary funds and regional budgets that boosted higher public spending on culture, education, healthcare, pensions, social insurance, social benefits and employment in compensation of the cuts in government subsidies to the national economy. During 1992-1994 they almost halved as share of GDP.

²³ According to Vladimir Polterovich’s definition, institutional transplantation is “the adoption of institutions that have developed in another institutional environment” // Zweynert, J., and Goldschmidt, N., *The Two Transitions in Central and Eastern Europe and the Relation between Path Dependent and Politically Implemented Institutional Change*. HWWA Discussion Paper No. 314, Hamburg Institute of International Economics, March 2005. //

http://www.hwwa.de/Publikationen/Discussion_Paper/2005/314.pdf

²⁴ Leskin, V., Healy, N., Shvetsov, A., Kashin, V., Fedorenko, A., Lyubovny, V., Lavrov, A., and Skatershikova, E., *Inception Report: Social Sector Reform in the Current Macroeconomic Situation*, EU Tacis Programme with the RF Ministry of Economy, 1997-2006 // <http://tacisreform.org/index.php>

If we try to look how all the policies in the social sphere were conceptualized at the federal level, then it turns out that most of them were designed to catch-up with economic modernization processes, which means that the change of social model during the first stage of transformation occurred in a reactive way. The peculiarity of this stage was a continuous friction between proclamations of commitment to universality and adherence to ‘minimal social provision’.

At the beginning of 1990s, in view of growing economic crisis and money shortage, Yeltsin promised that ‘the liberalization of prices would be accompanied by acts of social defence of the population’²⁵. To ensure fulfillment of this proclamation, Gaidar and his government planned to maintain a minimum level of social support for those hit hardest by the shock of price liberalization²⁶. Resisting the idea of wage indexation, Gaidar considered Control of inflation to be the overwhelming priority of the new “social policies”. Deputy Prime Minister and Labour Minister Alexandr Shokhin also rejected inflationary policies such as savings compensations, stating in November 1991 that he considered indexation of Sberbank accounts to be ‘nonsense’. Thus, conquering inflation was perceived as the most suitable “welfare” policy in circumstances of economic turmoil. Gaidar and his associates firmly believed that economic growth was the best social policy for Russia. It was suggested that social assistance programmes could not be allowed until the economy starts recovering and produce a surplus that might be distributed.

²⁵ Vystuplenie B. N. Yeltsina” 1991 // McFaul, M., ‘The political Economy of Social Policy Reform in Russia: Ideas, Institutions, and Interests’, in Left Parties and Social Policy in Postcommunist Europe, Linda J. Cook, ed. Boulder, CO: Westview Press. 1999.

²⁶ McFaul, M., ‘The political Economy of Social Policy Reform in Russia: Ideas, Institutions, and Interests’, in Left Parties and Social Policy in Postcommunist Europe, Linda J. Cook, ed. Boulder, CO: Westview Press. 1999.212.

2) The second period of social system restructuring (1996-2000) can be coined as the time of institutional inertia which was marked by lots of gradualist measures or absence of social reform in general. At this point, the system of social support and welfare provision became even more contradictory than previously, while the merger of the Soviet and the new-era social goals and mechanisms created a system attributable neither to socialism nor to capitalism.

On a declarative level, social policy issues ranked high during this time. In the presidential elections, B. Yeltsin platform focused on his plan of action for the period 1996 -2000, which was called "Russia, Individual, Family, Society and State". The Medium-term Programme entitled "Structural Transformation and Economic Growth" (1997-2000), also emphasised the importance of social reform, providing a plan of action for the new presidential tenure of Boris Yeltsin (1996-2000).

However, despite all the efforts that were made to introduce reform of the social policy sector in general, all of them were blocked by the legislative body. In 1997, an attempt was made to change the basis of social payments from universalism to means-testing²⁷. However, it was rejected at all levels and from all parties, which could be explained, first, by the fact that the State Duma has been dominated by the Communist Party, and second, by the fact that some beneficiary groups, especially veterans and pensioners, still exerted some power through lobby groups in Parliament.

The government used to withdraw its proposals or postpone implementation of the laws in face of continued opposition. The peculiarity of legislative initiatives of that time was that most of them tended to just shift and redistribute responsibilities or supplement

²⁷ Cook, L. J., 'Institutional and Political Legacies of the Socialist Welfare State', in The Legacy of State Socialism and the Future of Transformation. David Lane, ed., Lanham, Md.: Rowman&Littlefield Publishers, 2002.

existing entitlements with new insurance and saving schemes rather than eliminating inefficient old schemes.

Partial reforms produced 'mixture' effects on all levels of welfare system. The sphere of social provision ('система социальной поддержки', composed of benefits, allowances and social payments), in this respect, provides one of the most striking examples of growing systemic complexity.

Trying to modify the system of social support, the government steadily delineated boundaries between different social policy sectors and social categories that needed assistance. Social benefits, allowances and other social payments were preserved and transformed into an essential part of the social provision system. However, many contradictions were incorporated into the newly adopted laws during that time. The Law 'On Veterans', for example, proclaimed benefits as being an instrument of means-testing support directed at the most needy social categories. In fact, however, this compensatory system continued boosting the most distinguished social categories (heroes, veterans), as it was traditional for the Soviet welfare state of post-Stalinist period. As a result, by the mid-1990s, nearly 70 % of the Russian population appeared to be entitled to social benefits, most of which were directed not at the needy, but at the 'distinguished' groups. Calculations from the independent institute of social policy showed that in-kind benefits, as well as the majority of other social benefits, were to a great extent available to non-poor population groups: 10 % of the poorest households received 2,6% of total amount of in-kind benefits, and the wealthiest 10% of households – 31,8²⁸. In view of growing

²⁸ Zaslavskaya, T., Maleva, T., et.al., *Social Policy in Changing Russia*. Moscow: Independent Institute for Social Policy (IISP), 2002 // http://www.socpol.ru/eng/research_projects/pdf/proj10b.pdf

systemic inefficiency and economic crisis, the entire benefit structure of the mid-1990s lagged behind.

Complexity was exacerbated even further by the fact that the aims of the system appeared to be mixed. Constitutionally, the Russian state (as well as the Soviet one) guaranteed a 'decent life' for people, while in many other laws the only state function mentioned was the compensatory one. Formally, however, the government expressed commitment to the welfare of their citizens, since the common pattern of reaction during that time was to deliver loud public statements demanding that wages be paid and corrections to the situation be made.

Another 'mixture' effect concerned measures taken to cope with unemployment. Although an unemployment agency was established in recognition of the existing problem, the government continued concealing the problem. One of the probable explanations for this phenomenon is that unemployment continued to be perceived as a politically loaded term that time. Another factor is that the system was practically unprepared to cope with a problem that had never been recognized during Soviet times. Before the reforms commenced, unemployment insurance was non-existent, while the bulk of social security was provided by old-age pensions, sickness and maternity benefits as well as by invalidity and survivors' pensions.

Enterprises continued to serve as the main provider of social welfare, delivering the same number of goods and services to the factory employees, regardless of the financial health of the enterprise. (In 1993, Russian enterprises spent an estimated 14 percent of their total wage bill on social benefits and services; at industrial enterprises social spending was 20 percent of the wage bill), while an unemployment agency for

workers served more as assessor of the number of unemployed rather than a provider of unemployment benefits or retraining program.

Economic practices to which the Yeltsin administration adhered at that time were apparently economically inefficient, represented by an inter-enterprise debt cycle, confiscatory tax structures, ludicrous wage and tax policies, accompanied by the distortion of political dialogue on the issue of unemployment.

Darkin²⁹ distinguishes several types of symbolic policies and gestures that were taken by the government to continue to postpone implementation of open recognized unemployment: denial (or concealment); feigned response and misattribution of cause.

Denial was one of the most widely used instruments during the Soviet era. In the mid-1990s, it transformed into a set of concealment practices, which allowed delaying and hiding existing problems from the public. The first method of concealing problems in the sphere of employment was to deliver money through subsidies, loans and other support, and thus to maintain excess amount of workforce in enterprises. Long delays in passage and implementation of the Law on Bankruptcy further concealed the true extent of unemployment – failure to implement bankruptcy provided an opportunity for extension of credit to enterprises. The ways in which the leadership managed to continue the policy of inaction and symbolic gesture included the combination and manipulation of statistics and other information.

Feigned response and misattribution of cause were also widely used through most of 1990s. The examples are 1) the 1991 Law on Employment of the Population; 2) the

²⁹ Darkin, M. I., 'Social Contract Versus Market. Unemployment Policy and Symbolic Politics in Post-Soviet Russia', in Russia Transformed. Dmitry Mikheyev, ed., Indiana: Hudson Institute, Indianapolis, 1996, 201-225.

against abandoning the redistributive and solidaristic principles of Russia's pension system. The crisis of August 1998 brought an end to the efforts of pension system reform that was suspended until 2001.

3) The third stage of social system restructuring in post-Soviet Russia can be related to the years of Putin's Presidency (2000-present), marked by a recommitment of the Russian government to liberalizing reform program, aimed at reducing subsidies, eliminating categorical benefits and targeting spending in the poor.

In Putin's first term, the government started to focus more on the long term social and economic challenges, while during the second term a number of far-reaching and ambitious political, administrative and social reforms started being implemented.

Social reforms initiated during this period were officially targeted at the reduction of poverty and the change of an inefficient social welfare system. However, most of them have to be viewed in a wider context of other political initiatives: the goal of rationalising of the political system leaving two or three major political parties, a further strengthening of the federal centre in its relations with the regions and restructuring of municipalities and local boundaries that were reflected in several ambitious programs of administrative reform (the structure and functions of government and development of performance management), civil service reform (civil service human resource management), restructuring of natural monopolies, particularly in the energy sector, and financial sector and banking reforms.

The most significant social reform was initiated by Putin in 2004, when the Federal law 122³³ was passed by the Russian Parliament (under initiative of the President) that replaced traditional Soviet-era benefits for the elderly, veterans, invalids and millions others with cash payments. The essence of the reform is that abolishing Russia's inefficient system of social benefits allowed for removing of a major burden from the federal budget and the acceleration of Russian transition to the market economy. Putin and the leadership of United Russia have defended the new law as an important reform to end a vestige of the old Soviet system. The benefits were supposed to be replaced by cash payments ranging from the equivalent of \$5-\$50 per month.

In line with the new law, social security benefits were divided into two categories: central and regional. Around 14 million persons were entitled to payments centrally and 20 million on a regional level.³⁴

The significant peculiarity of this reform is that the bill was passed despite the huge opposition on behalf of those whose interests were particularly wounded. Generally, there were at least two major streams of opposition to the reform – one on

³³ Federal'nyi zakon Rossiiskoi Federatsii, 'O vnesenii izmenenii v zakonodatel'niye akty Rossiiskoi Federatsii i priznanii utrativshimi silu nekotorykh zakonodatel'nykh aktov Rossiiskoi Federatsii v sviazi s priniatiem zakonov "O vnesenii izmenenii i dopolnenii v Federal'nyi zakon "Ob obshchikh printsipakh organizatsii zakonodatel'nykh (predstavitel'nykh) i ispolnitel'nykh organov ujudarstvennoi vlasti sub"ektov Rossiiskoi Federatsii" i "Ob obshchikh printsipakh prganizatsii mestnogo samoupravleniya v Rossiiskoi Federatsii" (Law 'Concerning the Introduction of Amendments to Legislative Acts of the Russian Federation and the Annulment of Certain Legislative Acts of the Russian Federation in Connection With the Adoption of the Federal Laws "Concerning the Introduction of Amendments and Additions to the Federal Law "Concerning the General Principles of the Organization of Legislative (Representative) and Executive State Bodies of Constituent Entities of the Russian Federation"" and "Concerning the General Principles of the Organization of Local Government in the Russian Federation"', no. 122, August 22, 2004), *Rossiiskaya gazeta* (Spetsial'nyi vypusk no. 3565), 31 August, 2004 // <http://www.rg.ru/2004/08/31/samoupravleniye-dok.html> (Internet, June 12, 2007)

³⁴ Smolin, S., and Volkov, V., 'Russia: Wave of Protests Against Welfare Cuts', *News and Analysis Archive of the WSWS*, January 27, 2005 // <http://www.wsws.org/articles/2005/jan2005/russ-j27.shtml>; Internet (January 27, 2005).

behalf of regional authorities and the other one – on behalf of vulnerable social groups whose support was reduced. The first was due to the fact that the law on monetization significantly changed redistribution of obligations and responsibilities between the levels of power; the second was inspired by perceived levels of social injustice incorporated into the norms of the law: about 30 million beneficiaries were accounted for and assigned to either regional or federal authorities, but some 10 million pensioners were not accounted for at all.

Major criticisms are centered on the issue of social injustice of the new law, while the ‘power’ dimension of the latter (related to redistribution of obligations and responsibilities) is more covert. Duma Deputy Sergei Glazev, of the left-leaning Motherland faction, accused the government of ridding itself of some of its key responsibilities -- at the expense of the country's most vulnerable social groups. "Their political advantage comes from the fact that they have abdicated all social responsibility," said Glazev. "Now, these bureaucrats no longer need to measure their actions against the demands of the law. If earlier there were strict norms that had to be observed in terms of how much money went to education, health, culture, and science, today there is total bureaucratic arbitrariness. Those areas will get however much money is left over after all other expenses have been met. The federal center has shed its responsibility [for these areas]. That is their main political advantage."³⁵

In mass-media, the law was also assessed as purely anti-social. Representatives of nongovernmental sector and human rights groups asserted that the state rejected its

³⁵ Bransten, J., ‘Russia: Many Can't See The Benefit in Controversial Social-Reform Bill’, Radio Free Europe archives news, August 2004 // <http://www.rferl.org/featuresarticle/2004/08/bb5552b2-4bb2-414b-af7b-9f81a518fa09.html> (Internet; August 9, 2004)

obligations in the social sphere and, in fact, became anti-social. According to the social researcher Levinson, this reform was the turning point in the development of the social sphere, since it led to the formation of 'social federalism'³⁶.

The question to what extent Russian regions suffered from the introduction of the 122 Federal law is debatable. Given the fact that regional authorities refrained from expressing overt dissatisfaction³⁷, it can be suggested that they gained some symbolic advantages, or that social reforms have not endangered their power to such an extent as it has been stated in PR campaigns. It must be also taken into consideration that regional structures possess high levels of adaptability to changing rules of political games. Sometimes it may happen that regions manage to preserve existing structures, gain new resources from the gaps that appear in the new laws. Thus, there is a chance that benefits reform did not endanger their symbolic benefits too much.

At the same time, regional variations of social benefits reform in Russia is very important as it indicates what kind of relations are being formed between the levels of state power, and accordingly, between state and society.

To understand how benefits reform influenced the Russian regions, it is necessary to take a look at the politics of social reform, unfolding in a wider context of the increasing strain in relations between the federal centre and regions.

Right before the introduction of the social benefits reform, several attempts were made by the Kremlin to assert its control over political parties and regional elites. First, in

³⁶ In year 2003 there have been indicated 29 million of people that had income lower than the subsistence level; 5 million 7 hundred thousand people were registered as unemployed; average salary in rural areas was 2145 roubles.

³⁷ Chirikova A. asserts that regional opposition resembled 'protests on the knees': Chirikova, A., 'Putin's Reforms and Positioning of Regional Elites in Russia'. *Russian Society in the 21 Century*, no. 1 (2006): 21-31.

line with the newly adopted law (2001) “On Political Parties”, the threshold for political parties was significantly raised (the number of members and the number of branches), which finally led to the closure of regional branches of some parties and the increasing vulnerability of regional elites. Second, criminal investigations were initiated against prominent regional leaders. In this process, the governor of Yaroslavl, who was the first to oppose the Kremlin’s decision to appoint governor, was compromised by involvement in a criminal scandal. Other regional leaders faced the same fate (Saratov Region, Nenets District, Kamchatka Region, Republic of Altai, and Samara Region).

When social benefits reform started being implemented, the federal powers preferred to blame regional authorities for poor implementation of the new law, rather than to give sufficient explanation for their initiative in social sphere.

Governors, when faced with protests, responded in different ways. Some regions provided monetary compensation, while others stuck to the benefits system, and some mixed these policies. Some chose expensive strategies that were financed at the expense of other programs, such as local business support and regional investment. National Bolsheviks, Communists, Yabloko and Motherland have exploited this social unrest in their own favor. Although public opinion polls show little difference in approval ratings of the leading parties, a radicalization of the political scene is going on³⁸.

In the literature, monetization of social benefits is usually coined as a highly controversial initiative. However, there is no reason to state that the reform was not well prepared. What is evident from the analysis is the fact that both design and implementation were not thoroughly discussed with regional officials, and thus the

³⁸ Sometimes it is assumed that this opposition contributed to the abolition of direct gubernatorial elections and the appointment of governors.

reform created certain problems for regional authorities who had only few options guaranteeing the implementation of the new federal law³⁹.

Generally, this law on monetization of benefits turned out to be of an all-embracing character, as it introduced changes to the spheres of labour relations, housing, pensions, economics, patents, taxes, budgets, the juridical system, and others. In fact, it represented a cardinal reform of principles governing social policy formation and implementation, abandoning most of the excessive obligations that have not been fulfilled earlier due to low level of social expenditures from the federal budget (only 7.7 in 2003) and ineffectiveness of the social system functioning in general.

The second effort to reform the social model of Russia under Putin is associated with the suggestion to launch national social projects, aimed at restoring human capital. Coined by the President as 'investment in human beings', the suggestion on new priorities in social policies came into existence on September 2005 at a meeting of the President with the Federal Council and the members of Government of the State. Specifically, the President proposed to additionally allocate 115 billion RUR for the social needs, most of which was to be directed to education, healthcare and science. More than half of the sum allocated for national projects is to be spent on healthcare, another 16 million RUR – on education, and 14 RUR – on support of agriculture.

In mass media, the initiative was publicized as if it had launched a new wave of reforms. However, in fact, the government once again proclaimed its commitment to

³⁹ A detailed and thorough preparation of the law is proved by the fact that that the Kremlin established the Fradkov Commission which met every week for about a year to review proposals/reports from regional leaders. Once the draft was signed into law, regional leaders had two months to change a multitude of regional laws // Smolin, S., and Volkov, V., 'Russia: Wave of Protests Against Welfare Cuts', *News and Analysis Archive of the WSWS*, January 27, 2005 // <http://www.wsws.org/articles/2005/jan2005/russ-j27.shtml>; Internet (January 27, 2005).

social entitlements, relying on a long-standing tradition of state paternalism. According to 'Russia 2005 Report on Transformation'⁴⁰, the launch of these projects had several informal aims: first, to mobilize public opinion in favour of the government that lost a significant portion of its popularity due to a recently adopted law on benefits monetization. The second goal, according to the report, was to distract attention of the population from the Stabilization Fund, a great portion of which is not to be spent on social programmes. Finally, national projects, according to the report, could represent a purely political game to counteract efforts by the Communist Party, 'Rodina' and some others to threaten the popularity of United Russia by further critiques of the state's antiliberal policies.

Generally, in line with this argumentation, the projects of September 5 marked a departure from the neoliberal course pursued by Russian politicians during the period of transition: "On the surface it looks like all the above listed measures have been maturing for a long time and their priority does not cause any doubts. On the other hand, their analysis indicates a cardinal turnaround not only in social policy, but also in the economic model of the state development in a whole"⁴¹.

Generally, the new reforms initiated by Putin do not represent the set of complex measures designed to alter the system of social policies. On the contrary, they incorporate elements of a highly contradictory system formed during the 1990s, in which state paternalism inherited from the Soviet era was intertwined with liberalism introduced

⁴⁰ Simonov et al., 'National Projects as the Main Goal of Executive Power'. Russia 2005. Report on Transformation. 2 Europe – Russia Forum, Vilnius, Fundacja Instytut Studiów Wschodnich. March 23-24, 2006, 117-129 // <http://www.forum-ekonomiczne.pl/docs/reportRu2006chapter05.pdf> (Internet, February 1, 2007)

⁴¹ Simonov et al., 'National Projects as the Main Goal of Executive Power'. Russia 2005. Report on Transformation. 2 Europe – Russia Forum, Vilnius, Fundacja Instytut Studiów Wschodnich. March 23-24, 2006, 123 // <http://www.forum-ekonomiczne.pl/docs/reportRu2006chapter05.pdf> (Internet, February 1, 2007)

under the pressure of rapid economic reforms. Specifically, the law on monetization of benefits, accompanied by the reduction of the unified social tax⁴² signifies further liberalization of the Russian welfare system, while the creation of social national projects relies on the long-standing ideology of state paternalism. Thus, although social policy reform moves gradually to the top of the Russian government's agenda, there is still a lack of understanding whether there is any philosophy, strategy or logic in the social policy area.

2.3 Why inertia? Arguments of power and historical legacy

There are several competing explanations for welfare system institutional inertia during the second half of the 1990s. The first one, a system-related explanation, attributes obstacles for welfare restructuring to the communist heritage per se. In this respect, contradictions of the evolving system are viewed as path-dependent, being interrelated with the complexities of the Soviet legacy that has not been radically eliminated after the Soviet Union's collapse.

Mandelbaum⁴³ provides an observation on how peculiarities of the past influenced the transformation of the social safety net in post-communist countries. In his view, constructing the post-communist social safety net was rather problematic due to the fact that it included three different tasks. Some parts needed to be built from scratch. Other

⁴² As a step toward liberalization of social policies, the Russian government on June 11, 2004 the Duma passed a bill to cut the unified social tax from 35.6% to 26%. This was the payroll tax that funded pensions, social security and health care.

⁴³ Mandelbaum, M., 'Introduction', in Sustaining the Transition. The Social Safety Net in Postcommunist Europe. Ethan, B., Kapstein. Mandelbaum, M., ed., New-York: A Council of Foreign Relations Book, 1997, 1-10.

parts already existed, including some that were significantly overdeveloped, providing benefits more generous than the countries in question could afford. Still other parts were underdeveloped and had to be torn down and then rebuilt.

Under communism there was no provision for coping with unemployment because officially there was no unemployment. Full employment was central to communist ideology. Thus all postcommunist governments have had to build, from the ground up, systems for coping with unemployment. All communist countries lacked provision for supporting those who had lost jobs, a fully developed labour market they could enter to find new one, and a system of training to enable them to qualify for new positions that might be available. At the same time, Communist regimes did provide pensions for workers, and some countries, notably in Central Europe, appeared to be more generous than was socioeconomically healthy. Thus, most of the countries faced tremendous problems in attempting to rationalize the system of benefits. This task required both destruction and creation.

The same situation concerned the divestiture of social assets in industrial enterprises. Employers had to divest themselves of extra responsibilities and concentrate on providing goods and offering services profitably. At the same time, independent housing markets and food distribution systems had to be created. Neither of all this could be done rapidly.

Among the negative inherited features of the post-Soviet welfare system of Russia, researchers mention overcentralization, waste, rationing, shortages, paternalism, rent seeking, and corruption.

However, the transfer of these features from the Soviet past is arguable.

Although most researchers (Sidorina, Kovacs, others) describe the welfare system of contemporary Russia as highly paternalistic, state paternalism of these days is not the same phenomenon as it was several decades ago. To date, paternalism can be observed only on a level of rhetoric, thus it is of a purely declarative character. As was observed above, the state that is still considered to be the main actor of social policy making is in fact unable to fulfill its obligations and commitments: the level of state support remains quite low, many groups are witnessing the problem of social exclusion, while the greatest part of responsibility is shifting from the state to other institutions (private organizations, family, etc.).

The legacy of ‘overcentralization’ is also quite debatable. The main problem that the social policy system in Russia is facing nowadays is the mismatch of local, regional and national social strategies that was practically unimaginable during the Soviet era⁴⁴. After many years of transformation the organization of social policy formation has become much less centralized than previously. More than that, the number of social policy fields, programmes and measures even widened, while the vertical relations between the centre and regions on social issues (as of redistribution of responsibilities and resources) became more complicated and even gave way to the fragmentation of social policies across the country. Thus while the Soviet social model was disproportionately developed due to sectoral constraints (the absence of employment policies or policies targeted at sick and homeless people), the post-Soviet welfare system

⁴⁴ The Soviet regional social policy could be well described as a set of coherent measures aimed at self-sufficiency of regions and equalization of socio-economic development all over the country. To a large extent, these aims were achieved through the process of industrialization, which took place in line with specialization of each region.

became distorted largely due to the lack of coherence between the federal and regional welfare policies.

Overall, heritage of the Socialist welfare system is not something that could be revealed at a glance. The process of path dependent transformation implies that some institutions and conditions, though transferred to a new system, appear to be significantly altered, being intertwined with a new set of rules and institutions. In this respect, paternalism, overcentralization, rent seeking and other features are stereotypically used to coin possible impacts of path dependency, and there is little understanding that they no longer represent the same phenomenon as during the Soviet era.

The *second explanation* of institutional inertia and the persistence of 'non-policies' refers to the interests of certain actors, and accordingly, to the politics of welfare reform through the 1990s. In line with this explanation, which goes in line with the elite-centered approach, the political institutions and balance of power that have emerged in Russian politics since 1992 have been more effective at preserving the status quo than in providing the environment for reform of social policy in any direction. One of the reasons for that is the fact that the costs of continuity appeared to be lower for a certain group of people than the costs of policy change, and inefficient practices have an interest in preserving them, blocking alternative ways of systemic transformation.

McFaul, while analysing institutional legacies that affected the transformation of social policies in Russia, asserts that because Russia's revolutionaries who assumed power in 1991 refrained from using force to destroy the Soviet old regime, they retained many Soviet institutions and the organizations and actors empowered by them:

Social policy in Russia has not been revamped over the last decade because Russia's political leadership has calculated that they can stay in power without initiating these kinds of policy changes. They made this calculation based on the assumption that those most in need if social policy reform were not strong enough politically to threaten their political futures. This weakness was in part a function if the ineffective and corrupt directors, parties, and trade unions that claimed to represent those in need if social welfare⁴⁵.

The effect of institutional inertia was strengthened even more by the fact that those threatened by Gaidar's ideas about reform regrouped and rebelled to protect the institutional arrangements that benefited them. As Russian industrial lobbies gained control of the Russian government, they succeeded in implementing a privatization program and a set of fiscal and monetary policies that preserved the old Soviet practices of social welfare policy. This situation impeded structural reform at the enterprise level. In fact, given the tax system, the low cost of labour, and the extreme dependence of these workers in the enterprise, factory directors had real incentives to maintain Soviet-era employment levels⁴⁶.

Cook also shows that divisions within the postcommunist elite on the virtues of the socialist welfare state – between reformers in the government seeking to dismantle it and a Communist-dominated Duma majority seeking to preserve it – have been a major obstacle to reform. However, her studies provide some kind of a middle ground between

⁴⁵ McFaul, M., 'The political Economy of Social Policy Reform in Russia: Ideas, Institutions, and Interests', in Left Parties and Social Policy in Postcommunist Europe, Linda J. Cook, ed. Boulder, CO: Westview Press. 1999, 207-235.

⁴⁶ One of the reason for the absence of social unrest is that beyond the factory walls, the interests of workers, pensioners and the real poor in Russia can be ignored due to the structure and effectiveness of their representative organizations and institutions. According to McFaul, after the demise of the Civic Union, which received only 1.8 percent of the popular vote in the parliamentary election in 1993, the Communist Party of the Russian Federation has monopolized representative responsibilities for workers and pensioners at the national level of government. However, this party has never managed in promoting any significant social policy decision, neither it was able to block the approval of any of Yeltsin's austere budgets.

the two approaches used to explain post-communist inertia in the sphere of social policy. In her words, the old welfare state has left a legacy of entrenched interests, legal entitlements, institutional practices and attitudes that have proven resistant to most of the reform efforts (especially those advocated by western specialists)⁴⁷.

The first thing that needs to be taken into consideration, in this respect, is that despite Russia's strong administrative power with a profound potential for the reforming of welfare system, there were some objective obstacles related to interests opposing the reform. During the course of reforms, social groups with privileges and exemptions have devised a variety of defensive tactics that allowed them to retain benefits even in the face of legislated cuts. Various population groups were still expecting that the state should provide for basic needs – employment, housing, healthcare, etc. The bureaucracies threatened with losing their positions in the restructured system, were also prone to defend their status quo.

The second factor, contributing to institutional inertia, in Cook's view, is that by the beginning of reforms, the welfare state was already administratively complex. It became entrenched not only in the expectations of population, but also in the 'modes of operation', resource commitments, and value orientations of institutions.

Finally, there were some objective factors, such as the general conditions of transformation, marked by a deep socio-economic crisis and a lack of technical, regulatory and administrative capacities necessary to make reforms work. A whole system of laws and legislation that guaranteed hundreds of general and specific benefits

⁴⁷ Cook, L. J., 'Institutional and Political Legacies of the Socialist Welfare State', in The Legacy of State Socialism and the Future of Transformation. David Lane, ed., Lanham, Md.: Rowman&Littlefield Publishers, 2002.

to various groups in society needed to be reformed, and that could not be accomplished overnight.

The politics of welfare reform, marked by a lack of conceptual vision and strategic planning, is considered by Cook to be a crucial explanatory factor for the path of extrication from state socialism, along with a lack of conceptual vision and strategic planning

Most of the young reformers didn't take into consideration the necessity of institution building and restructuring as concerned the welfare state. The fact that the Soviet state recognized neither poverty nor unemployment, and had no administrative mechanism to cope with either was neglected. The same holds true for benefits that were paid, as in the Soviet times, from the collective pool rather than from individual accounts, and direct provision of all types of benefits often took place at the workplace.

The findings of my study coincide, to a large extent, with those pointing out the combination of path-dependent and elite-centered explanations. The fact that commitments of the Soviet era have been preserved for a long time proves that there was a path-dependent logic behind the process of social system restructuring. At the same time, from the observation provided above, it follows that there was also a combination of actor-related factors, such as the lack of conceptual vision of reforms in the social sphere as well as the overvaluation of applicability of western welfare models in the post-Soviet environment⁴⁸. The summary of arguments in favour of both positions is represented in the following table.

⁴⁸ Our results coincide, to a large extent, with those of the study Restructuring the Welfare State: East and West Compared (1995-1998), its Russian part of T. Sidorina 'Social and Employment Policy

Table 5 - Arguments of political will and historical legacy⁴⁹

Arguments in favour of the 'legacies of the past' approach	Arguments in favour of the elite-driven approach
<p>Legacies component:</p> <p>On the 1st stage of social transformation:</p> <p>a) goals of social policy were subordinated to the economic goals, as it was during the initial period of the Soviet era: (persistence of 'catch-up' and ad hoc measures)</p> <p>b) universalistic principles, social commitments were preserved (entrenched commitments, value orientations of institutions),</p> <p>c) organizationally, the system remained inflexible (institutional arrangements)</p>	<p>Elite-driven component:</p> <p>On the 1st stage of social transformation:</p> <p>a) young reformers didn't consider the necessity to elaborate any strategy ("conquering inflation as the best welfare policy")</p> <p>On the 2nd stage:</p> <p>a) political struggles and political volatility blocked the majority of reforms (pension reform, housing reform, reform of benefits system, ect.)</p> <p>On the 3rd stage:</p> <p>a) Reforms were driven by the political elite against the will of groups with privileges</p>

The lack of strategy and incoherent nature of reforms proved to have negative impact over the institutions and normative body of the post-Soviet social system. Most problems of that time were associated with the mixture of the universalistic and neoliberal principles, schemes and practices, which created numerous contradictions both at the federal and regional levels.

Although the initial decision whether to restructure the Soviet security system depended on a political decision, the overall view of social policy as something subordinate to economic goals has been inherited from the Soviet times. Political struggles, which blocked the majority of social reforms throughout the period of transition, were indicative of deeply entrenched interests, norms and value orientations.

in Russia' (1995-1998), Sidorina, T. Iu., *Dva veka sotsial'noi politiki* (Two centuries of social policy). Moscow: Rossiiskii gosudarstvennyi gumanitarnyi universitet, 2005.

⁴⁹ The table is compiled by the author; the content is based on the analysis of social system under transformation.

As well, the contradiction between the declarative principles and everyday practices which was characteristic to the system during the period of reforms proved to have deep roots in historical legacy.

A growing body of scholarly works on welfare system transformation in postcommunist countries provides little analysis on regional dimensions of social system change. This is, to a large extent, due to the obscurity of information coming from primary sources on regional life, as well as to the high level of complexity of transformation per se, which means that it can not be measured apart from a broader context of political, economic and social restructuring on the federal level. However, analysis of regional responses to initiatives coming from above represents one of the most important dimensions of scholarly research which may throw light on the causes of social system fragmentation across the country throughout the period of transition.

In the following chapter I intend to contemplate regionalization as one of the most significant developments in the social policy sphere during the period of transition. Specifically, an attempt will be made to observe the impact of systemic complexity of the post-Soviet period over social policy choices in the regions.

CHAPTER 3

REGIONALIZATION OF SOCIAL POLICY IN RUSSIA

This chapter highlights one of the dimensions of welfare system restructuring in post-Communist Russia, i.e. the process of regionalization. It argues that the general inertia of social reforms during the period of 1990s was paralleled by activation of regional actors of social policy formation that occurred in a wider context of institutional change associated with the introduction of principles of fiscal federalism and social assets divestiture.

The mismatch of local, regional and national social strategies is viewed as an unintended consequence of reforms, implemented by the federal government throughout the period of transition. Further, several cases of welfare regime formation in three Russian regions are analysed with the aim of tracing the most distinct paths chosen by authorities to adjust regional social security systems to the changing political and economic conditions. The choice of regions (Ulyanovsk, Samara and Tatarstan) in this study is based on the observation of the most peculiar examples that proved to be significantly different from each other. As is indicated in the already existing studies, all three regions appear to constitute the contrasting and even outstanding cases of social, political and economic development during the early stages of post-Communist transformation. The rationale behind social policy choices of regional authorities is viewed through the peculiarities of power relations within each region. Given the fact that financial austerity, imposed on them, resulted in the formation of different types of social system change, it is suggested that social decisions could be influenced by regional politics. Orel region, being subject to original research, is not included in this sample, since a separate case study is made on it in the fourth chapter.

3.1 Factors Encouraging Regional Diversity of Welfare Regimes

The analysis provided in the previous chapter indicates that welfare system in post-communist Russia (as well as social policies in general) has never been radically transformed. More than that, inconsistency of social reforms through the 1990s has led to the creation of a contradictory model, in which universalistic principles were counterbalanced by the neoliberal tools and schemes.

One of the most significant dimensions of social system reform in Russia pertains to a largely overlooked regionalization process. According to Thompson, the system that

was created after the collapse of the Soviet Union was characterised by a mismatch of local, regional and national strategies, in which a huge diversity of actors (public/private; formal/informal, local/national/international) was involved.

Smirnov and Sidorina¹ distinguish between the following factors of social policy regionalization in Russia: 1) differentiation of real income of the population; 2) inconsistency between budget profit and social expenditures; 3) discrepancy of standards determining the level of regional development. To some extent, all these factors are more reflective of reasons responsible for regional differentiation in general (i.e. growing discrepancy between social and economic indicators of various regions), rather than for regionalization of social policies per se. Because of that, for the purpose of this study, it would be more accurate to rely on a set of broader variables, specifically: 1) the introduction of the principles of fiscal federalism and problems associated with it (inconsistency of profits and social expenditures in regional budgets; institutional conflict, political speculation); 2) municipalization of social assets, or social assets divestiture; 3) introduction of social laws that do not consider discrepancies between regions. The validity of all these factors will be stipulated by the following analysis.

1) Federalism and introduction of principles of budget federalism

The introduction of the principles of fiscal federalism has led to a situation when Russian regions and municipalities acquired an opportunity to exert a significant level of financial authority. All the social expenditures were distributed between the territorial budgets and extra budgetary funds, with local budgets financing primary and secondary

¹ Smirnov, S., Sidorina, T., *Sotsial'naiia politika* (Social policy). Moscow: Izdatel'stvo GU VSHE, 2004.

education, healthcare, housing subsidies, and extrabudgetary funds accounted for social transfers². The largest share of the social bill was picked up by regional budgets.

At present, the system of sub-federal budgets is made up of regional budgets (either republic, krai, oblast or area), first-tier local budgets (budgets of cities reporting to oblast, republic, krai, area administrations and district budgets), second-tier local budgets (budgets of towns reporting to district administration, as well as township and rural budgets) and consolidated budgets of the federal regions (sum total of regional and local budgets of all levels). On the whole, by the mid 1990s (1995-1996) regional budgets accounted for almost 50% of all budget spending by constituent federal regions, 46% of all expenditures fall on the first-tier local budgets and less than 5% on small town, township and former village council budgets³.

The transport and communication subsidies were approximately equally divided between regional budgets and first-tier local budgets. Characteristic of the lowest level budgets is a sizable share of spending on housing. The bulk of current subsidies and benefits to this sector is financed by budgets of cities reporting to the oblast administration.

Most decentralized is spending on education. About 60% of expenditure here falls on the first-tier local budgets, plus 26% of the second-tier local budgets, which also cover, in different proportions, costs involved in maintaining childcare and general education establishments (primary, eight-year and secondary).

² The problem, in this respect, is that regional budgets are not well publicized, in particular their expenditures, and the rather independent extrabudgetary funds are rarely publicized, which causes delay in the information.

³ Leskin, V., Healy, N., Shvetsov, A., Kashin, V., Fedorenko, A., Lyubovny, V., Lavrov, A., and Skatershikova, E., Inception Report: Social Sector Reform in the Current Macroeconomic Situation, EU Tacis Programme with the RF Ministry of Economy, 1997-2006 // <http://tacisreform.org/index.php>

The bulk of healthcare spending (59%) is exercised by the first-tier local budgets financing urban and district hospitals, a burden that includes the majority of polyclinics and pharmacies. Regional budgets account for 37% of health spending (regional institutions such as hospitals, special clinics, centres and capital investment); second-tier local budgets account for less than 5% of spending (mostly rural outpatient clinics, obstetrician points, etc.)⁴.

Several impediments to successful implementation of social policies on a regional level throughout the 1990s can be distinguished. The first one largely relates to the imperfections of the budgetary system, which has not been completely modified after the Soviet Union collapse. Despite some modifications, it incorporated some legacies of the Soviet system. The first legacy of the Soviet era that is observed in the specialized literature⁵ was that fiscal arrangements were still characterised by delegated subordination: revenues were to be shared upward from the local to the regional and then federal level, while only after that the federal budget redistributed a part of collected profits which entailed a certain time lag that created preconditions for nontransparent deals. Another legacy of the Soviet budgetary system was that sub national governments have been assigned revenues, but not taxes; accordingly, regions exerted no rate- or base-setting authority, hence the correspondence between revenues and expenditures could not be ensured for each region.

⁴ Leskin, V., Healy, N., Shvetsov, A., Kashin, V., Fedorenko, A., Lyubovny, V., Lavrov, A., and Skatershikova, E., Inception Report: Social Sector Reform in the Current Macroeconomic Situation, EU Tacis Programme with the RF Ministry of Economy, 1997-2006 // <http://tacisreform.org/index.php>

⁵ Kirkow, P., 'Russian Regional Roulette: Asymmetric Federalism and Economic Reform', in Russia's Provinces. Authoritarian Transformation versus Local Autonomy? Centre for Russian and East European Studies, University of Birmingham, New-York, N.Y. St. Martin's Press, 1998.

Because of these two legacies, the problem of inconsistency between the amount of responsibilities of Russian regions and the amount of resources available to carry them out persisted in Russia during the whole period of the 1990s. The lack of funds on regional and local levels led to the accumulation of huge debts for allowances and subsidies.

Another important impediment to effective social policy formation and implementation at the regional level was the fact that in view of the growing economic crisis, the central government as early as 1992 shifted federal outlays, including social expenditures (price subsidies and social benefits) and capital investment in the sphere of infrastructure, utilities and military housing, to the sub national level. In response to this policy, which was unusual even for international practice, the provincial authorities' started accumulating arrears to borrow from local banks and public enterprises, to use extrabudgetary funds, to arrange new tax deals with the centre, or simply unilaterally to retain federal taxes and to rely on local state enterprises to provide social services.

Finally, the situation was aggravated by the fact that some of the federal social laws were scarcely financed from the centre (among such laws were the federal law "On Veterans", the law on social protection of invalids in Russian Federation and others). Regions, in many cases, decided the amount of allocated resources on their own, which means that subjective factors were involved into the decision-making process. According to the report of the Independent Institute of Social Policy⁶, the variation between regions on the financing of social programmes and laws in 2003 accounted from 16 to 94% of regional budgets. In this respect, no correlation between the level of economic prosperity

⁶ Alekseev, A., Andreev, A., et.al., 'Rossiia regionov: v kakom sotsial'nom prostranstve my zhivem?' (Russia of Regions: In which social reality do we live?). Nezavisimyi institute sotsial'noi politiki. Moscow: Pormatur, 2005 // <http://www.socpol.ru/publications/book.shtml>

of a region and the amount of resources allocated to the financing of social laws and programs was indicated.

The impact on social policies was that in view of growing financial austerity, regional authorities adhered to partial and even selective implementation of social responsibilities. As a result, these functions in some cases were relegated to formal redistribution of social allowances and benefits. Regions that were trying to support their budgets on previously achieved levels (such as Moscow) were forced to look for additional sources of budget resources. (One of the examples in Moscow region was that in 2003 it adhered to increase of rent price for schools).

According to changes made to the tax code that became operational in January 2001 the federal government has increased its control over regional finances even further. The centre now controls 100 per cent of the value-added tax whereas previously the regions controlled 15 per cent of it. The regions have also been left with a smaller percentage of turnover tax to finance housing and roads⁷. The federal government is about to control nearly 65 per cent of the country's revenue, while only 35 per cent is left for the regions. Responding to these developments, Belgorod governor Yevgenii Savchenko declared that the new tax regime would lead to the formation of a "unitary state in which all regions will be dependent on the centre".

The direct consequence of territorial budget shrinkage is a continuous increase of interregional and territorial disparities on budget social expenditures and social services

⁷ Ross, C., 'Federalism and Democratization in Russia', in Fiscal Federalism and Socio-Economic Asymmetry. Manchester and New-York: Manchester University Press, 2002, 73-91.

provided to people, and hence, general fragmentation of regional social policies throughout the country.

Table 6- Coefficient of variation of municipal budget social expenditures (%)⁸

Issues in territorial budgets, 2002	Coefficient of variation, %
Housing	55,0
Education	34,0
Culture, Art, Cinema	41,9
Healthcare	58,3
Social Policy	86,8

Numbers, provided in the table, show that the coefficient of variation between the regions on all social issues is quite high. From the table it is also evident that the coefficient of variation is the lowest on the issue of 'Education' and the highest on the issue of 'Social policy' that includes a set of benefits, allowances and various kinds of social payments (beside those that come from the non-budget funds). Differences between them can be explained by the fact that while there are some federal standards that are obligatory for the educational system all over the country, there are no standards on social payments. Each region decides how many resources on social payments can be directed to each social category. At the same time, there is no simple explanation why the coefficient of variation is the highest specifically on the issue of social policy. It is well known that the greatest share of expenditure on this issue is subsidised by the federal budget, hence regional differentiation must be lower; however, it is higher than

⁸ Minchenko, M., 'Aktual'nye problemy resursnogo obespecheniia territorial'nogo razvitiia Rossiiskoi Federatsii' (actual problems of resource provision for territorial development of Russian Federation). *Problemy prognozirovaniia*, no.3 (2004), 73.

differentiation on housing (which is partly in the charge of municipalities) and art and cinema (which is in the charge of regional powers and municipalities)⁹.

It can be suggested that the problem is associated with the generally low level of expenditure on social policy from the federal budget. Before 1998 the share of aggregate social expenditure of the Federal budget was quite low - it amounted only to 3-4%. Because of that, financing social policy in the subjects of the Russian Federation during the first part of 1990s had been implemented primarily by means of regional and local budgets. In 1995 the share of regional and local budgets on social expenditures was 61%. Starting from 1997, the share of the center had been increasing, and in 1998 reached 53,5% of the aggregate expenditure on social policy (p.9), but constituted only 7 % of the Federal budget (and stayed at this point until 2000).

The highest level of social expenditure in a regional budget is indicated in Tiumen oblast (social expenditure is 2.5 - 5 higher there than in the rest part of Russia); Moscow (social expenditure is 2 times higher than in the rest part of Russia), and St. Petersburg (1.7 times). Among the leaders are also the republic of Yakutiya and Magadan oblast. In poor regions of southern Russia, Central and Volga district's social expenditure, on the contrary, is 2 times lower than the national average. Research shows that the higher the incomes of citizens in regions (as well as minimum subsistence level), the higher are social expenditures from the regional budget¹⁰.

Several funds have been established to support more or less even development of regions: The Federal Fund for Financial Support of Regions, The Fund of

⁹ The federal budget bears the main part of social expenditure; the regional level carries the largest part of expenditure on healthcare and culture; the municipal budgets are responsible for the expenditure on housing and utilities, as well as education.

¹⁰ The Project "НИСП" "Availability of social programmes and services for population of Russia: distribution and inequality" // <http://socpol.ru>

Compensations, and The Fund for Co-finance of Social Expenditures. There are also some federal programmes that are aimed at mitigating disparities between the regions ('Reduction of disparities between the regions on socio-economic development for the period of 2002-2010'). However, their positive effect is limited due to the uneven distribution of financial support from these sources between the regions. Another problem is connected with the principle of the distribution of resources itself. As in the Soviet period, a huge part of resources from the federal centre are directed not to special programmes, but to regional and local departments. Only a residual part of finance appears to be left for socio-economic programmes. Thus, as it was in the directed economy of the Soviet period, resources nowadays do not reach concrete measures, processes, objects.

The situation becomes even more problematic as the federal subsidisation of programs for regional development shrinks over time.

Table 7- Programmes for Regional Development (1998-2003)¹¹

Indicator	1998	1999	2000	2001	2002	2003
The number of programmes for regional development	28	36	42	41	6	7
The share of the federal budget in finance of these programmes	0.46	0.26	0.22	0.28	0.90	1.07

¹¹ Minchenko, M., 'Aktual'nye problemy resursnogo obespecheniia territorial'nogo razvitiia Rossiiskoi Federatsii' (actual problems of resource provision for territorial development of Russian Federation). *Problemy prognozirovaniia*, no.3 (2004), 73.

Starting from the year 2002, the number of programmes for regional development was shrinking, while the share of the Federal Funds was becoming unbalanced. For example, in year 2002, 70% of the Federal Fund were directed to only one region - Tatarstan, while many others were deprived of any support from the Federal level. The effect of the programme 'Reduction of disparities between the regions on socio-economic development for the period of 2002-2010', that was mentioned before, is also limited, since the choice of the subjects that need support is also highly subjective. The amount of resources allocated in line with this programme was 7 times lower than that which was directed to Tatarstan.

2) Municipalization of social assets

Another cluster of problems that is inseparable from social policy regionalization in Russia concerns municipalization of social objects that previously were in charge of state enterprises. As it is well known, a surprisingly broad range of social benefits was provided by enterprises during the Soviet era. Provision of benefits through enterprises was more prevalent in remoter regions.

In 1990s the law on divestment was put into place requiring that all social assets be transferred from industrial enterprises to the public sector by 1997-1998. However, unlike the corresponding reform of industry, social assets divestiture gained very little attention of public authorities, which stipulated a lack of institutional and legal support from any level of the administrative hierarchy¹². The law on social assets divestiture set only

¹² Ushakova, V., Postnikov, A., and Zotova, E., 'Institutional Changes and Potential for Fostering Social Sector Reforms: Inception Report', 1997-2006 // <http://tacisreform.org/page.php?id=361>

general principles, which meant that for a period of reforms property rights over social assets were not properly defined, and the transfer decisions appeared to be in full discretion of local powers.

In 1992 social expenditures by Russian enterprises were reported to account, on average across eighty-six regions, for 17 percent of enterprise revenues; and this proportion was reported to have risen substantially in 1993 in part as result of price liberalization. In 1994, one third of the firms with fewer than 500 employees provided housing, the share increasing to 100% for enterprises with more than 10 000 employees. In the beginning of the 1990's, some 70% of large and medium-sized enterprises offered medical services while over 75% of large and 50% of medium-sized enterprises had day care¹³.

The problem that arose in this respect related to the fact that local authorities across Russia had only several years to take over 25% of housing stock, 60% of childcare institutions, 20% of hospital beds and polyclinics, over 80% of sports facilities, clubs, pioneer camps and other similar assets in addition to the social assets already on their books¹⁴.

The ways to deal with social burden of enterprises differed greatly all across the country. Trying to generalize practices used in the regions to cope with the problem of social assets divestiture, Russian researches Kosmarski, Maleva and Smirnov distinguish between two models of municipalization in Russian regions (1995-1996). The first was based on a set of gradualist measures with a tendency to leave objects of social

¹³ Juurikkala, T., and Lazareva, O., Lobbying at the Local Level: Social Assets in Russian Firms. Bank of Finland, Institute for Economics in Transition Working Paper No. 1/2006. Helsinki: Multiprint Oy, 2006 // http://papers.ssrn.com/sol3/papers.cfm?abstract_id=896908

¹⁴ Ushakova, V., Postnikov, A., and Zotova, E., 'Institutional Changes and Potential for Fostering Social Sector Reforms: Inception Report', 1997-2006 // <http://tacisreform.org/page.php?id=361>

infrastructure in the charge of enterprises (usually this model was supported by tax exemptions and financial support of enterprises by local governments). The second one was founded on systemic measures to transfer the social burden to local administrations (The latter model was implemented in the case where regional budgets possessed available resources that could be directed to the social sphere¹⁵). The characteristic of the first approach is the decentralized scheme of transfer and subsequent funding and small volumes of transfer (20-40%). The characteristic of the second is the centrally arranged transfer and subsequent funding of the divested social assets and huge volumes of transfer (70-80%). The ‘centralized model’ was more prevalent in those regions where the process of economic restructuring was much more intense than the national average (and the federal government was more committed to reform). This concerned, first of all, territories with industries of key importance, such as coal mining. The ‘decentralized scheme’ was applied by “company towns” where enterprise base was represented by one or several big companies from defence, chemical, light and other industries. Generally, although analysis of models of social assets divestiture is not the subject of this study, it’s very important to consider them as a part of general strategies used by local governments to restructure their regional welfare regimes.

The study by Tuuli Juurikkala and Olga Lazareva¹⁶ on 40 Russian regions indicates the reasons for the persistence of the above mentioned models. Particularly, it is observed that in municipalities with weaker fiscal incentives firms were using social assets they had as a leverage to extract budget assistance and other forms of preferential treatments from local

¹⁵ Laksin, V., Shvetsov, A., Novye problemy rossiiskikh gorodov. Munitsipalizatsiia sotsial’nikh ob’ektov: pravovye i finansovye resheniia (new problems of Russian cities. municipalization of social assets: legal and financial solutions). Moscow: URRS, 2000, 17

¹⁶ Juurikkala T. and Lazareva O. ‘Lobbying at the Local Level: Social Assets in Russian Firms’: Bank of Finland Institute for Economies in Transition Working Paper No. 1/2006 // http://papers.ssrn.com/sol3/papers.cfm?abstract_id=896908

authorities. The authors provide evidence that firms were using social assets to cushion themselves from product market competition. Among the factors accounting for firms' procrastination with social assets divestiture are 1) the high share of budget revenues gained from social assets; 2) greater political power of the firms (ability of influence laws and regulations); 3) intense competition in product market, which is the main reason for the firms to lobby for protection by the authorities, etc.

One of the obstacles to effective social assets divestiture was the fact that until recently municipalization won very little attention from regional authorities¹⁷. Measures taken in this sphere were mainly of a late and non-systemic character, and not supported with necessary resources. To some extent, this was due to the perception that the social sphere is not important in comparison with the ongoing privatization of industrial enterprises. On the other hand, there was a lack of intention on a part of regional and local authorities to facilitate the process of municipalisation.

There are no official statistics on social assets divestiture, thus the speed, scope and social implication of the latter is hard to estimate. Leskin and Shvetsov¹⁸ observe that in the process of divestiture that was supposed to be finished by the year 1997, roughly 80% of the housing stock, medical services, day care, sports facilities and children's summer camps, as well as 60 -70% of recreation facilities became municipal during 1993-1997¹⁹. Following the transfer of social assets, the municipal stock increased 65%, and in individual cities the expansion was measured in double digits. At the same time,

¹⁷ Russian scholars usually call it the 'unnoticeable reform'[□], since it has not been discussed widely among researches and politicians.

¹⁸ Leskin, V., Shvetsov, A., Novye problemy rossiiskikh gorodov. Munitsipalizatsiia sotsial'nikh ob'ektov: pravovye i finansovye resheniia (new problems of Russian cities. municipalization of social assets: legal and financial solutions). Moscow: URRS, 2000, 17.

¹⁹ Juurikkala, T., and Lazareva, O., Lobbying at the Local Level: Social Assets in Russian Firms. Bank of Finland, Institute for Economics in Transition Working Paper No. 1/2006. Helsinki: Multiprint Oy, 2006, p. 5 // http://papers.ssrn.com/sol3/papers.cfm?abstract_id=896908

enterprises were relieved of the annual asset maintenance and repairs costs, which has eased the crisis and provided conditions for faster economic development.

The peculiar characteristic of social assets divestiture was the territorial diversity of its patterns. By the end of 1992, municipalized housing in Rybinsk, for example, was twice as large as in Komi-Permyatsk autonomous district; in Vologda province – twice as small as Vladimir oblast, and in Lipetsk province – twice as small as Novgorod; in Novosibirsk – four times as high as in Tyva republic, and in Yamalo-Nentsk autonomous okrug – nine times as big as in Stavropol krai²⁰. Accordingly, values of territorial differentiation were similar as concerned healthcare institutions, childcare facilities and other assets.

The sources of social assets divestiture funding include local budgets, special subsidies from federal budget and subject of federation budgets, resources allocated by enterprises and paid by population. Federal support in Russian regions varied enormously. For example, 73 % of maintenance costs in Yamalo-Nenetsk autonomous okrug in 1996 were covered by local budget, 8% - by the subject of federation budget, 6% - by enterprises, and 13% - by the population, and there were no subsidies from the federal level. In Vladimir oblast federal budget subsidies covered 37% of the considered expenses, the subject of federation budget did not contribute to the process at all, while the share of local budgets accounted for 24%, the share of enterprises -19%, and the share of population – 20%. Overall, across the country, the share of the federal budget support constituted around 14.1%, varying from region to region²¹.

²⁰ Pp.233-234

²¹ Leksin, V., Shvetsov, A., Novye problemy rossiiskikh gorodov. Munitsipalizatsiia sotsial'nikh ob''ektov: pravovye i finansovye resheniia (new problems of Russian cities. municipalization of social assets: legal and financial solutions). Moscow: URRS, 2000, , c.237.

In this respect, a cautious approach to municipalisation by most regional authorities can be explained by the fact that shifting the financial burden from business to municipalities has created risks of increasing regional budget expenditure by R15 trillion -R16 trillion, which resulted in overall increase of consolidated budget by 16,5 %.

It is widely held that the process of social assets divestiture has affected the lives of millions of people and largely contributed to the increased budget deficits of regional and local levels. According to the study undertaken under the project of the EU Tacis Programme with the RF Ministry of Economy²², such transfers of enterprise property have strongly affected regional social differentiation and has markedly aggravated the social situation in those regions experiencing the highest pace of change. Municipalisation proved to be the heaviest process for the subsidised regions, where the situation could not be mitigated even through generous federal subsidies. The same holds for those regions short of budget revenues (Ingush republic, Kalmikia, Buryat and Ust-Ordynsk autonomous okrug, etc.).

There are no special studies or official statistics on how the municipalisation process affected social policies in Russian regions. However, it can be observed that the decision of regional authorities either to preserve or dismantle social facilities of enterprises has some important financial implications and thus is indirectly linked to a broader context of regional socio-economic reforming. In Russian cities with a creeping municipalisation, enterprises are still spending trillions of rubles on maintenance of their social assets. Enterprises of just 12 subjects of the Russian Federation (Bryansk, Vladimir, Vologda, Kursk, Lipetsk, Novgorod, Novosibirsk, Omsk, Penza, Tula,

²² Leskin, V., Healy, N., Shvetsov, A., Kashin, V., Fedorenko, A., Lyubovny, V., Lavrov, A., and Skatershikova, E., Inception Report: Social Sector Reform in the Current Macroeconomic Situation, EU Tacis Programme with the RF Ministry of Economy, 1997-2006 // <http://tacisreform.org/index.php>

Stavropol krai, Yamalo-Nenetsk autonomous okrug) spend some R3.5 trillion on maintaining of non-divested social assets, while overall Russia spends R 25 trillion. Given the fact that the latter is highly detrimental to the economic performance of enterprises and economic restructuring in general, it can be suggested that regions that created conditions for maintaining social assets in the charge of enterprises gain some indirect benefit from protectionist chains in which local budgets and enterprises are involved.

3) Introduction of social laws that do not consider discrepancies between regions

A third factor that significantly influenced diversification of social policies across the country is the fact that many federal laws adopted during the period of transition didn't consider necessities of various regions, as well as regional differentiation in general. This concerns not only laws on fiscal relations, but specifically 'social' laws, such as, for example, the housing reform. In the following paragraphs several examples will be provided to show how neglect of regional dimension has been incorporated into federal social laws.

One of the examples concerns the payment for housing programme. At the beginning of the transition period, the country has adopted the programme for gradual increase of payments for housing. Particularly, the law "On federal standards for the transition to the new system of payments for housing and related services" (1997)²³ introduced social norms of housing, the standard of maximum expenditure for the housing and utilities in the aggregate family budget and the maximum cost of the services

²³ It should be noted that until this law was adopted, the system of payments had not been changed since 1920s.

related to housing. These standards didn't consider differences between the regions, i.e. purchasing power of population from various geographical and economic zones.

In the following table, the relation between the federal standard of payment for housing and utilities services and individual income of population in regions (rouble for 1 cubic meter) is presented.

Table 8 – The Relation between the federal standard of payment for housing and utilities services and individual income of population in regions²⁴

Federal district	Maximum values		Minimum values	
	Relation	Region	Relation	Region
Central	1.6	Ivanov oblast	0.14	Moscow
West-North	1.15	Kaliningrad oblast	0.48	St. Petesburg
South	1.25	Republic of Ingushetia	0.53	Republic of North Osetia
Volga district	1.36	Komi-Perm autonomous okrug	0.42	Samara oblast
Ural	1.16	Kurgan oblast	0.36	Khanty-mansi autonomous okrug
Siberian	2.58	Ust-Ordin Buriat autonomous okrug	0.60	Krasnoiarisk kray
Far East	1.92	Primorsk kray	0.99	Republic of Saha

As it can be seen from the table, by the year 2002 the differentiation between regions regarding the relationship between the standard price for housing services and individual income of population have reached 18.5 times, constituting 0.14 in Moscow and 2.58 in Ust-Ordin and Buriat autonomous okrug. Disparities are also huge within the Federal districts (in Central Federal district – 11.4; in Siberian – 4.3, in Volga and Ural – 3.2, in North-West and South 2.4 and Far East okrug – 1.9). Thus, inhabitants of different

²⁴ Smirnov, S., Sidorina, T., *Sotsial'naiia politika* (Social policy). Moscow: Izdatel'stvo GU VSHE, 2004, 297.

regions appeared to be in contrasting conditions and not all of them were able to pay for the housing services in line with established standards. Generally analysis shows that the reform has not considered regional variations and thus was doomed to fail.

Another social reform that has a set of important consequences for Russian regions is the monetization of benefits, initiated by Putin under the Federal Law 122²⁵. As it was already observed in the second chapter, the reform replaced traditional Soviet-era benefits for the elderly, veterans, invalids and millions others with cash payments.

Officially, all measures that have been encompassed by the law were aimed at elimination of income differentiation of beneficiaries of social support (which is one of the main preconditions for regional differentiation of social policies). However, the concept of reform provided ground for only partial achievement of this goal. The law introduced quite generous standards of social support for those categories of beneficiaries that were in charge of federal powers (their approximate number is 13 271 people²⁶), leaving regional beneficiaries (their aggregate number is 20 mln people) at the full discretion of regional powers. The Law did not introduce any standard of norm of

²⁵ Federal'nyi zakon Rossiiskoi Federatsii, 'O vnesenii izmenenii v zakonodatel'niye akty Rossiiskoi Federatsii i priznanii utrativshimi silu nekotorykh zakonodatel'nykh aktov Rossiiskoi Federatsii v sviazi s priniatiem zakonov "O vnesenii izmenenii i dopolnenii v Federal'nyi zakon "Ob obshchikh printsipakh organizatsii zakonodatel'nykh (predstavitel'nykh) i ispolnitel'nykh organov ujsudarstvennoi vlasti sub"ektov Rossiiskoi Federatsii" i "Ob obshchikh printsipakh prganizatsii mestnogo samoupravleniya v Rossiiskoi Federatsii" (Law 'Concerning the Introduction of Amendments to Legislative Acts of the Russian Federation and the Annulment of Certain Legislative Acts of the Russian Federation in Connection With the Adoption of the Federal Laws "Concerning the Introduction of Amendments and Additions to the Federal Law "Concerning the General Principles of the Organization of Legislative (Representative) and Executive State Bodies of Constituent Entities of the Russian Federation"' and "Concerning the General Principles of the Organization of Local Government in the Russian Federation"', no. 122, August 22, 2004), *Rossiiskaya gazeta* (Spetsial'nyi vypusk no. 3565), 31 August, 2004 // <http://www.rg.ru/2004/08/31/samoupravleniye-dok.html> (Internet, June 12 2007)

²⁶ Solntsev, S., 'Sotsial'nye l'goty: sovremennoe sostoianie i vozmozhnye puti reformirovaniia' (Social benefits: contemporary situation and the potential for reforming) // <http://www.icss.ac.ru/publish/analysis/am104.html>; Internet (16.07.2004)

payment for them, which gave an opportunity for regions to decide amount of benefits allocated for regional beneficiaries on their own.

Until the year 2005, state allowances for children have been funded from the Fund of Compensation of the Federal budget. Law 122 transferred this obligation to the regional level, without provision of any transparent sources for its funding. The same occurred with such categories of beneficiaries as victims of political repressions, labor veterans, and other categories that experienced tremendous losses during the Second World War.

Due to demographic discrepancies between Russian regions, the 'load' of beneficiaries appeared to be highly differentiated across them: in Ingushetiya it constitutes 45% of population, in Kalmikiia – only 8%, in Karachayevo-Cherkessiia and Kabardino-Balkariia – 4-5%. In many regions, the status of labor veterans has been prescribed to all the pensioners (Samara, Vladimir, Kaluga oblasts), while there were also regions where the young generation was larger and the number of such beneficiaries did not exceed 4-6%. Generally, the conditions for fulfillment of social obligations across regions appeared to be quite diverse by the beginning of the reform.

Given the fact that regions possess different budgetary resources, they could choose between two alternative ways of dealing with the provisions of the Federal law 122: either to maintain quite a low level of payments, or to preserve non-monetised benefits. 1/5 of the Russian subjects refused monetization of benefits for regional categories of beneficiaries. Overall, there were 15-17 of them, including some rich territories (the city of Moscow and Khanty-mansi autonomous okrug), those considered economically successful (Novgorod, Smolensk, Khachakasiia) and poor (Dagestan,

Kalmikiia, Severnaya Osetiia) ones. Full monetization of benefits have been completed in 4 to 5 regions. The only region that has no financial problems in this respect is Tiumen' oblast that got 20 billion roubles from all the okrugs that it encompassed. Tatarstan (another successful example) got financial support form the Fund of Compensations, elaborated a detailed scheme for reform implementation, while St-Petersburg authorities adhered to partial and gradual monetization of benefits and services. Generally, adoption of Federal Law 122 has led to further socio-economic differentiation of population groups as well as fragmentation of social measures within regions.

Since 1995, there was a growing concern about the necessity to coordinate social programmes at the regional level. The programme on incentives provision for economic activity and development for 1995-1998 (*Programma gosudarstvennogo stimulirovaniia ekonomicheskoi aktivnosti i razvitiia*) was a unique in character as it considered demographic and economic differentials of Russian regions. The programme prioritised Northern and Far Eastern territories, as well as war-torn districts and depressed regions. However, it was nearly the only attempt in a range of manifold social policy documents that could never unify efforts of all levels of power.

The factors and problems surrounding the process of regionalization of social policy formation throughout the 1990s can be seen from the table 9.

Table 9 Regionalization of social policy in Russia²⁷

Factors encouraging regional diversity	Main socio-economic decisions in 1990s ²⁸	Consequences
<p>Introduction of budget federalism and associated with it problems</p> <p>1) inconsistency of profits and social expenditures in Russia regions</p> <p>2) Institutional conflict</p> <p>3) Political speculations</p>	<p>1) Interregional redistribution of finances allocated for social policy needs</p> <p>2) Interregional transfers from the Federal Fund of financial support of territories with the aim of equalization of budget profits in Russian regions</p> <p>3) Interregional redistribution of finances from the federal Pension Fund and Employment Fund to the Russian regions</p>	<p>This mechanism didn't allow for equalization of regional disparities in resources available for social policy needs</p>
<p>Municipalisation of social assets of privatized enterprises and associated problems</p> <p>1) reluctance of authorities to municipalize social assets</p> <p>2) objective difficulties of municipalization process (huge social burden, absence of resources, lack of regulation)</p>	<p>On the regional level: two decisions: 1) to leave objects of social infrastructure in charge of enterprises as long as possible; 2) to transfer assets to municipalities</p>	<p>Negative: property expansion of regional administration, umbrella economy, increase of budget deficits on local and regional levels, aggravation of situation in subsidized regions and those regions short of budget revenues;</p> <p>Positive: mitigation of the crisis of welfare system, reducing the price of economic liberalization</p>
<p>Introduction of laws that do not consider discrepancies between regions/the absence of the federal strategy for the Russian regions</p>	<p>Major consequences of the introduction of such laws were the growing socio-economic discrepancies between Russian regions and chaotic implementation of social laws.</p> <p>Socio-economic discrepancies were deemed to be mitigated through the development of socio-economic typology of Russian regions. However, the latter appeared to be highly politicised; for example in June 1996 before the Presidential elections, there were adopted more than nine Statements of the President (Указы Президента), devoted to the socio-economic development of different regions, distinguished by non-economic criteria.</p>	

The degree to which regional authorities and political leaders were dissatisfied with the excessive financial burden that fell on them because of the new fiscal

²⁷ The table is compiled by the author; includes the summary of the analysis implemented by the author in the third chapter. Since it is not possible to analyse the whole problem of regionalization, I will point at some important aspects of this process, specifically, at those that are significantly influencing the social sphere.

²⁸ Smirnov, S., Sidorina, T., *Sotsial'naja politika* (Social policy). Moscow: Izdatel'stvo GU VSHE, 2004, p.105-107.

regulations, redistribution of social obligations and rushed municipalisation process is still a question.

Answering this question requires understanding the broader context in which regionalization of the welfare system took place.

One of the most important things that has to be taken into consideration in this respect is that the introduction of principles of fiscal federalism which, in fact, proved to have many positive implications for such a huge country as Russia, has created a situation in which regional budget was viewed as the main source for all socio-economic projects in the region. On the one hand, it placed a great deal of social responsibility on a regional level. On the other hand, this allowed for formal and informal influence of regional authorities on nearly every aspect of regional socio-economic development. Particularly, regional authorities gained an opportunity to exert influence over enterprises, to establish a strong economic hierarchy, in which success of enterprises depended on their proximity to administrative structures, to foster the so-called 'umbrella' economy, administrative taxes and territorially limited account of profits and exemptions. Researches from the Centre for Strategic Analysis in Volga Federal District²⁹ state that administrative regionalization has even led to the formation of closed regional structures, in which regional authorities acquired economic, administrative, political, social and cultural resources available in regions which made possible long standing administratively integrated communities.

²⁹ Kniaginina, V., Shchedrovitskii, P., et al., Na poroge novoi regionalizatsii Rossii (On the eve of new Russian regionalization.). Doklad tsentra strategicheskikogo analiza Povolzhskogo Federal'nogo Okruga, 2000 // <http://okrug.metod.ru/> (Internet, August, 2006).

In this context, there were several ways for Russian regions to exercise financial autonomy in social policy area. One of such channels were non-budget funds which included pensions and road funds, income from export privileges, and hard currency allocations. Almost 50 per cent of these funds that were allocated to finance social services were not controlled by the federal treasury, which opened the way for bureaucratic manipulation of these financial resources and provided favourable conditions for corruption.

Another issue at point is the fact that the ambiguity in expenditure assignments has created certain freedom for Russian regions to be exercised in area of education, health and social policy, which accordingly prompted local administrations to rely on local deals with the major enterprises for the provision of social services and maintenance of the local infrastructure.

Cameron Ross points out that money surrogates, particularly debt offsets, have been used by regional authorities as primary tools for the conduct of relatively independent fiscal policies at the subnational level. These include the use of 'barter chains', 'creative book keeping' and 'individualized tax treatment'³⁰ based on close linkages between regional administrations and territorial financial institutions.

According to the Russian researcher Gontmacher³¹, in view of all these developments, the influence of the Federal centre on social policy in regions became insignificant (no more than 20%) in the 1990s; opportunities of local powers appeared also limited (10%), while the greatest role has been attributed to the regions (70%). The

³⁰ Ross, C., 'Federalism and Democratization in Russia', in *Fiscal Federalism and Socio-Economic Asymmetry*. Manchester and New-York: Manchester University Press, 2002, 73-91.

³¹ Gontmakher, E., 'Sotsial'naia politika v Rossii: evoliutsiia 90-ykh i novyi standart' (Social policy in Russia: Evolution of 90s and the new standard). *Pro et Contra*, 6, no.3, Chelovek v sotsial'nom gosudarstve (2001): 7-22 // <http://pubs.carnegie.ru/p&c/Vol6-2001/3/v6n3-01.pdf>; Internet (Summer 2001)

2000 OECD Report concluded that 'Recent years have witnessed a striking and growing contrast between a formal highly centralized fiscal federalist system and actual practice, under which a large degree of financial authority is exercised at the subnational level through informal channels'.

The surprising outcome of excessive regional autonomy is that concentration of power and property expansion has not contributed significantly to the welfare of certain regions. On the contrary, as it is observed in manifold studies, 'property expansion' turned out to be the source of accumulation of debts on wages and public expenditures³². It was as early as 1995- 1996 when it became apparent that most regions were not able to cope with all the problems they took responsibility for.

The inability of Russian regions to fulfill their social obligations was exploited at all levels of political power. In 1997-1998 federal government started attacking regional powers by shifting more responsibilities and resources from the regional to the local level. This process culminated in the creation of several ambitious Councils: the Presidential Council of self-governing institutions and the Governmental Council on socio-economic reforms (it embraced the leaders of local self-governing institutions). According to the study conducted on behalf of The Center for Political Technology³³, by doing this, federal powers attempted to constrain regions, whose powers became so

³² This was accompanied by manipulation on regional legislative process that allowed creating norms contradicting federal legislation. Law expertise, held by the Judicial Ministry (министерство юстиции) of Russian Federation in 2000, showed that nearly all Regional Constitutions and Statutes contained center-periphery controversies on delineation of functions between the federal centre and regions. The essence of these controversies was that the subjects of Russian Federation embraced those issues which constitutionally fell beside competence of regional authorities. The greatest number of controversies was indicated in the Republics of Tatarstan and Bashkortostan.

³³ Turovskii, R. F., Politicheskie protsessy v regionakh Rossii. Moscow: Tsentr politicheskikh tekhnologii, 1999.

strong that it limited opportunities of the federal centre to participate in the privatization process.

In view of growing social and economic differentiation, Russian regions adhered to different patterns of socio-economic reform. In some regions, attempts were made to subsidize products or regulate prices to make the decrease of wages less apparent (as it was done in Tatarstan and Ulyanovsk region the mid of 1990s). Financially sustainable regions, such as the city of Moscow, Khanty-Mansiisk, Yamalo-Nenets regions and Tatarstan³⁴, managed to preserve a large share of benefits, subsidies and other forms of grants allocated from regional budgets and regional enterprises. According to the report of the Independent Institute of Social Policy³⁵, the greatest share of housing subsidies was allocated in regions which are considered most successful in economic terms. Many other regions (particularly those of the Far East, Siberia, and Northern regions) could not effectively use any strategy, since they were generally not able to cope with problems without of state support.

Paradoxically, the increase of social transfers during the period of transition was indicated in nearly all Russian regions. In the poorest territories, this was a reactive measure, related to the high cost of social services and economic decay which hit wide social categories. In 'rich' regions (with industries related to oil and gas), the increase of

³⁴ Generally, there are lots of various typologies of regional development. For more information, please, see «Россия регионов: в каком социальном пространстве мы живем?» Alekseev, A., Andreev, A., et.al., 'Rossiia regionov: v kakom sotsial'nom prostranstve my zhivem?' (Russia of Regions: In which social reality do we live?). Nezavisimyi institute sotsial'noi politiki. Moscow: Pormatur, 2005 // <http://www.socpol.ru/publications/book.shtml> (Internet, July 1, 2006)

³⁵ Alekseev, A., Andreev, A., et.al., 'Rossiia regionov: v kakom sotsial'nom prostranstve my zhivem?' (Russia of Regions: In which social reality do we live?). Nezavisimyi institute sotsial'noi politiki. Moscow: Pormatur, 2005 // <http://www.socpol.ru/publications/book.shtml> (Internet, July 1, 2006)

social transfers constituted a part of regional policies, in which social and economic decisions were interrelated.

The next section of my study will observe several outstanding types of social system restructuring at the regional level. The rationale behind the social policy choices of regional authorities will be linked to the system of power relations within each region. Given the fact that financial austerity in most of Russian regions resulted in the formation of different types of social system change, it is suggested that power relations and power structures within each region exerted significant influence over decisions in social sphere.

3.2 Welfare regimes in Russian regions

Findings of the elite-centered approach suggest that three variables could exert significant influence over the social policy decision-making at the regional level: a) ideological affiliation of regional leaders; b) relations with the central powers; and c) electoral base of regional authorities. As mentioned before, the political cost of reform (which is an overarching notion, used in the second hypothesis of this study) includes assessment of threats to political power and political legitimacy. The latter, in fact, may depend on all three variables: ideological affiliation of regional powers, relations with the federal centre, and expectations of the electorate (since legitimacy can be ideologically driven, but must be associated with responding either to the constituency of the elite or to the central authorities). This part of my study will try to trace the impact of variables listed above in relation to the variety of policies pursued in three Russian regions: Ulyanovsk, Samara and Tatarstan. The choice of these cases is based on the premise that they represent outstanding examples in terms of their social policy choices: Ulyanovsk

oblast attempted to conserve post-Socialist protectionism within the region; Tatarstan proposed the model of decentralized federation and regional protectionism; finally, Samara oblast attempted to realize the principles of ‘open society’ and ‘competitive economy’³⁶. All regions which have been chosen for the analysis are headed by leaders of different ideological background, political orientations, and legitimacy foundations, which give an opportunity to answer the question of whether political cost of social reform could play a role in formation of welfare regimes within Russian regions.

Two variables (ideology and relations with the central authorities) will be analyzed on the basis of ideological affiliations of regional authorities and their position in a system of centre-periphery relations (opposition/conformism). The third variable will require understanding the socio-economic cost of reform for the constituency base of regional authorities, and as follows, political implications of reform (‘non-reform’) for regional power structures.

Ulyanovsk social patronage model

Welfare policies of Ulyanovsk region represent one of the most outstanding examples of the so called ‘social patronage model’, which was developed in some of the Russian regions at the initial stages of post-Communist transition. The distinguishing characteristics of these policies were the high level of paternalism, centralized regulation, and social orientation of nearly all economic initiatives taking place. Protectionist functions of the welfare regime in this region were built upon the largely preserved

³⁶ Kniaginina, V., Shchedrovitskii, P., et.al., *Na poroge novoi regionalizatsii Rossii* (On the eve of new Russian regionalization.). Doklad tsentra strategicheskikogo analiza Povolzhskogo Federal'nogo Okruga, 2000 // <http://okrug.metod.ru/> (Internet, July, 2006)

Soviet-era commitments, which included subsidies for the payment of energy, transport, and food.

Measures taken to fulfill social commitments inherited from the Soviet era were based on barter and extensive network of volunteer organizations: the oblast concluded contracts with firms, and these firms provided food and other essential goods to consumers at some of the lowest prices in the Russian Federation. Firms in the region provided many goods and services directly to projects and activities undertaken by the oblast social-services department. Agricultural enterprises played a key role in that process, called *tovarnii credit*, created by Ulyanovsk oblast.

In terms of *power relations*, Ulyanovsk region represented one of the most outstanding examples of opposition to Moscow. The political elite within the region was quite well consolidated, which was supported by a system of personalized relations that penetrated business and political circles. Decision-making power was concentrated in the hands of the old Soviet elite, and the informal control over local business was ensured by the circulation of professional staff from the political to business structures. The latter allowed the system of non-budget funds to operate successfully on the basis of resources coming from the difference between prices and profits that were gained by the privileged firms. The heads of the federal structures were accordingly included into a corporate system of power relations within the region.

Poitical legitimacy of the regional Governor Goryachev, since the start of reforms, has been rooted in popular support by several large population groups: wide masses of the elderly and working people, and the Soviet-era managerial technocrats. It is well known that Goryachev entered his office with promises to protect the main victims

of the Gaidar reforms. Over the course of reforms, this commitment became even stronger, which inspired talks about 'Ulyanovsk phenomenon' representing an outstanding case in terms of social and economic reform.

The governor rarely appealed to federal powers. On the contrary, at this stage, Goryachev's opposition to the federal authorities (and accordingly to the Gaidar reforms) represented a part of his electoral strategy that ensured long-lasting legitimacy within the region. In his electoral programmes and public speeches, the governor appealed to several very well distinguished population groups, including pensioners and workers; within the business circles, he supported primarily the directors of the region's aging military and agricultural enterprises. Thus, the major part of Goryachev's electorate was constituted of those sharing conservative (pro-communist) orientations and being mostly resistant to price liberalization.

At the declarative level, Goryachev coined his social programme as a 'smooth transition to the market economy'. However, in fact, this was a highly conservative and ideologically-driven strategy, based on traditional expectations of the Ulyanovsk population and the paternalistic leadership style of the Governor Goryachev.

In terms of *social and economic cost*, social reforms in Ulyanovsk region proved to have negative long term effect (though they were quite successful in a short run). Because of the fact that regional administration aimed at supporting the elderly population and invalids, the social policy system and many social programmes in Ulyanovsk took on exclusionary nature, where a relatively advantageous position was granted to several distinguished groups of population in expense of others - children, youth, etc. 'Vertical' administration and high budget expenditures in social security

system (including healthcare) proved to be ineffective and contributed to further deterioration of social services, while the delivery of services through the private and non-profit sector was blocked by paternalistic measures taken by regional authorities.

At the early stages of reform, Ulyanovsk complex of price supports and other social guarantees gave its population greater purchasing power, in comparison with other Russian regions. Later, however, as most of social guarantees deteriorated, Ulyanovsk faced just a growing gap between what state institutions continued to promise and the reality of inadequate budgetary flows, inefficient public services and stagnating regional economy.

Samara reform-oriented model

Samara model of post-communist transition was built upon measures which attempted to transform regional social security system in line with the changing system of economic relations.

At the initial stage of transition, the governor Konstantin Titov made very few efforts to mitigate negative effects of price liberalization and the breakdown of central planning. Old social guarantees were rapidly dismantled, social services started being restructured, while new business growth, outside investment, support among local industrialists and the energy and banking sector have become the priorities of socio-economic reforms.

The region was involved into numerous experimental initiatives, among which were the childcare and healthcare programmes. There were many innovative attempts

made to establish a ‘one channel’ finance system³⁷ in healthcare system that would help lowering pharmaceutical prices through the enforcement of competition between pharmaceutical firms. In fact, Samara oblast was one of the first in the federation that implemented Russia’s mandatory free healthcare system.

The most important characteristic feature of social reform in Samara region is that it was viewed as a part of a broader context of post-communist transformation. The latter included the restructuring of state property, the conversion of key industries, and the effective redistribution of resources between the federal and regional budgets. According to the program issued by the governor in 2000 (“We do not need to start from scratch”³⁸), the main priorities of regional development over the period of 1991-2000 were as follows: 1) To ensure sequential privatization process that would allow to transfer state property into the hands of effective owners; 2) To ensure conversion of the defence industry (the latter constituted more than a half of regional productive potential); 3) To ensure favourable rules for redistribution of budget resources; 4) To ensure reform in the sphere of agriculture that would allow to introduce modern technologies into the production and processing industries; 5) To introduce means-testing principles into the regional welfare system that would correspond with the principles of market economy.

In terms of *power relations*, Samara represented rather ordinary case in a sense that political power there was consolidated around the only one political figure (governor), as it was in many other regions. Ideology of reforms, which was the driving

³⁷ Konitzer-Smirnov, A., ‘Breaching the Soviet Social Contract. Post-Soviet Social Policy Development in Ulyanovsk and Samara Oblasts’, in Social Capital and Social Cohesion in Post-Soviet Russia. Judyth L. Twigg, Kate Schecter, eds., M. E.: Sharpe. 2003, p. 201.

³⁸ Aleksandrov, A., ‘Samarskaia oblast’: politicheskie protsessy, 1997-2000’ (Samara region: political processes, 1997-2000). Fenomen Vladimira Putina i Rossiiskie regiony: pobeda nezhdannai ili zakonomernaia? Sbornik statei. Matsizato K., ed. Slaviano-evraziiskie issledovaniia 1, Moscow: Materik, 2004, 141-194.

force for socio-economic development, was corresponding with interests of the electoral base of regional governor, which was oriented at economic gain as a first priority. Overall, *political legitimacy* of the Governor Titov was concentrated within the circles of the business elite; at the same time, the governor was supported by younger and active population groups, who shared the pro-reformist values.

Samara regional authorities have rarely confronted the centre openly. However, because of the relative economic prosperity persistent over the whole period of 1990s, the region enjoyed significant freedom in the decision-making process³⁹. Resources that were gained from the high-tech industries allowed regional authorities to ensure social and economic stability, which was accordingly associated with a greater electoral support. The only case of an open confrontation between Titov and the federal powers occurred in 1999, when the governor demanded a 70% increase in state pensions, while the centre agreed to an increase of only 15%. As a result, in autumn 1999 there was an increase of state pensions in Samara region of 70%, while that in the state amounted to only 15%. The decision of Titov helped him gain additional electoral support and thus to ensure victory in regional elections.

In terms of *socio-economic cost*, reforms in Samara region proved to be less effective in the short term, but more rewarding in the long run. Ulyanovsk, which introduced a complex of price supports and other social guarantees, maintained superiority over Samara until 1995-1996. Later, however, increasing wages in Samara gave its workers greater purchasing power.

³⁹ The region concentrated many high-tech industries, which allowed for contributing of more than 4% to the national GDP, and more than 5 % to the national budget // Aleksandrov, A., 'Samarskaia oblast': politicheskie protsessy, 1997-2000' (Samara region: political processes, 1997-2000). Fenomen Vladimira Putina i Rossiiskie regiony: pobeda neozhidannaia ili zakonomernaia? Sbornik statei. Matsizato K., ed. Slaviano-evraziiskie issledovaniia 1, Moscow: Materik, 2004, 141-194.

Due to the early introduction of means-testing principles, which allowed supporting vulnerable population groups (whatever social category they belonged to), the content of recipients of regional welfare system in Samara region were characterised by less exclusionary character than in Ulyanovsk. Samara's administration always met its obligations in terms of unemployment and child welfare payments, while guaranteeing pensions and gradually expanding the set of additional social services.

Tatarstan strategy of gradual reforms

Another interesting case of post-Soviet social policy formation is exemplified by the Republic of Tatarstan⁴⁰. The approach that was taken by the Republic's leaders in transforming their economic and social policies can be coined as highly pragmatic, complex and flexible.

At the beginning of economic reforms (1992-1993), the Republic of Tatarstan adhered to tough control measures over the prices for public goods, primarily, products of mass consumption. To escape strikes and unrest there was introduced a system of rationing that allowed for the impoverished to get products of mass consumption. At this stage, republican policies in the sphere of the economy (especially in the agricultural sector) were based on a paternalistic ideology. More than one quarter of the Republican budget was directed to the support of the agricultural sector. Thus the whole approach toward socio-economic reform of the Republican powers was characterised by gradualism and caution.

⁴⁰ Sud'in, A., 'Sotsial'naiia politika v postsovetskom Tatarstane i ee resul'taty' (Social policy in post-Socialist Tatarstan and its outputs). Strany SNG: sotsial'naiia politika gosudarstva i ee resul'taty. Sbornik statei Rossiiskoi akademii nauk, Institut vostokovedeniia, Moscow: Natalis, 2005, c.249-271.

In 1993-1994 attempts to maintain low prices and to provide the system of rationing for the needy were substituted by means-testing. However, the paternal style in the sphere of agricultural sector and the support of rural population (which, in fact, constituted the basis of political legitimacy of the Tatar President Shaimiyev) was preserved, with positive effect. Due to its influence the cost of agricultural products in Tatarstan is still quite low, while the productivity of the agricultural sector is 1.5 higher than the national average, and the share of imported products is no more than 10%.

From the very beginning of reforms, authorities of Tatarstan gave priority to social dimension of economic transformation. In 1990s, the authorities proclaimed a systemic approach as a core of the new social policy system that was formed in the framework of a common socio-economic strategy. In the middle of 1990s Tatarstan adopted the State programme for socio-economic progress. It distinguished between two periods of socio-economic transformation: first, 1997-2000 (the period of economic recovery and stabilization) and, second, from the beginning of year 2000 (the period of growth and effectiveness). In spite of the fact that there are still not enough resources for implementation of this programme, it significantly affects the Republic's policies in the socio-economic sphere. Although the general trend of social transformation in Russia is guided by the process of liberalization, Tatarstan adheres to the model of a socially-oriented market economy. According to the State Programme for economic and social progress of the Republic of Tatarstan⁴¹, the Model of Tatarstan is the socially oriented market economy, with the sustainable type of economic growth, integrated into the world economy and supported by foreign investment on account of added value of products and

⁴¹ State Programme for economic and social progress of the Republic of Tatarstan. – Kazan, 1996, 23-27.

services and active state regulation. Generally, the model of Tatarstan relies on popular postulate of *social democracy* involving a balance between the social and economic development. In the Programme that was mentioned above, the paragraph “Social Policy” is placed before the others, devoted to economics, finance, credit and institutional transformation. More than that, the concept of social policy is interpreted widely – as that which involves labour, migration, housing, healthcare, nutrition, intellect, education, culture and art, sport and the system of social protection. The republican powers established the system of monitoring over the social policy outputs and adopted the standard of living standard for their citizens.

In the 1990s the Tatarstan powers established the standard of minimum wage for their citizens. They also provided additional support for pensioners that exceeded the country average (pensioners in Tatarstan count 1 mln people (1/4 of its population). As well, they developed a wide range of benefits for more than 8 hundred thousand of the republic citizens.

Because of *highly paternalistic welfare* regime in Tatarstan, the system of benefits was continuously expanded. In 2003 there were more than 800000 citizens entitled to federal benefits and more than 400000 citizens entitled to regional benefits. The problem of monetization became problematic. With the beginning of the Federal social reforms it was harder for the government of Tatarstan to implement social obligations. However, Tatarstan was among the first of several regions that managed to pay all the compensatory payments. To some extent, the success of Tatarstan can be explained by the fact that it developed quite a comprehensive scheme of social policy formation, as well as a very well elaborated scheme of implementation of the Federal Law 122.

However, what was most important was the fact that Tatarstan received greater support from the federal government, compared to other regions, and was much more successful in economic terms.

Tatarstan proved to hold rather specific position in the system of *centre-periphery* relations. In 1994, the Republican powers signed the Treaty on delineation of functions of the Federal powers and the Republic of Tatarstan, which contributed to greater autonomy of the Republican powers in social and economic spheres by leaving significant part of the Republican taxes in charge of the Republican budget. Tatarstan also gained many other privileges which were not common for other subjects of the Federation. Because of this comparative independence and privileges, Tatarstan social policy system was formed more independently than in many other territories of Russian Federation.

The terms “socially oriented market economy” and “social state” were actively used in the 1990s, when the Tatarstan powers proclaimed the policy of ‘soft transition to market economy’ that was a model contradicting with the federal policy of shock-therapy. Social policy arguments were also used to protect the idea of the republican autonomy. In August 1990s a referendum approved adoption of the Declaration of the Autonomy, which was supported by two thirds of the population. To a large extent, this success of regional powers was predetermined by the slogan of “socially oriented market economy” that was actively used in the electoral campaign.

In terms of *socio-economic cost* of reforms, gradualist measures of social system transformation in Tatarstan proved to be rather effective, allowing for maintaining greater stability and better social indicators. During the 1990s purchasing power of the

population in Tatarstan was higher than in other regions. However, by the beginning of 2000 it was equal to the national average. In January 2003 it reached 1.8, while the country average was 1.9⁴². To great extent, success in the social sphere of Tatarstan can be explained by specific measures adopted by regional powers and their ability to keep pace with stages of the reform process. As already mentioned, low prices for agricultural products in the Republic can be explained by the measures taken by regional powers at the beginning of 1990s. Higher levels of average pensions and social payments can be explained by efforts of regional authorities to suit the living standard adopted in social programmes. Subsidies directed at housing are allocated in accordance with an elaborate regressive scale (the higher the income, the lower the subsidy).

Table 10 – Patterns of social transformation in three Russian regions⁴³

Reform process	Ulyanovsk 'social patronage' model	Samara reform-oriented model	Tatarstan strategy of gradual reforms
Guiding principle of socio-economic transformation (as coined by regional authorities)	Smooth transition to market	Transition to a market economy	Soft transition to a market economy' Socially oriented economy Social stability
Priorities of the reform process	Elimination of negative effects of the economic restructuring	Development of a system compatible with the principles of market economy that is oriented toward business growth, outside investments	1992-1993 – elimination of negative effects of the economic restructuring; 1993-2000- development of a system compatible with the principles of market economy

⁴²

Sud'in, A., 'Sotsial'naia politika v postsovetском Tatarstane i ee resul'taty' (Social policy in post-Socialist Tatarstan and its outputs). Strany SNG: sotsial'naia politika gosudarstva i ee resul'taty. Sbornik statei Rossiiskoi akademii nauk, Institut vostokovedeniia, Moscow: Natalis, 2005, 249-271.

⁴³ The table is compiled by the author; the content is based on the analysis of regional cases.

Table 10 (continuation)– Patterns of social transformation in three Russian regions

Reform process	Ulyanovsk 'social patronage' model	Samara reform-oriented model	Tatarstan strategy of gradual reforms
Primary measures	High expenditures on energy, transport, food subsidies. Development of barter and partially monetirised exchanges In healthcare system – adherence to “vertical administration”; high expenditures on regional healthcare system	In social sphere: rapid dismantling of the old social guarantees and the restructuring of the old service sectors, introduction of means-testing system ⁴⁴ , which allowed for more targeted support of the poor In healthcare system – introduction of mandatory free healthcare system; establishment of a ‘one channel system’ finance system; enforcement competition between pharmaceutical companies, etc.	1) 1992-1993 - tough control measures over the prices for public goods, primarily, products of mass consumption; attempts to maintain low prices and provide rationing for the needy 2) 1993-1994 – introduction of a means-testing system of social support Continuous expansion of welfare benefits
Peculiarities of a welfare regime	Exclusionary welfare system, based on selective support of those constituting the electoral base of regional powers (pensioners, workers, invalids)	Selective support of the most needy	Generous system of welfare benefits; paternal support of different population groups

Summarizing analysis of regionalization process in social sphere of Russia, it should be mentioned that both objective and subjective factors have to be considered when the fragmentation of regional and federal policies attempts to be explained. Regionalization per se is certainly an objective process influenced by the introduction of principles of fiscal federalism, social assets divestiture, redistribution of obligations

⁴⁴ The most successful experience in this respect was connected with the support of children without family. They were adopted in families which got money for raising children. This was the main reason for the reduction in numbers of children without families. In other spheres experience with means-testing system was less successful. As research shows it can be explained by general declining in quality of life in Samara, as well as in the country as a whole.

between the levels of power and other developments which might not be covered in this study. However, there is a set of factors which can not be relegated to a formal change of the rules that took place after the Soviet Union collapse.

The study, undertaken in this chapter, shows that discrepancies between policies developed by Russian regions could be explained through subjective choices of the regional elites, as well as some political factors, relating to legitimacy foundations and ideological orientations of political leaders in regions. All three regions analysed (Ulyanovsk, Samara and Tatarstan), proved to have chosen distinct paths of social security system restructuring after the collapse of the Soviet Union. Major differences between the patterns of social transformation were rooted in the peculiarity of political regimes and the process of power consolidation within Russian regions. The decisions that were made in social sphere were certainly intertwined with economic ones; however, they were also linked with the peculiarities of centre-periphery relations, ideological orientations, and legitimacy foundations of regional leaders. In two Russian regions (Samara and Ulyanovsk) policies were significantly influenced by ideological considerations. However, since social policy considerations, in each case, constituted a part of electoral strategies of regional leaders, the driving force of reforms there seems to be related to the process of power legitimization. Tatarstan strategy of gradual reform relied heavily on rational considerations concerning the cost of reform. However, it was also influenced by the system of power relations within region and the peculiarity of centre-periphery relations.

In two cases, where the decision was made in favour of the Soviet-era commitments, regional elites opposed federal powers, though the intensity of political

struggles produced different social policy effects. In Tatarstan, opposition to the federal powers was rather moderate, strategies applied by the Tatar president included bargaining with federal powers for autonomy, while in Ulyanovsk, opposition to federal powers constituted a part of governor's electoral strategy.

Over time, discrepancies between Russian regions, in terms of social policy choices, centre-periphery relations and ideological commitments appeared to be eliminated, which can be explained by the change of political environment, as well as the introduction of laws that shifted more responsibilities on a regional level, leaving for regions only a limited number of resources. Discrepancies between regional social policies seem to be diminishing starting from the mid-1990s. It was particularly that time when the excessive 'property expansion' in regions turned out to be the source of accumulation of debts on wages and public expenditures. At the contemporary stage, financial austerity represents one of the gravest problems for regional budgets. Various analytical reports indicate that the contemporary social reforms impede autonomy of regional powers in the sphere of housing and social payments. Because of inconsistency between federal and regional standards and regulations, regions face greater problems in implementation of social functions⁴⁵.

⁴⁵ For example, Federal powers have established a 22% threshold of family income for provision of housing subsidies (subsidies should be provided for only those whose payments for housing and utilities constitute 22% of family income). In Tatarstan this threshold is counted in accordance with the more elaborated scheme of family income. Thus, the republican powers are necessitated to reject their scale and to compensate subsidies in accordance with less flexible system.

CHAPTER 4

CASE STUDY OF THE OREL REGION

In the third chapter, it was observed that the decision either to preserve or dismantle Soviet-era commitments has been influenced by the ideological affiliation of regional leaders, their electoral base and their position in the system of centre-periphery relations. Up to now, however, the relationship between the variables is not clear enough. What is missing is an understanding of how the reforms have been assessed by regional actors of social policy-making, whether they constituted building blocks of power struggle within Russian regions, and to what extent the political cost of reforms (that includes assessment of threats to power and political legitimacy) has been significant in the process of welfare regime formation.

This chapter makes an attempt to collect and analyze data on the perceptions of regional elites as concerns the process of reforms at the federal and regional levels. Besides observation of ideology, position in a system of centre-periphery relations and electoral base of regional leaders, it tries to look at how reforms have been conceptualized in a wider context of transformation process and in which way they could serve political interests of regional elites.

Orel region was chosen for the fact that it represents a unique case in terms of power relations and the basis for regional social consensus. Because Governor Stroeve plays a key role in nearly all regional processes, the elite-centered theory may be particularly useful, as we can observe how the elite itself sees the process of transformation¹. Interviews with regional officials included questions on preconditions and processes of social sector reform in Orel region (Were social reforms necessary? Were they driven by ideology or pragmatic considerations? In what way did federal and regional reforms diverge during the course of reforms? How did relations with the federal centre influence the process of regional policy-making?, etc.). Answers to these questions provide an opportunity for understanding to what extent regional reforms were entrenched into the process of power consolidation around regional authorities, and what role various political factors (primarily, ideology, centre-periphery relations, electoral expectations) exerted during the period of reform.

The main analytical categories applied in the study of Orel region are built upon the notions of power structure, welfare regime and political regime. Overall, these categories emphasize the political component of social sector reform and are deemed to shed light on the second hypothesis of this study².

¹ As a reminder, the elite-centered approach (as formulated by Eyal, Crawford, Lijphart, Shugart, Oleinik, and others), views regional elite as a significant actor of regional reform process, suggesting that pre-existent elite defines the way of post-socialist restructuring. Social positions, points of view, identities and alliances are conceived as factors which exert significant influence over the process of transformation.

² As a reminder, the second hypothesis suggests that social policies in Russian regions were subordinated to the political interests of regional elites. If the political cost of social system restructuring was too high, then the decision was made to preserve the Soviet-era commitments; and on the contrary, if the social system restructuring posed no danger to political power, then the decision was made in favour of policy liberalization.

The previous chapter showed that various regions adhered to different models of social and economic transformation. In some of them there was a tendency to conserve commitments of the Soviet era and to use them to protect the region from negative consequences of economic liberalization. In others, on the contrary, many innovations were introduced so as to make the transformation process more successful and complex. It was observed that in all cases analyzed, legitimacy foundations of regional leaders, along with the specific features of centre-periphery relations, played a significant role in determining the course of social policy reform. The weak point of existing studies is that they do not provide enough information on the perceptions of regional elite as concerns the process of reform at both federal and regional levels. This chapter attempts to fill this gap through the original research in one of the Russian regions. Interviewing regional officials, as well as analyzing official documents and public speeches of the regional governor is deemed to shed light on the way in which crystallization of the welfare regime in Orel region took place. In this respect, the study asks the questions about the course of reforms, the perceived impact of federal reforms on regional policies and the role of different actors of social policy formation in welfare regime consolidation.

The study is based on the original research conducted through interviews with Russian officials in summer 2006 and involves analysis of primary and secondary sources.

While observing the transformation of the social security system in Orel oblast, an attempt is made to understand the preconditions for adoption of key social policy decisions during the period of transition. Analysis of major decisions in the social policy

area, interviews with key actors of regional social policy (officials from the social policy committees, coordinators of federal and regional social programmes), as well as analysis of social policy issues in the political rhetoric is used to clarify how the balance between social interests and political goals was formed. It also attempts to answer the questions whether expectations and value orientations of regional authorities coincided with major choices/decisions made in the social sphere throughout the period of reforms.

Besides interviews, the study relies on official documents and the regional press, which help provide answers to the questions on the path of welfare regime evolution in Orel region, the main achievements and the main faults of regional strategy of social reform; possible influence of the federal initiatives; and the perceptions of social reform process on a part of regional officials. So as to understand which elements of the Soviet-era social contract were preserved (if any), an attempt is made to distinguish between reforms and 'non-policies' persistent in the region throughout the transition period.

Interviews are mainly focused on experts opinions concerning various aspects of regional and federal social policy in Russia. Topics include: the specific character of regional social policy, the specific features of modernizing the regional welfare regime, the role of the regional political elite, major problems arising between the federal and regional powers on social issues, the level of consensus between the regional and federal powers on social reforms in general and specifically in Russian regions. An effort is also made to understand how regional officials conceive and conceptualize social reforms on federal and regional levels.

4.1 Evolution of welfare regime in Orel region (1991-present)

In a typology developed by the Independent Institute of Social Policy³, Orel region holds a relatively advantageous position, being characterised by the comparatively low level of unemployment, intensive development of educational institutions, advantageous agricultural conditions and a moderate level of socio-economic development. All these advantages are, however, counterbalanced by the low level of wages, negative demographic trends (population aging, migration of the youngest and well educated) and the low level of innovation within the regional economy. The fact that social unrest within the region was practically absent allowed describing regional socio-economic structure and state-society relations in terms of stability and consensus. However, analysis of regional policies shows that it was the lack of reform, rather than active socio-economic strategy which created an impression of social stability and consensus.

The initial period of social system change in Orel region (starting from 1991) was marked by the process of institutional reconfiguration. Most social policy decisions of those years attempted to minimize social costs of economic reforms, pursuing the aim of adaptation to the newly established Federal laws. Primary measures included adoption of social programmes in support of the most vulnerable population groups, and the transformation of the previously monolithic system of social services and payments into a balanced system consisting of distinct fields, such as the system of social protection (for various groups), the system of social provision, etc.

³ Sotsial'ny atlas rossiiskikh regionov: portrety regionov // <http://atlas.socpol.ru/portraits/orel.shtml> (March, 2007).

To a large extent, social initiatives that were undertaken in Orel region were balanced along the line of minimal standards maintenance. However, according to the official statistics, in the middle of the 1990s Orel region had a comparatively high level of social expenditure, although it was among those that experienced a deep economic crisis. In 1998, social expenditure in Orel region counted for about 33% of internal regional revenues; that is a comparatively high figure, considering that industrial productivity scarcely reached 30% of the 1990 level⁴. This tendency was strengthened over time: starting from 1999, nearly 2/3 of budget expenditures were allocated for social issues annually (major issues financed are education, healthcare, culture, social provision)⁵. Most of social expenditures were distributed within the three policy arenas:

1) subsidisation of transport services and housing, free healthcare children camps, subsidisation of children's nutrition; 2) a consistently pro-social regional budget; 3) budget surpluses systemically used to enhance the level of payments for employees working in the public sphere (teachers, doctors, etc.)⁶.

Another distinguishing characteristic of the Orel social policy system, at this stage, was the large number of compensatory social programmes, which without necessitating any kind of restructuring, played an important role as a redistributive

⁴ Popov, V., 'Strategiia reform i ekonomicheskie itogi transformatsii: pochemu padenie proizvodstva v regione bylo neodnakovym' (strategy of reforms and economic outcomes of transformation: why economic recession in regions was unequal). Rossiiskie regiony pered vyborom: varianty ekonomicheskoi politiki i perekhodnyi period. Joan DeBardleben, ed., Ottawa, November 1999, 24-81.

⁵ Strel'nikova, S., 'Zakon 131 – problema slozhneishaia, no nuzhnaia i reshaemaia. Interview with V. Kurgannikov, the Chief of the Department of Finance and Taxes in Administration of Oryol region. *Budget*, 20 October, 2005 // <http://www.bujet.ru/news/detail.php?ID=7607> (Internet, July, 2007)

⁶ Statistics available on Oryol region budget expenditures is fairly scarce. However, much data can be extracted from the laws on regional budget: 1) Zakon Orlovskoi oblasti ob oblastnom biudzhete na 1996 god, 22 February 2006 goda, 06-OZ; 2) Zakon Orlovskoi oblasti ob oblastnom biudzhete na 1998 god, 24 February, 1998, 65-OZ; 3) Zakon Orlovskoi oblasti ob oblastnom biudzhete na 1999 god, 21 December, 1999, 91-OZ, etc., available at http://www.budgetrf.ru/Publications/laws/regional/orl/orl_6z22021996.htm (Internet, July 15, 2007)

mechanism in the delivery of social services and the fulfillment of social obligations for the citizens. During the 1990s, the majority of social initiatives were realized either through the Complex Federal programmes or regional special programmes (Oblastnye tselevye programmy): “Elder Generation” (1999), “Family”, “Children of Orel” (2000–2001), within which a system of children’s centers, centers for social work with families and children and the centers for social provision were established.

Starting from the year 2000, the number of social programmes in which Orel region has been involved significantly increased, mostly due to the increasing number of federally funded projects. During this period, the Orel region started participating in 26 new federal programs: the Federal Program for the Development of Education (2001–2005), the federal targeted programs for the Elimination of Inequalities in Social and Economic Development of the Regions of the Russian Federation, (2002–2010 and through 2015), Soil Fertility Enhancement (2002–2005), Ecology and Natural Resources (2002–2010), Modernization of Russia’s Transport System (2002–2010), and others⁷.

Among the regional targeted programmes were *14 regional targeted programs* drafted and implemented during this period for the development of the economy, healthcare, and public welfare: Job Creation in the Orel Region, 2001–2003, Working Conditions and Industrial Safety, 2001–2005, Development of Tourism in the Orel Region, 2001–2005, and others⁸. Overall, federal programs were financed to a total of \$44 million, while the regional ones – to the amount of \$ 14.2 million.

Although Orel region received substantial financial support from the federal center (by April 16 2006, Orel received an additional 40 mln rubles), and many

⁷‘Oryol Region’, *Russia Profile Data Base (89 subjects of the federation)*, *Ria Novosti* // <http://www.russiaprofile.org/resources/business/districts/orel/index.wbp> (Internet, 11 May, 2006)

⁸ The most successful project, in the perception of regional authorities is “Health” project.

responsibilities were shared between the levels of power, regional authorities expressed obvious dissatisfaction with the ongoing process of social reform. The main reason was the continuous reorganization of mechanisms through which social programmes were realized. According to the interviews with Russian officials, during the last several years, the most effective federally funded complex programmes were closed, regardless of their effectiveness and significance for the regional social security system. Because of that, regional authorities faced many difficulties waiting for the mechanisms to be improved, or to improve them on their own. This, in many cases, led to procrastination and delays in fulfillment of social obligations.

The internal policies initiated by regional government have not been changed over time. The priority groups of social support remained the same: pensioners, disabled, veterans and families with children. Most of the regional social programmes remained in power or were extended, while a wide range of social programmes and laws were initiated under the federal programmes.

Table 11 - Regional Social programmes and laws in Orel region (1991-2000)⁹

<i>Sector</i>	<i>Regional programmes and laws</i>	<i>Initiative</i>
<i>Social policy system in general</i>	1) Regional law " The system of social provision in Orel region", 2000 Regional stature (in Russian - polozheniye) 2) "Regulations for social provision and support of population in Orel region" 3) Regional stature (in Russian - polozheniye) of the head of administration ¹⁰ "The development of social infrastructure"	Regional authorities, representative branch of power

⁹ The table is compiled by the author, the content is based on the analysis, implemented by Anisimov, V., 'Orlovskaia oblast': sotsial'naia zashchita' (Orel region: social protection). *Chelovek i trud*, no.5 (2001) // http://www.chelt.ru/2001/5/list_5.html

¹⁰ In all the cases listed above, the head of regional administration is represented by the regional governor

Table 11 (continuation) Regional social programmes and laws in Orel region (1991-2000)¹¹

Sector	Regional programmes and laws	Initiative
Children and family	<ol style="list-style-type: none"> 1) Regional programme "Major directions of regional social policy in a part concerning provision of welfare of children for the period of 2000-2001". 2) Regional Programme "Children of Orel Region", 3) Regional programme "Family", (1997-1999) 4) Regional programme "Major directions of regional social policy in a part concerning provision of welfare of children for the period of 1997-1999", 5) The law "On protection of children's rights", 6) Resolution (Russian – <i>postanovleniye</i>) of the head of regional administration "On additional provisions for social protection of orphans and children with disabilities", 7) Resolution (Russian – <i>postanovleniye</i>) of the head of regional administration "Additional provisions for families having children with disabilities", 8) Resolution (Russian - <i>postanovlenie</i>) of the head of regional administration "Provisions for social support of large families (families having many children)", 9) Resolution (Russian - <i>postanovlenie</i>) of the head of regional administration "Social protection of large families", 10) Regional programme "Urgent provisions in the sphere of healthcare for women and children" (to be financed from the budget and non-budget sources), etc. 	Governor of Orel region
Rural population	Regional programme "Slavic roots" (Russian – "Славянские корни"), aimed at stabilization of social and economic situation in rural areas	Governor of Orel region
Pensioners	Regional programme "Older Generation", 1999	
Education system	<ol style="list-style-type: none"> 1) Regional law "Education in Orel region" 2) Regional law "Protection of rights of a child" 3) Regional law "Regional youth policy" 4) Regional complex programme on moral and patriotic upbringing of youth generation 5) Regional complex programme for youth generation "Orel region – the start " 6) The concept of upbringing of the system of education in Orel region 7) Regional programme "Industry of education" 	Regional authorities, representative branch of power

¹¹ The table is compiled by the author, the content is based on the analysis, implemented by Anisimov, V., 'Orlovskaya oblast': sotsial'naya zashchita' (Orel region: social protection). *Cheloveki i trud*, no.5 (2001) // http://www.chelt.ru/2001/5/list_5.html (Internet, July 12. 2007)

From the table presented above it is obvious that the majority of social programs in the Orel region were initiated by the regional governor, who, in fact, proved to play a particularly important role in the process of social policy formation at the regional level.

Egor Stroev, the Governor of Orel region, was elected in 1993, and since then has been considered as the only legitimate political leader in his oblast'. A great part of his *legitimacy* was based on the ideology of socio-political stability and gradual reforms that appealed to the conservative orientations of his electorate. Bad economic performance of the region didn't affect Stroev's popularity. According to the Public Opinion Foundation 'Geo-Rating', polling 65,065 respondents across 65 Russian regions, Orel was the only exceptional case where the governor's approval ratings were high despite particularly low average living standards and economic decline [Appendix 2].

During the whole period of reforms the governor consistently emphasised his adherence to the ideology of socio-political stability and gradual reforms (though the latter has never been formulated into a coherent strategy). A table [Appendix 3], based on the content-analysis of reports and public speeches delivered by Stroev, indicates that social agenda constituted a very important part of regional political discourse throughout the whole period of reforms. The governor raised social questions in nearly all his addresses to the electorate, but also in reports before businessmen, regional and federal politicians (among all the reports and presentation observed one could hardly find at least one which would omit social dimension of economic or political developments). In this respect, his attention has always been concentrated on the crucial role of regional policies that were deemed to mitigate consequences of socio-economic collapse. Starting from the year 2000, the focus of Stroev's public speeches shifted to the issues of

economic efficiency of social policies, though the the overall paternal style of his presentations has being retained.

To a large extent, the social orientation of regional policies can be explained through the peculiarity of the *political regime* that was formed in Orel region during the post-Communist period. The structure of power relations that crystallized in Orel during early stages of transformation was considerably consolidated around the political leader, which was manifested through numerous remnants of the Soviet era political system: 1) a dominant role of the regional governor, 2) strong executive power (“vertical administration”); 3) protectionist support granted to certain companies and even personalities, including relatives of some politicians and bureaucrats, and 4) tough control over local media and regional resources, including industries and finance. In the literature, this system was coined a “political monopoly”¹², “authoritarian political regime”¹³, “family type of power relations”¹⁴ and “paternalistic model”.

¹² Chervakov, A., ‘Osen’ patriarkha. Vybory mera Orla oslabili pozitsii gubernatora Egora Stroeva’ (The autumn of the patriarch. Elections of the mayor have weakened the position of the governor Yegor Stroev). *Kommersant*, no.117, 30 June (2006) // www.kommersant.comch.ru (Internet, February 13, 2007)

¹³ Mau, V., Golant, O., Zhavoronkov, S., Regional’nye politico-ekonomicheskie elity (regional political and economic elites). Moscow: Institut ekonomiki perekhodnogo perioda. 2001 // <http://www.iet.ru/usaid/elita/elita.html>; (Internet; March 2001)

¹⁴ Munitsipalov, S., ‘Egor Stroev – Orlovskii bastion’. *Rossiiskie vesti* (Federal’nyi ezhenedel’nik), 13-20 December (2006). Archiver (46) 1848 // <http://www.rosvesty.ru/1848/camera1/?id=1847&i=1> (Internet; December 13-20, 2006)

Table 12 – Model of Power Relations in Orel Region (1993-2001)¹⁵

	Characteristics	Analogies
Power	1. The power is concentrated in the hands of the regional leader	Tatarstan, Bashkortostan, Mordovia Belgorod
Actors of regional policy-making	2. All the actors of regional politics are controlled in a tough manner (among them are territorial units of federal agencies, local self-governance organizations, industry and finance companies, political parties, militia, media)	
Opposition	3. Opposition is absent	
The circulation of the political elite	4. The circulation of the political elite is slow Relations between the levels of power is non-conflictual (the model was stable until year 2001, when the local self-governance organs appeared to be out of control and opposition forces participated in elections for the first time)	

One of the most significant peculiarities of the political regime in Orel region was that starting from 1990s, the circulation of the political elite in this region has been very slow. Generally, most of the positions in the upper echelons of regional power were filled by bureaucrats of the old generation. One common feature uniting them all was that most were considered to be ‘moderate’ and ‘pragmatic’ in their approach to economic reform, which was, in fact the manifestation of their loyalty to the governor.

The specific features of the regional political regime have had certain implications for the social policies, formed by the regional governor. In many interviews and public speeches, officials pointed out that the social orientation of regional policies came into existence in Orel, due to the authority of the regional governor. The latter indicates that not only the objective fact of economic decline, but also subjective political factors contributed to the formation of specific welfare regime in Orel region.

¹⁵ The table is compiled by the author; summarizes analysis of the political environment in Orel region.

In terms of *centre-periphery relations*, the region, at the initial stages of reform, proved to be one of the centres of opposition to the federal powers. In the literature, it has even been coined as the 'red belt on the territory of Russia'. In comparative terms, however, opposition of regional authorities to the federal powers throughout the transition period was moderate, being reflective of pro-communist orientations of the Orel citizens, rather than political orientations of the regional elite. Holding position of the Chief of the Federal Council for more than five years (1996-2001), Stroevev exerted power to lobby the interests of his own region at the federal level. In this respect, there was no need for him to oppose federal initiatives in economic or social sphere. In fact, the paternalistic rhetoric of the regional governor throughout the period of reforms was accompanied by the high level of *social and economic conformism*, which have been strengthened over time. Conformism of the regional leader to the federal powers has become particularly obvious since the beginning of Putin's presidency, as the mechanism of appointment of regional governors has been inserted (2000), and Stroevev entered the pro-Putin "United Russia" party (2003).

A tricky situation in which Stroevev finds himself nowadays is connected with his ideological commitment to the "United Russia" party and to the personality of Vladimir Putin. Transferring his support to the party of power, Stroevev distanced himself from communists who have always been central force boosting his personality in the region¹⁶. The split between communists and the new adherents of the 'United Russia' party is evidently advantageous for the central authorities, especially in view of the ongoing local self-governance reform. Complications, related to redistribution of responsibilities and

¹⁶ Examples of conflict between Stroevev and communists: 'Orlovskii Gubernator schitaet chto KPRF ugrozhaet ego zhizni'. Vybory 11 marta 2007 goda // <http://www.newsrb.ru/allnews/776856/> (Internet, 02.02.2007)

resources between the levels of power, as well as the split between actors of policy-making make the regional ‘internal consensus’ more volatile, and even more manageable for manipulation on behalf of the federal powers. At the same time, it turns out that being part of the United Russia party does not guarantee overall support of his initiatives taken locally. During these days Stroev faces quite a problematic situation preparing for elections to the Regional Soviet of National Deputies. In December 2006, the party members refused to support some of Stroev’s protégées intending to participate in the elections. Although this situation was provoked by Stroev himself (as he introduced those candidates after the list of candidates had been already approved), this looked like a definite sign of diminishing Stroev’s power (several years ago, rejection could not be even thinkable)¹⁷.

It is interesting that social and economic conformism manifested through the compliance of regional authorities with federal reforms was associated in Orel region with the preservation of some important social commitments of the Soviet era (subsidized services, price controls for some goods, etc.). The question why this was so remains debatable. Popov argues that the high level of social expenditure in the regional budget during the period of transition can be explained not so much by the strength of institutions or regional policy effectiveness, but rather by the necessity to compensate negative consequences of economic decline¹⁸. Russian officials whom I interviewed in Orel in summer 2006 also pointed out that the rationale for the decisions they made

¹⁷ Sokolov, M., ‘Vnutripartiinaia bor’ba zamenila predvybornuiu’, *Svobodanews*, 15 January, 2007// <http://www.svobodanews.ru/Transcript/2007/01/15/20070115124332030.html> (Internet, March, 2007).

¹⁸ Popov, V., ‘Strategiia reform i ekonomicheskie itogi transformatsii: pochemu padenie proizvodstva v regione bylo neodnakovym’ (strategy of reforms and economic outcomes of transformation: why economic recession in regions was unequal). Rossiiskie regiony pered vyborom: varianty ekonomicheskoi politiki i perekhodnyi period. Joan DeBardeleben, ed., Ottawa, November 1999, 24-81.
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rested on the intention to support those who were severely victimized during the process of reforms. However, it is interesting that no one of them saw economic reform as a precondition for the formation of specific social policies. On the contrary, as one of the officials said, “The peculiarity of Orel social policy system rests on consideration of importance of human resources, which means that social policies in Orel predetermine manifold economic decisions” (vice-Governor public speech, 2000)¹⁹.

The next section of my study will attempt to analyse perceptions of regional officials concerning social policy choices at the federal and regional level. It will try to breach the gap between the actual practice of social reform in Orel and the way it was conceived by the actors of social policymaking; in this respect, the section will try to understand if social reforms in Orel were in line with norms and value orientations of the regional officials and how regional initiatives were placed within the context of the federal reforms.

Were regional authorities compliant and satisfied with the reform process? Whom do they consider to be the major actors of social policy-making? In what way did federal and regional reforms diverge during the course of reforms? How did relations with the federal centre influence the process of regional policy-making? Which factors, in their perception, exerted the most significant impact over the process of social transformation? Answers to these questions provide opportunity for understanding to what extent regional reforms were entrenched into the process of consolidation of power around regional

¹⁹ Labeikin, A., ‘Bednost’ – porok gosudarstva’. (Poverty is the deficiency of the state). Interview with Labeikin A. A., the Chief of the Department for social policy under the executive regional power in Oryol Region, in *Rossiiskaia Federatsiia segodnia* // http://www.russia-today.ru/2002/no_9/9_federal_power_11.htm (Internet, March, 2007)

authorities (which is a part of our attempt to test the second hypothesis of this study), and what role various political factors (primarily, ideology, centre-periphery relations, electoral expectations) exerted during the period of reform.

A set of questions presented before regional officials [APPENDIX 4], intends to measure the perceived cost and implications of the reforms. In fact, it includes several intertwined analytical units: assessment of reforms against their historical background, assessment of reforms in a wider context of transformation, assessment of reforms in a context of relations between the federal centre and regional powers.

Table 13 Analytical map of the questionnaire [Appendix 4]

How does elite see the process of transformation? Did expectations and value orientations of regional authorities coincide with major choices/decisions made in the social sphere throughout the period of reforms?		
Analytical blocks of the questionnaire	Variables	Questions asked
The course of reforms (federal level)	Assessment of reforms against its historical background, may include any of the variables mentioned	Can you distinguish between the stages of social system restructuring at the regional level? Which spheres were reformed at first hand? Are there any reforms which need to be introduced? Have the priorities of the social system restructuring significantly changed over the last several years? In your opinion, what have changed in the social policy area after the beginning of Putin's presidency?
Justifiability of reforms	Ideology versus pragmatic consideration	Were reforms necessary?
The course of reforms (regional level)	Assessment of reforms against its historical background, may include any of the variables mentioned	Can you distinguish between the stages of social system restructuring at the regional level? Which spheres were reformed at first hand? Are there any reforms which need to be introduced? Have the priorities of the social system restructuring significantly changed over the last several years?
Characteristics of the welfare regime; rationale behind the decision-making process	Assessment, may include any of the variables mentioned	Can you please tell several words about the present stance of the social sector in Orel region? What is your opinion on regional social policies implemented nowadays (could you please elaborate on advantages and disadvantages)?

Table 13 (continuation) Analytical map of the questionnaire [Appendix 4]

How does elite see the process of transformation? Did expectations and value orientations of regional authorities coincide with major choices/decisions made in the social sphere throughout the period of reforms?		
Analytical blocks of the questionnaire	Variables	Questions asked
Welfare regime change	Pragmatic versus ideological component	Were any elements of the Soviet-era security system preserved in Orel region? In your opinion, what were the rationales for the preservation of some merits of Soviet social security system in changing circumstances (if any)? Were there any political reasons involved?
Actors of the social policy-making	Assessment (pertains to characterization of the welfare regime), may include any of the variables mentioned	What actors, in your opinion, played a crucial role in the social security reform in Orel region (can you please name particular figures or organizations)? What was the role of social policy committees, trade unions, civic organizations? What was the role of particular political figures? Can you think of any examples when the social policy decision was made under the pressure of citizens (after the strike or other form of discontent)?
Obstacles to the effective social reforms	Opinion, may include any of the variables mentioned	Can you think of any factors that pose obstacles to formation/implementation of successful social policies at the regional and federal levels?
Perceived impacts of federal reforms on regional policies	Centre-periphery relations; Regional authorities-society	Do you view federal social policy reforms as having any influence on social policy formation and implementation in Orel region? In what way have recent reforms (Putin era) influenced social policies at the regional level? What is your opinion on the recent reform, which replaced in-kind benefits by cash transfers? How does this reform change the process of social policy formation and implementation in your region? Will it be possible to fulfill many commitments that local government preserved during the last decade? How can this reform affect the relationships between local political leaders and its electorate?

Table 13 (continuation) Analytical map of the questionnaire²⁰ [Appendix 4]

Analytical blocks of the questionnaire	Variables	Questions asked
General perceptions of federal reforms	Assessment of reforms in a wider context of transformation, may include any of the variables mentioned	How do you assess federal social policies in general? Are they conducive to the formation/ implementation of effective social policies at the regional level? What are the major goals of the recent federal initiatives in the social sphere? What should be done at the federal level to make regional social policies more effective? Can you think of any measures which would improve cooperation between the centre and Russian regions in the social policy area?
Divergence between the federal and regional policies	Assessment of reform in a context of centre-periphery relations Variable: Power structure/ relations between the levels of power	To what extent did regional social initiatives diverge from the federal policies? Were they more conservative, or, on the contrary, reform-oriented? Were they successful? Can you think of any examples when a conflict between the federal and regional powers emerged because of social problems/social policies? If yes, then could you please, elaborate on that? Are you satisfied with the current distribution of resources and responsibilities between the region and the federal centre? Have it changed over time?
The main social groups protected/social programmes/priorities	Constituency base; Relations between the regional authorities and society	Can you indicate the priority spheres, covered by social policy initiatives during the last decade? Which social programs implemented in Orel region do you consider to be the most successful? Which are, on the contrary, the least successful? Can you also indicate some population groups which were supported in your region better than in any other? Do you feel that any constituency has sufficient influence over policy decisions?

4.2 Interviews with regional officials: perception of social reforms and what it means for the analysis of welfare regime change

Indications as to how regional authorities perceived or conceptualized social reforms throughout the post-Communist period can hardly be discerned on the basis of numerous ambiguous statements delivered by regional authorities. Analysis of speeches

²⁰ The table is compiled by the author as a part of the research design for interviewing regional officials.

and interviews with the governor (Egor Stroev) reveal his overall critical stance on the strategy of ‘shock therapy’ at the beginning of the transition period. In his recent speeches, however, Stroev distinguishes between two periods of socio-economic reform in Russian regions: the period characterized by destructive policies, that is 1991-2000, and the period of creation, that is 2000 until the present (the comparison is not in favour of ‘shock therapy’). In this respect, he states that the adoption of national projects signifies a radical change through which the model of a ‘bureaucratic state’ or ‘night guard’ is being substituted by the model of a ‘socially responsible state’²¹. Generally, starting from the year 2000, Stroev shifts his focus to the problem of economic efficiency, which is, in his view, the main precondition for the successful social reforming.

Alexandr Labeikin, another influential regional politician, in his interview with the journal “Rossiiskaya Federatsia Segodnya” (The Russian Federation Nowadays) also emphasises his negative assessment of the ‘shock therapy’ that significantly damaged the social sphere in Russian regions. Labeikin also criticises contemporary reforms, stating that all of them have a double meaning for people in general and for regional authorities particularly: “If they add some money in one sphere, they will take off the same amount in another one”²². According to Labeikin, the government proved unable to fulfill its obligations on federal social programs due to their insufficient funding. Thus, the huge

²¹ February 15, 2006 Report on Implementation of the national project ‘Available and comfortable housing – for citizens of Russia’

²² Labeikin, A., ‘Bednost’ – porok gosudarstva’. (Poverty is the deficiency of the state). Interview with Labeikin A. A., the Chief of the Department for social policy under the executive regional power in Oryol Region, in *Rossiiskaia Federatsiia segodnia* // http://www.russia-today.ru/2002/no_9/9_federal_power_11.htm (Internet, July 12, 2007).

role of regional initiatives in the social sphere was necessitated by imperfections of the federal approach to social reform.

Interviews, conducted as a part of this study among officials from the representative and executive branches of power in Orel region, reveal a more complex set of views on the process of social reform²³. When speaking of social reforms in Russia during the period of transition, most respondents recognize that all the federal reforms that have been conducted in the social sphere in 1990s and 2000s were necessary. However, the scope of reforms and the methods of their implementation are widely criticized. According to Nikolai Motin²⁴ (deputy in the committee on social policy), the whole period of transition was characterized by the lack of social reform. Another respondent Tsaplin A. A.²⁵ (the head of the Federation of Professional Unions) states that ‘nothing has been done for the whole period of reforms’, while the two representatives from the Administrative Department for Social Protection of People stressed that federal reforms were quite vague, which forced regions to develop their own normative documents and look for alternative sources of funding:

²³ All interviews were held in Summer 2006 and involved respondents from the representative and executive branches of government, as well as some nongovernmental organizations that work on social problems in close cooperation with regional authorities. The sample constructed for the aims of this study was based on two criteria: 1) the actor should have been involved in the process of social policy formation or implementation in the region; 2) the actor should have significant experience in the sphere of social policy so that he should be able to assess major developments in the social field during the period of transition.

The questionnaire (Appendix 3) consisted of three blocks. The first block of questions concerned *respondents themselves*, as I asked them to describe their obligations and connections with other social services or departments. The second block was devoted to the respondent’s *perception of regional social reform* and major problems surrounding relations between the regional and federal levels on social issues. Finally, the third block was concentrated on *federal reforms and recent initiatives* of the federal government. Not all the questions were evenly covered during the course of interviewing, since each respondent possessed his own views and experience. The interviews did not allow for gathering representative information, but rather provided an opportunity to find out ideas and opinions that are not presented in literature.

²⁴ The respondent gave a permission to call him by name

²⁵ The respondent gave a permission to call him by name

When positive economic trends are taken into consideration, social reforms seem to be quite insufficient. Some of them even occur suddenly, without consideration of peculiarities of Russian mass consciousness, or regional problems.

As a fundamental problem, most of the respondents mentioned the contradiction between the real practices of minimum standard maintenance and the official declarations of the Federal powers concerning the nature of the evolving social model in Russia:

I think that the essence of the contemporary initiatives in the sphere of social policy is hypocritical. On the one hand, the Constitution proclaims Russia to be a social state. According to Constitution, medical care, education and many social services are considered to be free. On the other hand, figures show that in reality everything is for pay. The greatest part of wealth is in the hands of a tight group of people. Only 1 % out of 15 % of the rich people in Russia possesses 92% of all profit. The minimum basket of consumption does not satisfy world standards, and more than that, contradicts the promises that have been given to people at the beginning of 1990s.

Most of the respondents emphasised dissatisfaction with the federal policies, rather than with social initiatives of regional powers which were continuously constrained by the lack of financial resources. In this respect, only a few officials agreed to call the contemporary Russian state a social state, while the majority pointed out such imperfections of the latter as the absence of social strategy, inefficiency and regional fragmentation. Accordingly, all the comparisons between the Soviet and post-Soviet welfare state appeared to be detrimental to the latter.

Factors that, in the opinion of the respondents, have negatively impeded successful social policy formation and implementation at the regional level can be summarized as follows.

1) Imperfections of social policy formation at the federal level:

There is no doubt that reforms are necessary. The problem is that these reforms have to be closer to people. The latter is possible only when reforms are designed and implemented not only at the federal, but also at regional and local levels. Only

regions and municipalities have correct and precise information on the needs of their citizens .

2) Social injustice incorporated into federal laws:

Most social programmes anchor the system of unequal distribution of pensions among the population groups (the level of wages differs according to the sphere of employment, not the input of an employee; the level of pensions is also defined in accordance with the sphere of employment – administration servants, for example, get pensions that are much higher than the average). The other, no less important problem is the sharp inequality between employers and employees that is also anchored in state laws²⁶ .

3) Insufficient funding and proliferation of bureaucracy:

Problems that impede effective social policy realization in Russia are the proliferation of bureaucracy and a lack of financial resources. Bureaucratic obstacles are revealed in the necessity of useless and unreasonable agreements between various levels and units.

1) Unfavorable economic situation (unemployment, stagnation of regional economy and decline in incomes):

The situation that is detrimental to social sphere won't change unless there will be created enough work places and positions. National agrarian and industrial policies should be developed so as to guarantee the rise of revenues of regions.

Several interviewees characterize the regional social model as rather conservative, which means that very few social reforms are initiated to make the system compatible with the principles of a market economy. Cooperation between state institutions and nongovernmental organizations is practically absent, which means that very little responsibility is shared between the actors of social policy implementation.

Several inadequacies of the social system at the regional level were identified, among them the depersonalization of social support and protection, lack of analysis and

prognosis, and the lack of mechanisms for effective horizontal cooperation between the departments and services that are in charge of social functions.

Issues regarding the moral basis and ideological foundations of social policies in Russia attracted much attention among regional officials interviewed. It's interesting that interviewees who represented the executive branch of regional power emphasised that in their work they tried to adhere to the principle of social justice. Although they recognized the imperfections of the contemporary security system (low level of payments, their unjust distribution throughout the country and throughout various categories), the common view was that social justice premises were applied in their every day work, involving provision of payments or other kinds of help to all the layers of society (that need their help).

The problem of scarce financial resources was repeatedly cited in the interviews; however, no conflicts between regional and federal powers were mentioned. It's also significant that very few strikes, protests or other elements of civil pressure on the regional or local powers were cited, which was explained twofold: first, by the effective policies initiated during the tenure of StroeV; secondly, by objective factors, such as poverty of the population, the weakness of civil society institutions and overall social and political passivity of the population.. Here are some of the expressions in support of both positions.

...People are poor in Russia and thus can not contribute financially and even morally to the creation and support of nongovernmental organizations. The latter appear to be dependent on the state and thus work less effectively than they have to. Because of that, there have never been huge strikes in Orel region. And it seems that no decision has been made under the pressure of civil society.

...no any case of an effective social strike in region comes to my mind, though many protests have always been indicated throughout the country. This does not mean that Orel is particularly successful in the socio-economic sphere. First, we

should consider the peculiarities of mass conscious: the population in Orel region is rather passive. This is characteristic to the whole central region of Russia. The other thing is the effectiveness of governor's policies in Orel region: many efforts have been made to preserve stability in Orel oblast. And the third thing is the general authority of the Orel Gubernator.

The overall tendency to criticize federal strategy of the 'shock therapy' was accompanied, in the statements of the interviewees, by a rather cautious approach to the contemporary reforms.

Criticisms of the process of social policy reorientation, which took place since year 2000, tended to be rather covert and vague. To a large extent, they were expressed through recommendations and suggestions on what should be improved to ensure the positive effects of social policies. In this respect, all the authorities recognized that much is still to be done in the social sphere in Orel region. This reflects the general feeling that what has been accomplished during the last decade is hardly sufficient for the effective solution of social problems at the regional level. Here is the list of suggestions as provided by respondents:

- 1) It is necessary to provide better delineation of federal and regional recipients of benefits, distinguish the number of the recipients, distinguish effectiveness of various programmes and provide opportunities for horizontal cooperation (between departments for social protection, healthcare institutions, etc.). All this necessitates improvement of the quality of social laws and their systematization.
- 2) It's necessary to introduce some standards for payments in regions. Nowadays regions decide on their own what amount of money to allocate for social needs. Standards exist in the form of

recommendations. The living standard and the quality of life are different in various regions. It damages the social system as a whole.

- 3) Reforms have to be closer to people. The latter is possible only when reforms are designed and implemented not only on the federal, but also on regional and local levels. Only regions and municipalities have correct and precise information on the needs of their citizens.
- 4) Means-testing is necessary in relation to both services and payments. Equal distribution of payments leads to alienation of people from the social support system and depersonalization. In reality, some people (not categories) need more, while others need less.
- 5) To ensure a positive effect of federal reforms it is necessary, first, to organize control over the social policy implementation. Secondly, there is a need for financial assistance for regions, since it is quite well known that regional finances are limited.
- 6) A strategy of social reform should be adopted.

Most of recommendations listed above highlight the necessity to improve the federal approach toward social reform process in Russian regions. In this respect, a great deal of responsibility for the failures and shortcomings of the transition period is placed upon the inertia of the social security system in general, as well as the lack of reform and initiative coming from above.

The level of criticism differed according to the position occupied by the respondent. Representatives from the executive branch of regional power pointed out that the contemporary Russian state could be called social, while other respondents were more

prone to provide complex characterizations, pointing out poor implementation of federal laws. Generally, respondents from the representative level of power and nongovernmental organizations appeared to show much less sympathy for the evolving welfare regime, and elaborated more willingly on the latter.

Effective restructuring of the regional social security system during the period of transition was portrayed as the achievement of regional authorities. One of the gains mentioned is that they successfully managed to fill the gaps left by federal legislation, for example, through the adoption of regional law 133 on municipalization of social objects they transferred some functions to municipal organizations, while the property was transferred to the regional level. Also, regional authorities filled many gaps that occurred during implementation of the federal law 122, providing information to citizens and providing help for some federal beneficiaries (although it was not in their competence); and supporting the previously achieved level of help for those categories that became the clients of regional social organizations –who were previously the clients of federal organizations.

It's interesting that nearly all respondents consider that Orel region has not managed to preserve any accomplishments of the Soviet era. The latter is however, not quite true. Although some of the services became commercialized and the principles of social policy formation/implementation have changed, some commitments of the Soviet time have been preserved. Stroevev, in one of his reports, emphasised some of the important achievements as follows:

We have organized free nourishment in kindergartens and schools. We also subsidize nourishment in universities, provide pensions to the Chechen and Afghan veterans, Soviet Union heroes, honorary citizens of Orel, provide humanitarian help. This all is the result of the fact that we have not refused from being part of

contemporary economic processes; on the contrary, we succeeded in being part of them and even managed to define them²⁷.

Among other achievements, the governor also mentioned the enhancement of social responsibility of business, a rise in wages, reduction of wage arrears, mitigation of social disproportions and enhancement of the social infrastructure in Orel region, as well as the search for consensus between the social goals of the state and business interests²⁸.

The lack of control over institutions of self-government is proclaimed by Stroevev as the main impediment to successful implementation of federal laws at the regional level. The impeding factor mentioned is the proliferation of bureaucracy accompanied by the shortage of funding ('Paper circulation creates only an image of working process...In reality we do not receive enough money. National Projects Monitoring makes regional authorities forceless participants of the bureaucratic machine').

Finally, the problem of mass consciousness, according to Stroevev, has to be solved: 'It's necessary for people to get rid of superficial demands from the state...It's necessary that a person relies not only on the state, but also on his own from the beginning of his career'.

Liberal ideas of individual responsibility and market economy appear to be intertwined in Stroevev's speeches with the remnants of paternalistic inclinations. The same can be observed in the official sources. In official reports, the guiding principle of social reform in Orel is coined as a 'socially oriented market economy', which underlines the importance of private property, individual interests, a decent quality of life and support of

²⁷ Stroevev E., Public speech at the meeting with the federal inspectors from the apparatus of the deputy of the President G. Poltavchenko, 2001 // <http://www.adm.orel.ru/> (March, 2007)

²⁸ Stroevev E., Public speech at the Fair of Investments, June 2006 // <http://www.adm.orel.ru/> (March 2007)

those in need²⁹. The role of regional powers is viewed as a means to eliminate or mitigate the negative effects of market economy and to guarantee timely response to the most acute social problems.

What is also important in characterizing the welfare regime in Orel region is that it is based on the intention of regional authorities to preserve social consensus between various population groups, as well as to incorporate the principles of shared responsibility into the system of social provision³⁰.

Overall, the ideas of regional authorities, as observed in interviews and official reports, appear to be mixed up. To a large extent, they reflect the ambiguity of a process in which regional powers recognize their responsibility and at the same time powerlessness to guarantee positive social change in Orel region.

Table 14 Responses of the interviewees³¹

How does elite see the process of transformation? Did expectations and value orientations of regional authorities coincide with major choices/decisions made in the social sphere throughout the period of reforms?			
Analytical blocks of the questionnaire	Questions asked	Aggregate answers to the questions (predominant answers)	Observations, related to variables
The course of reforms (federal level)	How would you assess changes which have taken place in social policy of Russia during the last 10-15 years? Were they radical? Were they successful? Were they appropriately designed? In your opinion, what has changed in the social policy area since the beginning of Putin's presidency?	1. Lack of social reforms; 2. Reforms were quite vague, which forced Russian regions to develop their own normative documents and look for alternative sources of funding; 3. The contradiction between the real practices of minimum standards maintenance and the official declarations. Reforms of the Putin era are positively assessed, in all, due to greater coherency and resumed role of the state as guarantor of social stability (this relates to national projects).	Lack of political will Opinion includes an ideological component

²⁹ 'Sotsial'nyie programmy na Orlovshchine' // <http://www.cfo-regions.ru/regions/oryol.html> (March, 2007)

³⁰ Tsikorev, N., Public speech at the meeting with the association for economic cooperation "Chernozemye" // <http://www.adm.orel.ru/> (Internet, July, 2006)

³¹ The table is compiled by the author; the content is based on the analysis of interviews with regional officials.

Table 14 (continuation) Responses of the interviewees³²

Analytical blocks of the questionnaire	Questions asked	Aggregate answers to the questions (predominant answers)	Observations, related to variables
Justifiability of reforms (federal level)	Were reforms necessary?	Predominantly affirmative answer	Pragmatic consideration dominates ideology
The course of reforms (regional level)	Can you distinguish between the stages of social system restructuring at the regional level? Which spheres were reformed at first hand? Are there any reforms which need to be introduced? Have the priorities of the social system restructuring significantly changed over the last several years?	<p><u>Stages:</u> 1991-2000: attempts to protect oblast social infrastructure from disorganization; 2000-present: attempts to make the social policy system compatible with the principles of market economy, introduction of means-testing principles;</p> <p><u>Guiding principles of socio-economic policies:</u> 'social stability'; 'social consensus'; 'socially oriented market economy'.</p> <p><u>Predominant opinion:</u> Policies initiated by Stroeve helped preserve social consensus within the region</p>	Protectionist function of the regional welfare policies is underlined
Characteristics of the welfare regime; rationale behind the decision-making process	Can you please tell a few words about the present stance of the social sector in Orel region? What is your opinion on regional social policies implemented nowadays (could you please elaborate on advantages and disadvantages)?	<p>1. The regional social model is rather conservative; not enough flexible.</p> <p>2. Cooperation between state institutions and nongovernmental organizations is practically absent (very little responsibilities are shared between the actors of regional social policy-making).</p>	Lack of political will
Welfare regime change	Were any elements of the Soviet-era security system preserved in Orel region? In your opinion, what were the rationales for the preservation of some merits of Soviet social security system in changing circumstances (if any)? Were there any political reasons involved?	<p>Predominantly negative answer</p> <p>If yes, -necessity to protect vulnerable social groups</p>	Ideological component

³² The table is compiled by the author; the content is based on the analysis of interviewees with regional officials.

Table 14 (continuation) Responses of the interviewees³³

Analytical blocks of the questionnaire	Questions asked	Aggregate answers to the questions (predominant answers)	Observations, related to variables
Actors of the social policy-making	<p>What actors, in your opinion, played a crucial role in the social security reform in Orel region (can you please name particular figures or organizations)?</p> <p>What was the role of social policy committees, trade unions, and civic organizations?</p> <p>What was the role of particular political figures?</p> <p>Can you think of any examples when the social policy decision was made under the pressure of citizens (after the strike or other form of discontent)?</p>	<p>Two political figures are mentioned: Stroev and Labeikin; however, the most important role is attributed to Stroev.</p> <p>The role of trade unions is insignificant The role of social committees is not clarified, Civic organizations can play a role as partners, but not as actors of social policy-making</p> <p>Few strikes, protests, or other elements of civil pressure on the regional or local powers were cited</p>	The Soviet-era legacy pertains to the existing system of state-society relations
The main social groups protected/social programmes /priorities	<p>Can you indicate the priority spheres, covered by social policy initiatives during the last decade?</p> <p>Which social programs implemented in Orel region do you consider to be the most successful? Which are, on the contrary, the least successful?</p> <p>Can you also indicate some population groups which were supported in your region better than in any other?</p>	<p><u>Primary measures:</u></p> <p>1) institutional restructuring; 2) compensatory programmes (healthcare, agriculture, pensions, social benefits, etc.); education and housing for young families – worst developed projects (though highly prioritized by the regional budget).</p> <p><u>Population groups:</u> pensioners, rural workers, veterans.</p>	Universalism is reconciled with the minimum standard maintenance
Perceived impacts of federal reforms on regional policies	<p>Do you view federal social policy reforms as having any influence on social policy formation and implementation in Orel region?</p> <p>In what way have recent reforms (Putin era) influenced social policies at the regional level?</p> <p>What is your opinion on the recent reform, which replaced in-kind benefits by cash transfers? How does this reform change the process of social policy formation and implementation in your region?</p> <p>How can this reform affect the relationships between local political leaders and its electorate?</p>	<p>During the period of 1990s most reforms were quite vague which forced Russian regions to develop their own normative documents and look for alternative sources of funding</p> <p>Benefit reform was assessed as timely and necessary</p> <p>Political impact of benefit reform was omitted as insignificant</p>	Reforms do not endanger the existing regional power structure

³³ The table is compiled by the author; the content is based on the analysis of interviews with regional officials.

Table 14 (continuation) Responses of the interviewees

Analytical blocks of the questionnaire	Questions asked	Aggregate answers to the questions (predominant answers)	Observations, related to variables
Obstacles to the effective social reforms	Can you think of any factors that pose obstacles to formation/implementation of successful social policies at the regional and federal levels?	<u>Federal level</u> 1. Imperfections of social policy formation at the federal level 2. Social injustice, incorporated into federal laws, 3. Insufficient funding, 4. Unfavourable economic situation <u>Regional level</u> 1. Reluctance of many officials to work independently; 2. Lack of mechanisms for municipal budget maintenance; 3. Inefficient distribution of resources between the federal and regional powers; 4. Proliferation of bureaucracy, lack of corporative solidarity within the community of high-ranking bureaucratic circles.	The Soviet legacy pertains to the growing systemic complexity, enforced by the contradictory character of reforms
General perceptions of federal reforms	How do you assess federal social policies in general? Are they conducive to the formation/implementation of effective social policies at the regional level? What are the major goals of the recent federal initiatives in the social sphere? What should be done at the federal level to make regional social policies more effective? Can you think of any measures which would improve cooperation between the centre and Russian regions in the social policy area?	Opinions concerning contemporary federal policies were expressed in the form of recommendations. 1) it is necessary to provide better delineation of federal and regional recipients of benefits, distinguish the number of recipients, etc. 2) it is necessary to introduce some standards for payments in Russian regions; 3) reforms have to be closer to people; 4) means-testing is necessary in relation to both services and payments. 5) to ensure positive effect of federal reforms it is necessary to organize control over the social policy implementation 6) regions need a more sufficient financial assistance, 7) a strategy of social reforms should be adopted.	
Divergence between the federal and regional policies	To what extent did regional social initiatives diverge from the federal policies? Were they more conservative, or, on the contrary, reform-oriented? Can you think of any examples when a conflict between the federal and regional powers emerged because of social problems/social policies? Are you satisfied with the current distribution of resources and responsibilities between the levels of power?	Regional policies were formed and implemented in line with the federal norms and standards. However, region managed to fill the gaps which existed in federal laws. One of the gains mentioned was the adoption of the regional law 133 on social assets divestiture (no.133); as well, much normative work was done after the adoption of the federal law on social benefits (no.122). No conflict between federal and regional powers is mentioned Predominantly negative assessments of the current fiscal arrangements	Normative compliance with the federal centre is underlined Avoidance of conflict or opposition

Data acquired through the field work and analysis of secondary and primary sources allow characterizing the pattern of social transformation in Orel region as rather conservative and inflexible. Although numerous social programmes have been initiated by the regional governor, very few efforts have been made to make the system more compatible with the principles of market economy. The lack of resources, bureaucratic obstacles and political continuously impeded successful reform of the social sphere in Orel region, while reproducing institutional inertia coined by regional officials as stability and consensus.

The position of the governor and other regional authorities seems to be more than ambiguous, involving a mixture of liberal and conservative inclinations; however, a suggestion can be made that regional leadership indeed pursued an attempt to maintain an unspoken consensus within the society, paying much attention to those groups which constituted their electoral base (pensioners, workers, and people living in rural areas). Among all the reports delivered to the public, one can hardly find any that would exclude discussion of the ways to improve the social situation in Orel region. Although the achievements of the regional reform process were quite modest, social stability was highly valued during the process of economic turmoil. Stroevev, with his paternal style and conservative political orientations, seemed to provide at least the impression of stability that was desired by the population (this, by the fact, may explain the high level of Stroevev's popularity for the whole period of reforms).

An alternative explanation, focusing on the paternalistic inclinations of regional elite³⁴, can also hold some explanatory power. However, as mentioned, political leaders

³⁴ As a reminder, Cook distinguished between paternalistic and 'social contract' rationales of the behaviour of the elite: the former was to be guided by a genuine commitment to the ideas of paternal

of Orel region proved to be pragmatic, rather than idealistic throughout the period of transition (probably, because of that one can hardly discern their political orientations). As follows from the interviews, most of them did not pursue the aim of preserving best achievements of the Soviet era in the social sphere, being rather concentrated on adaptation to the initiatives coming from above.

The leadership style of Stroev was based on establishing personal relationships and exchanges with major actors of the political and business elite. This model was certainly influenced by social and political roots of the command at power. However, it also served as a way to preserve and guarantee the concentration of decision-making authority in one hands. Property expansion of the regional administration and an excessive role of administrative institutions in all spheres of life have become indispensable characteristics of regional life.

There is no doubt that the 'cost' of social consensus significantly diminished during the period of reforms. However, the price paid by regional elite for support was obviously based on housing subsidies, subsidies to prices and subsidies to services. Regional authorities were quite proud to claim that over time they managed to preserve the low cost of transportation and primary consumer goods available to the citizens of the region. This was achieved through the agreements within business organizations, and accordingly, via those mechanisms that could be considered as the trade-offs of property expansion of regional administration. Overall, stability and consensus appeared to be the indispensable features of social, political and economic schemes that were formed in Orel region during the years of transition. The elite was reluctant to get rid of the merits

protection of the population; the latter, on the contrary, could be characterized by 'pressured' decisions, undertaken with the aim not to lose political legitimacy.

of 'non-policies' which constituted a part of the regional socio-economic model. In this respect, gradualism measures were quite obvious (the means-testing principles started being introduced in Orel region only in 1999, while in many regions it was tested as early as 1995; subsidies to prices, transportation and housing were cut down only under the pressure of the federal law 122).

Interviews with Russian officials revealed a high level of their dissatisfaction with the Federal strategy of social reforms. The friction between the declarative principles of the Russian social model and the actual practices of minimum standard maintenance were put forefront as the most fundamental obstacles to successful reform process.

The study has also revealed the persistence of deeply entrenched conservative orientations of regional officials, which were manifested through the discussion of the moral basis of contemporary social policies, responsibilities of the state and the necessity to protect society from the adverse risks of market economy.

The tendency to blame federal powers for negative impacts of economic liberalization was accompanied, in interviewees' statements, by a rather positive evaluation of initiatives which took place at the regional level. The role of regional governor was considered to be particularly important; in many cases, this was the only figure mentioned when the question was asked about the actors of regional policy-making in the social sphere, which suggests that regional officials do not feel themselves as initiators or active participants of reforms.

Criticisms concerning the contemporary stage of reforms turned out to be rather reserved and cautious. In most cases, they took the form of recommendations, which were attributable to the formal reorientation of social schemes within the region. The shift

in attitude toward federal policies was also observed in public reports delivered by the regional governor, who asserted that the model of a bureaucratic state has been substituted by the model of the 'socially responsible state'. In general, this shift coincided with the presidency of Vladimir Putin, whose initiatives have put certain constraints on the freedom of action of regional powers within the system of centre-periphery relations. Much can be also explained by the fact that since year 2003, Stroevev has entered the pro-Putin "United Russia".

According to one of the observations, contemporary reforms impede the autonomy of regional authorities in the social sphere, posing pressure of financial austerity on regional budgets. The same argument, however, was articulated during the period of 1990s, when regional authorities, in fact, enjoyed a high level of autonomy, and the consolidation of power around the regional leader was particularly high. The problem which arises, in this respect, is that recent social reforms (introduced by the federal law 122) prevent regional authorities from providing subsidies to prices and some public goods, which have formed the core of social policies within the region throughout the period of transition. This, along with the fact that the regional governor is no longer accountable to the public (since governors are no longer elected), seems to change the very basis of social consensus within the region.

Perceptions of the Orel's governor seem to diverge slightly from those of the regional officials, interviewed in this study. As mentioned before, in most speeches [Appendix 3] Stroevev emphasised his commitment to the welfare of regional population. However, a predominantly paternal rhetoric was intertwined in his speeches with the neoliberal orientations. The most commonly used terms and notions included *economic*

efficiency, market economy, system of power relations/federalism, national projects. Two of them (economic efficiency and market economy) were not articulated by the interviewees at all. Criticisms of the federal policies concerned, primarily, the system of fiscal arrangements, not the content of reforms, as it was characteristic to the interviewees' statements.

According to the analysis of the governor's speeches, there are three major actors of regional social policy-making: federal powers, regional powers and regional business-elite³⁵. Regions, in his view, should develop their own strategies so as to be able to cope with the specific socio-economic problems, while the federal powers should provide a coherent and overarching normative framework, along with the sufficient funding allocated for federal programs. Appealing either to the federal or regional powers/businesses, the speeches maintain their paternal style. Rural workers (peasants), workers of the social sphere (education and health); young families are mentioned more often than other social groups.

The role of the regional powers in the social sphere is, to a large extent, obscured. In fact, the latter boils down to maintaining social consensus and social stability within the Russian region. The emphasis is made either on the federal authorities or on the regional business elite. Self-governing institutions are mentioned in the context of centre-periphery relations, and the necessity to strengthen state control functions is emphasized.

³⁵ This observation is made by analyzing the audience of the public speeches.

Table 15 Actors/partners of regional social policy-making, as described by the regional governor³⁶

Actors/partners of regional social policy-making	Role attributed to each of the actor/partner of regional social policy-making
Federal powers (the role is clarified)	Development of a coherent socio-economic strategy; human capital investments. <i>'State holds the major part of [social] responsibility. It makes investments that should have far-reaching consequences, not only tactical benefits...Improvement of the quality of life should become the key goal of state policies.'</i>
Regional powers (the role is clarified)	Maintaining social consensus, stability; social protection (in perspective, development of regional strategies). <i>'The priority of regional policy is to maintain socio-political stability within the region; this [stability] is the basis of economic reforms.'</i> <i>'It is clear for us that peasants will protect [regional] power only in a case where [regional] power protects peasants...It is still an imperative [as it was previously]. But we have to look forward. The goal of the power is to support and protect all layers of the society; it is also to make contribution to the welfare of all citizens.'</i>
Regional business-elite (appeal is made)	Working out a balance between the social goals and economic interests; human capital investments: <i>'...monthly wages should count no less than 5,5 thousand roubles by the end of the year; monthly wages should not be less than the subsistence level; if an entrepreneur does not adhere to these requirements, he should not be considered as a partner and will face considerable sanctions...'</i>
Local self-governing institutions (the role is clarified)	Opportunity to exert control over the self-governing institutions is crucial to guarantee effective implementation of national projects <i>'It's not enough to rely on the federal centre; it is necessary to mobilise all resources available at the local level.'</i>
People (the role is not enough clarified)	<i>'It is necessary for people to get rid of superficial demands from the state....It's necessary that a person, from the beginning of his career, relies not only on the state, but also on himself.'</i>

Overall, the comparison of the interviewees' responses and the statements of the governor gives the following analytical picture (table 16).

³⁶ The table is compiled by the author; the content is based on the analysis of interviewes and public speeches.

Table 16 Perceptions, views and opinions of the elite³⁷

Characteristics of the regional welfare regime and the perceived impact of federal policies	Perceptions, views and opinions of the regional elite	
	Interviews with Russian officials (aggregate data)	Public speeches of the governor
Characteristics of the regional welfare regime	<p>1. The regional social policies are concentrated on protectionist measures;</p> <p>2. Cooperation between state institutions and nongovernmental organizations is practically absent (very little responsibility is shared between the actors of regional social policy-making).</p>	<p>1. Economic efficiency of social policies;</p> <p>2. Positive achievements in the social sphere of Orel region: enhancement of social responsibility of business, the rise of wages, reduction of wage debts, mitigation of social disproportions, enhancement of social expenditures; nourishment of children in kindergartens.</p>
Actors/partners of regional policy-making	<p>The governor of Orel region, Federal powers</p> <p>* The role of trade unions, civic organizations is insignificant</p>	<p>Federal powers Regional powers Self-governing institutions</p> <p>*Population – the role is not enough clarified</p>
Problems associated with implementation of social laws at the regional level	<p>1) Reluctance of many officials to work independently;</p> <p>2) lack of mechanisms for municipal budget maintenance;</p> <p>3) inefficient distribution of resources between the federal and regional levels;</p> <p>4) proliferation of bureaucracy, lack of solidarity within the community of high-ranking bureaucratic circles.</p>	<p>1) Insufficient funding of social programmes (until the launch of the presidential national projects);</p> <p>2) corruption, the lack of social initiatives at the local level;</p> <p>3) lack of personal responsibility (imperfections of the mass psychology);</p> <p>4) proliferation of bureaucracy ('paper work' gives only the impression of social policies reorientation);</p> <p>5) lack of control over self-governing institutions.</p>
Perceived impact of federal policies	<p>Federal policies force regions to look for alternative sources of funding;</p> <p>Federal policies of the 2000s are positively assessed, due to their greater coherency and the fact that the state seems to resume its role as a guarantor of social stability.</p>	<p>Federal policies of the 1990s are characterized as destructive, i.e. having negative impact over the social sphere in general.</p> <p>Federal policies of the 2000s are assessed positively, as those which put emphasis on local initiative, economic efficiency;</p>
Imperfections of federal policies	<p>1) The lack of a viable social strategy for regions;</p> <p>2) social injustice incorporated into federal laws (laws on taxation, social benefits laws, pension legislation, etc.);</p> <p>3) contradiction between the real practices; of minimum standards maintenance and official declarations.</p>	<p>1) The lack of a viable social strategy for regions;</p> <p>2) lack of clear rules for the effective distribution of financial resources between regions.</p>

³⁷ The table is compiled by the author; the content is based on the analysis of interviews and public speeches.

Table 16 (continuation) Perceptions, views and opinions of the elite

Characteristics of the regional welfare regime and the perceived impact of federal policies	Perceptions, views and opinions of the regional elite	
	Interviews with Russian officials (aggregate data)	Public speeches of the governor
Notions, which are used frequently	<i>Social stability, social consensus, social protection, social justice, etc.</i>	<i>Social consensus, economic efficiency of social policies, market economy, system of power relations/federalism, national projects, national strategy</i>

As mentioned, speeches of the regional governor seem to put greater emphasis on the neoliberal values of market economy. However, the paternal style of his addresses does appeal to the deeply entrenched value orientations of his regional audience (which includes not only working and rural population, but also the old business elite, education workers, managers of the agricultural firms³⁸), while the neoliberal component appears to be more evident in the speeches addressed to the representatives of the federal powers. The latter suggests that the governor's speeches, unlike the interviewees' statements, attempt to strike a balance between the goals proclaimed by the federal powers and the value orientations of his electoral base. It should be mentioned, as well, that the neoliberal component of the governor's speeches became more articulated in the 2000s, when the mechanism for the appointment of regional governors was launched.

In many aspects, the views of Stroevev and other regional officials coincide. Generally, all of them point out the lack of a viable social strategy for the Russian regions and the necessity to allocate greater funding for social purposes. Recent reforms, except for the reform of the benefit system, are assessed positively. However, while the

³⁸ It should be mentioned one more time that interviews with regional officials revealed their conservative value orientations

interviewees stress the fact that the state resumed its role as a guarantor of social stability, the governor emphasizes that those reforms necessitate local initiative, creativity and innovation. One more time, the difference of interpretation suggests that the value orientations of the regional elite are more conservative, if compared to those of the regional governor.

Generally, the most important finding of this study is that the welfare regime in Orel region seems to incorporate many conservative characteristics, which are revealed in value orientations of the regional officials, institutional arrangements and the system of relations between the actors of social policy-making process³⁹. However, the explanation for the persistence of this model pertains to the lack of political will, which, in fact, may include the social contract considerations. Thus, the elite-driven component, in this case, seems to dominate historically driven tendencies.

Concluding remarks

Summarizing observation of welfare regime change at the regional level, it should be mentioned that the decisions either to preserve or dismantle Soviet-era commitments in all regional cases analysed proved to be entrenched into a wider context of political regime consolidation around regional leaders. In three out of four cases observed (Ulyanovsk, Orel and Tatarstan) regional elites adhered to gradual strategy of social reforming, and only one of them (Samara) implemented a strategy of radical reform.

³⁹ 1) actors/partners of social policy-making : concentration of decision-making authority in the hands of the regional governor; insignificant role of other social actors; 2) institutional arrangements: lack of horizontal cooperation between regional social institutions; strict hierarchy and subordination, etc. 3) value orientations: state as a guarantor of social stability and as a main provider of social services.

Ideological commitments of regional leaders proved to be significant only in two cases (Samara and Ulyanovsk), while in Orel and Tatarstan they were mixed up, sometimes, even hardly conceivable. Peculiarities of centre-periphery relations and legitimacy foundations of regional authorities exerted influence in all the cases. In those cases where legitimacy was based on public support of traditionally oriented electorate, the decision was to preserve commitments of the Soviet era. In another case, when the support was derived from younger and reform-oriented social groups, the decision was made in favour of social system restructuring.

The findings of the study suggest that social and political roots of the command in power exerted significant influence over the course of reforms. In those regions where there was a slow circulation of elite, selective gradualism measures were more obvious (in some cases, this took on a form of institutional inertia, in others – the form of gradual reforms). On the contrary, the decision on rejection of the commitments of the Soviet era was accompanied by intensive process of political regime change (Samara).

All regions analysed in this study proved to have strong political leadership represented by such resourceful governors as Titov (in Samara), Goryachev (in Ulyanovsk), Shaimiyev (in Tatarstan) and Stroev (in Orel). The fact that all of them were rather outstanding and independent political figures have had different implications in terms of regional policymaking processes. The study suggests, however, that in all cases social reforms served the process of power consolidation within Russian regions, which means that ideological affiliations of regional authorities and their position concerning federal policies have been subordinated to purely political interests and goals.

Table 17 - Patterns of transformation as related to regional political regimes⁴⁰

Regional characteristics	Ulyanovsk ('social patronage model')	Samara reform oriented model	Tatarstan strategy of gradual reform	Orel ('social patronage model')
Relations with the federal centre	Opposition (initial stages of reforms) Conformism – since the mid 1990s	Conformism (initial stages of reform)	Bargaining position	Opposition at the initial stages of transition; Bargaining position - since the mid-1990s
Ideology versus pragmatic considerations	Conservative (pro-communist) orientations	Liberal orientations	Pragmatism (coined as ideology of gradual reforms)	Pragmatism
Legitimacy foundations (electoral base) of regional leaders	Pensioners, Workers, Rural population Old managerial technocrats	Youth, Business class, New business elite	Rural population, population of small towns	Pensioners Workers Rural population

Orel's pattern of social transformation shares much in common with the 'social patronage' model, discerned in the Ulyanovsk case [Appendix 5]. The peculiarity of the Orel case is that the persistence of 'non-policies' in this region was influenced by the intention of regional authorities to remain in power, rather than by any kind of ideological commitment. The latter goal was supported by social patronage over specific population groups (primarily, pensioners, workers and rural population), and by the ambiguous position the region held within the system of centre-periphery relations. As in other regions, social policies (or, to be more accurate, 'non-policies') served the goal of consolidation of political power around the regional leader, which is proved by the fact that there was no alternative actor of social policymaking to that of the regional governor.

Although Orel region was headed by a very strong leader, the lack of political will continuously impeded successful reform of the regional social sphere, while reproducing

⁴⁰ The table is compiled by the author; the content is based on the analysis of regional cases.

institutional inertia coined by regional officials as stability and consensus. The peculiarity of the Orel case is that the persistence of 'non-polices' in this region, along with rather ambiguous position in a system of centre-periphery relations, helped to accomplish several goals simultaneously: preserve the pre-existent political structures, win additional electoral support, and remain more or less compliant with the federal initiatives.

CONCLUSION

Summarizing findings of this work, it should be mentioned that both hypotheses⁴¹ that were proposed in the introduction, have found support in this study, although much is still to be done to strengthen our arguments. It was shown that institutional inertia, characteristic to the Russian welfare system in 1990s gave way to the growing systemic complexity, in which old practices merged with neoliberal tools and schemes. The development of distinct welfare regimes in Russian regions, though dependent on the overall course of federal reforms, proved to be entrenched into a wider context of power consolidation around regional leaders. In this respect, the decision whether to preserve or dismantle Soviet-era commitments seemed to be associated with the perceived threat to political power and political legitimacy of regional leaders. **Pre-existent power structures** and **electoral expectations** seemed to play crucial role in determining the course of reforms (at least as long as regional authorities were accountable to the public), while ideological affiliations and the peculiarities of centre-periphery relations varied depending on the way they could serve political goals.

⁴¹ A reminder: First, it was suggested that the lack of strategy for social reform at the federal level throughout the transition period resulted in a growing systemic complexity of the post-Soviet social model, which created opportunities for regional powers to develop distinct welfare regimes, some of which were liberalised while others incorporated Soviet-era practices and commitments. The second hypothesis rested on the idea that social policies in Russian regions during the period of transition were subordinated to the political interests of regional elites. If the political cost of social reform was too high then the choice was made to preserve commitments of the Soviet era; accordingly, if liberalization of the social system didn't threaten the political power of regional authorities, then the choice was made to dismantle Soviet-era commitments and practices.

Systemic complexity

The study showed that after the dissolution of the USSR, the social sector system passed through several distinct stages:

1) the period of initial reforms (1992-1996), marked by intensive legislative activity, as well as by attempts of the government to adapt the Soviet-era social policy goals and instruments to the changing economic conditions; 2) the stage of institutional inertia (1996-2000), characterised by lots of gradualist measures or absence of social reform in general, and 3) the contemporary stage (2000-present), marked by a recommitment of the Russian government to liberalizing reform programmes.

At all these stages, attempts to reform were intertwined with intensive political struggles, which, along with the lack of conceptual vision of reform, produced numerous unintended effects. The system of social benefits, being modified in line with the means-testing principles, simultaneously incorporated commitments of the Soviet era, which boosted the most distinguished (instead of the neediest) social categories; social services delivery was based on the principle of universalism, though the finance for this was lacking; unemployment was hidden within the walls of the loss-making enterprises; social assets divestiture was stuck due to the resistance of local authorities; normative base necessary for the effective functioning of newly established institutions have been non-existent, etc.

The study showed that in this situation, gaps and contradictions characteristic to the social security system were able to reproduce themselves at different levels, opening an opportunity for regional authorities to exert a significant level of independence in the area of social policy. The impact of federal initiatives on regional polices was, however,

far from simple and depended largely on economic, political and social resourcefulness of regions.

Overall, the contradictory social model which emerged in Russia in the mid-1990s was characterised by several key features: 1) the lack of conceptual vision of reforms; 2) continuous friction between the means-testing principles and universalistic commitments; 3) underdevelopment of institutions; 4) normative gaps; and 5) the mismatch of local, regional and national strategies, in which a huge diversity of actors with contradictory interests were involved.

Legacies

The majority of legacies of the Soviet social system could be traced along *ideological* and *normative* lines, though most were obscured by a rather complex process of socio-economic transformation. The ideological component of the Soviet legacy was manifested through the persistence of the principles of universalism and fully (or partially) subsidised services; normative legacies were presented in numerous contradictions and gaps characteristic to the federal laws (the law on the delivery of social services, the law on benefits, pension system legislation, etc.).

Paternalism and overcentralization, characteristic to the Soviet era, have been inherited by a new system, though both features were transformed over the course of the reforms. Paternalism has become of a purely declarative character, widely used in political rhetoric, associated with feigned responses to permanent socio-economic crises; the legacy of overcentralization revealed itself in the lack of horizontal cooperation between the social departments responsible for implementating of social laws. The

principles of fiscal federalism have obviously contributed to regionalization of the social system in Russia; however, this process did not result in effective restructuring of institutions of the executive power, which made the system largely inflexible and hierarchical. Overall, during the time of reforms, the number of social fields, programmes and measures in the social policy area widened, while the vertical relations between the centre and the regions on social issues (as of redistribution of responsibilities and resources) became more complicated and even gave way to the fragmentation of social policies across the country.

Regional dimension

The general inertia of social reforms during the 1990s in Russia was paralleled by the activation of regional participants of social policy formation, a process influenced by the introduction of principles of fiscal federalism, social assets divestiture, and redistribution of obligations between the levels of power. It was observed that in view of growing social and economic differentiation, Russian regions adhered to different patterns of socio-economic reform. In some regions, attempts were made to subsidize products or regulate prices to make the decrease of wages less apparent (as it was done in Tatarstan and Ulyanovsk region the mid of 1990s). Financially sustainable regions, such as the city of Moscow, Khanty-Mansiisk, Yamalo-Nenets regions and Tatarstan, managed to preserve a large share of benefits, subsidies and other forms of grants allocated from regional budgets and regional enterprises. Many other regions (particularly those of the Far East, Siberia, and Northern regions) could not effectively

use any strategy, since they were generally not able to cope with problems without state support.

Financial austerity, imposed on the regions, constituted an important impediment to effective social system restructuring at the regional level. However, the study showed that this was not the major reason for the diversity of reform paths chosen by regional authorities. In fact, during the period of 1990s there was a striking contrast between a formally highly centralized fiscal federalist system and actual practice, under which a large degree of financial authority was exercised at the subnational level through informal channels. The process was associated with ambiguous social expenditure assignments, non-budget funds (especially road and pension funds), export privileges, and hard currency allocations. Almost 50 per cent of the funds that were allocated to finance *social services* were not controlled by the federal treasury, which opened the way for bureaucratic manipulation of these financial resources and provided favourable conditions for corruption.

Generally, the study showed that although the mismatch of local, regional and national social strategies turned out to be an unintended consequence of reforms implemented by the federal government, the choice of policies at each particular case depended on regional actors. To a large extent, regional social initiatives were part of those political regimes which were formed under the influence of regional authorities and their orientations.

Regional welfare regimes

All the regions analysed in this study (Ulyanovsk, Samara, Tatarstan, Orel) proved to have chosen distinct paths of social security system restructuring after the

collapse of the Soviet Union. Major differences between the patterns of social transformation were rooted in the decision of regional authorities to preserve or dismantle commitments of the Soviet era. The rationale for the decision-making in the social policy area in Russian regions was hidden by predominantly paternal rhetoric indicating the commitment of regional politicians to preserve the welfare of their citizens. However, as it was indicated in the third and fourth chapters, many of the decisions were adopted in line with the intentions of the elite to remain in power, which means that efforts were made to support their constituency base. In the Samara region, where the regional governor was not so dependent on wide segments of the population, most of the Soviet-era commitments were quickly eliminated. In Ulyanovsk, Tatarstan and Orel regions commitments were largely preserved, being an essential part of support for pensioners, veterans and some other groups that could boost legitimacy of regional powers (though strategies for social reform, among these regions, significantly varied). Political orientations of regional elites and centre-periphery relations proved to play a subordinate role, being entrenched into electoral strategies of regional authorities.

Overall, the study supported the ideas of Oleinik, Crawford and Lijphart about the constraints of power relations that tend to predetermine a highly selective process of socio-economic transformation in post-Communist societies.

The case of the Orel region proved to be different from that of Ulyanovsk, Samara and Tatarstan in the sense that its policies over the period of transition exemplified a high level of social and economic conformism with what had been done at the federal centre. Although the Orel region was headed by a very strong leader, the lack of political will continuously impeded successful reform of the regional social sphere, while reproducing

institutional inertia coined by regional officials as stability and consensus. The peculiarity of the Orel case is that the persistence of 'non-policy' in this region, along with a rather ambiguous position in a system of centre-periphery relations, helped to accomplish several goals simultaneously: preserve the pre-existent political structures, win additional electoral support, and remain more or less compliant with the federal initiatives. The price paid by regional authorities for social consensus and stability was based on housing subsidies, subsidies to prices and subsidies to services, which, in fact, constituted the core of the social consensus during the Soviet times.

The case study of the Orel region gave an insight into understanding how the regional elite itself viewed social sector reforms. Interviews with regional officials in the Orel region showed that the social orientations of the elite did not coincide with the overall course of reforms. High levels of dissatisfaction with the federal policies were accompanied by a nearly non-critical approach toward regional initiatives. Impressions, opinions and views of the regional elite proved to be centered on the moral bases of the ongoing transformation, while the only political figure who was recognized as an actor of social policy-making was Stroevev. The overall perception of regional social policies was that they helped avoid social unrest, preserving consensus between the society and regional authorities. It is interesting that the notions of efficiency, restructuring and compatibility between economic and social systems were not articulated in the interviews with regional elite, which suggests that these elements have never been a priority of the restructuring process (at least, they rarely articulated). Overall, '*consensus*' and '*state-society relations*' proved to be the most frequently mentioned themes. This means that regional authorities were generally concerned about how social policies would be

perceived by the public and which effect they would have for the regional socio-political system.

Theoretical implications

The greatest challenge of this study was to find out the most suitable theoretical framework for the analysis of a restructuring process that occurred within the Russian social model after the collapse of the Soviet Union. At the beginning of the study, it was suggested that path-dependent theory represents the most suitable theoretical framework for the study at the federal level, while the elite-centered approach theory holds greater explanatory power when attributed to the analysis of Russian regions. The subsequent analysis showed that for the case of Russia, as a highly complex, fragmented and continuously changing system, a synthesis of path-dependency and actor-centered theory may work best at each analytical level (both federal and regional).

At the federal level, social policies have been continuously influenced by a combination of actor-related factors, such as the lack of conceptual vision of reforms and political struggles. However, the overall view of social policy as something subordinate to economic goals might be inherited from the Soviet times. Political struggles, which blocked the majority of social reforms throughout the period of transition, were indicative of deeply entrenched interests, norms and value orientations. As well, the contradiction between the declarative principles and everyday practices which was characteristic of the system during the period of reforms proved to have deep roots in historical legacy.

The models of social system restructuring in Russian regions at the initial stages of transformation were so different from each other that this suggests they may be explained through different theoretical frameworks. However, given the fact that the role

of the political elites proved to be particularly important in all cases, the elite-centered approach is considered to be the overarching perspective attributable to the majority of regional cases.

Analysis, implemented at the regional level, supported arguments of those theorists who consider the freedom of choice vary at each stage of post-Communist transformation (Beyer, Weigohs). However, as it follows from my study, this was not a stage per se, but rather normative and institutional changes associated with it, which exerted significant influence over the course of reforms. Indeed, the greatest differences between Russian regions were observed at the beginning of the 1990s, when the contradictions between the Soviet and post-Soviet laws and regulations had not been eliminated, and institutional inertia was so obvious that it allowed regional politicians to choose between the options of preserving or dismantling commitments of the Soviet era. Later, when the governors appeared to be more confined by the logic of economic liberalization and political struggles with the federal centre, options to choose became quite few. The centre resumed its role of a guarantor of social stability and welfare (at least, at the level of rhetoric) while regions were prompted to liberalize their policies even further.

The study also suggests that liberalization of social policies (along with economic liberalization) is possible when the decision of regional elites does not contradict interests of those in power (Bova, McFaul). The latter becomes possible when legitimacy is granted by those adhering to the ideology of reforms, rather than when it is rooted in pre-existent power structures. Overall, the study suggests that the driving force of reforms is

built upon considerations related to power structures and political legitimacy⁴². To reformulate the suggestion of Crawford and Lijphart⁴³, the more powerful the old elite, the greater the odds that reforms will be highly selective, and that the remnants of the Soviet era will be utilized to preserve socio-political consensus, on a traditional basis.

The impact of path-dependency over Russian regions can be traced in the process of growing systemic complexity, which, along with a considerable level of normative vacuum, creates options for regional actors of social policymaking to manoeuvre at the initial stages of reform, choosing between the modes of social system restructuring within their regions. However, the choice itself appears to be constrained by the regional power structures and the system of centre-periphery relations characteristic to particular regions. Conservation of old-era practices (as in Orel region), in this respect, may be done on purpose rather than under the influence of objective factors. Expectations and value orientations of regional actors of social policymaking may not coincide with the choices and decisions made by regional authorities. However, they [expectations and orientations] can be manifested through the persistence of 'non-policies' and institutional inertia, forming the basis of regional social consensus.

Overall, the study suggests that the restructuring of social security systems within Russian regions represents a much more complex process than it is usually suggested by theories of particular schools of thought. In fact, it can be described through the

⁴² The crucial factor here is that of accountability to the public. Although the problems of financial austerity exert significant influence over the process of reform, making social policies rather restrictive, the room for maneuver in social policymaking process seems to be ample until regional leaders are accountable to the public, rather than to the federal authorities; on the contrary, the shift of accountability of regional leaders to the federal level results in an overall decrease of social initiatives at the regional level, which are no longer providing political resources to regional authorities.

⁴³ The more powerful the old elite, the greater the odds that new institutions will be fashioned to maintain their strength in the political system

intertwined variables of **path-dependency, vacuum and political will** of those empowered by the transition process. If the rules, introduced by federal authorities, are vague enough and do not touch upon ideological principles of the system, inherited from the past, then the freedom of action seems to be ample and broad. On the contrary, clarification and unification of norms may help subordinate social policies to the interests of bigger political players, which may, in fact, have either a positive or negative impact on Russian regions.

Table 18 Theoretical implications⁴⁴

Arguments in favour of the 'legacies of the past' approach			Arguments in favour of the elite-driven approach		
Federal level					
'Legacies of the past' component:			Elite-driven component:		
1 st stage (1992-1996)	2 nd stage (1996-2000)	3 rd stage (2000-present)	1 st stage (1992-1996)	2 nd stage (1996-2000)	3 rd stage (2000-present)
<p>a) social policies were subordinated to the economic goals, as it was during the initial period of the Soviet era;</p> <p>b) universalistic principles, social commitments were preserved (entrenched commitments, value orientations of institutions),</p> <p>c) organizationally, the system remained inflexible (institutional arrangements);</p> <p>d) Political struggles, which blocked the majority of social reforms throughout the period of transition, were indicative of deeply entrenched interests, norms and value orientations. As well, the contradiction between the declarative principles and everyday practices which was characteristic to the system during the period of reforms proved to have deep roots in historical legacy.</p>			<p>Young reformers didn't consider the necessity to elaborate any strategy ('conquering inflation as the best welfare policy').</p>	<p>Political struggles and political volatility blocked the majority of reforms (pension reform, housing reform, reform of benefits system, ect.).</p>	<p>Reforms were driven by the political elite against the will of groups with privileges.</p>
Regional level (regional cases)					
<p>a) The impact of path-dependency over Russian regions can be traced in the process of growing systemic complexity, which, along with a considerable level of normative vacuum, creates options for regional actors of social policymaking to maneuver at the initial stages of reform, choosing between the modes of social system restructuring within their regions.</p>			<p>b) Discrepancies between policies developed by Russian regions could be explained through subjective choices of the regional elites, as well as some political factors, relating to legitimacy foundations and ideological orientations of political leaders in regions.</p> <p>c) The driving force of reforms in each region is built upon considerations related to power structures and political legitimacy.</p>		
Orel region			Orel region		
<p>b) Expectations and value orientations of regional actors of social policymaking may not coincide with the choices and decisions made by regional authorities. However, they [expectations and orientations] can be manifested through the persistence of 'non-policies' and institutional inertia, forming the basis of regional social consensus.</p>			<p>a) Expectations and value orientations of regional actors of social policymaking may not coincide with the choices and decisions made by regional authorities.</p> <p>c) The persistence of 'non-policies' may be utilized by the regional authorities to accomplish several goals simultaneously: preserve the pre-existent political structures, win additional electoral support, and remain more or less compliant with the federal initiatives.</p>		
Samara region			Samara region		
			<p>Liberalization of social policies (along with economic liberalization) may occur when the decision of regional elites does not contradict interests of those in power. The latter becomes possible when legitimacy is granted by those adhering to the ideology of reforms, rather than when it is rooted in pre-existent power structures.</p>		
Ulyanovsk, Tatarstan, Orel			Ulyanovsk, Tatarstan, Orel		
<p>The study suggests that the freedom of choice vary at each stage of post-Communist transformation. The impact of path-dependency is particularly obvious at the initial stages of reform (for Tatarstan: 1992-1994; for Ulyanovsk: 1992-1996; for Orel: 1993-1999).</p>			<p>The persistence of 'non-policies' may be based on either ideological or pragmatic considerations. However, pragmatic considerations seem to play a dominant role, since the slow pace of reforms corresponds with the interests of the regional electorate and of those in power.</p> <p>(In all cases, gradualist measures were incorporated into electoral strategies and were paralleled by the slow circulation of regional elite).</p>		

⁴⁴ The table is compiled by the author; includes major findings of the study.

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APPENDIX 1

The typology of Russian regions based on the ‘coefficient of prosperity’ (koeffitsient zashitochnosti) in 1995⁴⁷

The level of social differentiation (Stepen' rassloeniia)	Coefficient of prosperity (Koeffitsient "zashitochnosti")	Regions (reverse order)
high	More than 2,0	Moscow, Tiumen region, Amursk region, Kemerovo region, Krasnoyarsk region, Magadan region, St-Petersburg, Kamchatka., the Republic of Komi, Perm region., Belgorod region, Samara region, Tula region
Above average	1,7 - 2,0	Orel region, Vologda region, Bashkortostan region, Kaluga region, Kostroma region, Irkutsk region, Novgorod region, Tambov region, Ulyanovsk region, Smolensk region, Murmansk region, Nizhniy Novgorod region, Chelyabinsk region, Voronezh region, Sverdlovsk region, Yaroslavl region
Average	1,3 - 1,7	Rostov region, Republic of Altay, Krasnodar region, Kursk region, Kaliningrad region, Republic of Sakha (Yakutiya), Bryansk region, Ivanovo region, Lipetsk region, Omsk region, Tomsk region, Republic of Tatarstan, Stavropol krai, Altay krai, Kareliya, Udmurtiya, Khabarovsk krai, Arkhangelsk krai, Tver region, Khakasiya, Buryatiya, Primorsk krai, Sakhalin region, Kirov region, Chuvashiya, Leningrad region
Below Average	1,0 - 1,3	Ryasan region, Volgograd region, Moscow region, Astrakhan region, Saratov region, Vladimir region, Pskov region, Penza region, Severnaya Osetiya, kabardino-Balkariya, Novosibirsk region
Low	Lower than 1,0	Mordoviya, Kurgan region, karachayev-Cherlessiya, Adigeya, Mariy-El, Kalmikiya, Orenburg region, Dagestan, Chita region, Tuva.

⁴⁷ 'Analiz tendentsii razvitiia regionov Rossii' (Analysis of developmental tendencies in Russian regions). Nauchno-blagotvoritel'nyi fond 'Ekspertnyi institut'. National electronic library // <http://pfo.metod.ru/data/territories/chuvashia/issues/social-naselen/viewpub>

APPENDIX 2

Ratings of popularity of regional leaders (FOM)⁴⁸

Table 1 - Top ten incumbent governors (row percentages)

Governor	Region	The governor performs his duties...				Income			Economic situation in the region has...		
		Good (%)	Bad (%)	Don't know (%)	Hard to answer (%)	Under 1000 r. (%)	1001 to 2000 r. (%)	More than 2000 r. (%)	Grown better (%)	Stayed unchanged (%)	Grown worse (%)
<i>Nationwide average</i>		44	35	11	10	27	39	26	23	30	36
S. Sobyenin	Tyumen province	81	13	4	3	29	45	22	37	33	26
À. Tuleyev	Kemerovo province	80	15	4	2	24	46	25	27	38	28
Y. Luzhkov	City of Moscow	75	14	3	8	5	17	56	36	24	25
Ì. Shaimiyev	Republic of Tatarstan	70	19	2	8	27	44	22	32	27	28
Y. Yevdokimov	Murmansk province	69	16	7	7	12	30	55	30	35	28
V. Ishayev	Khabarovsk region	69	13	4	14	13	32	55	33	39	22
À. Lisitsyn	Yaroslavl province	68	19	5	8	27	39	33	42	31	18
V. Pozgalev	Vologda province	64	18	5	12	17	43	32	29	31	27
À. Stroyev	Oryol province	63	28	4	4	45	44	11	26	23	40
Y. Trutnev	Perm province	59	14	13	14	26	35	24	34	24	31

* Rows may not add up to 100% due to rounding.

Table 2 - Ten least popular governors

Governor	Region	The governor performs his duties...				Income			Economic situation in the region has...		
		Good (%)	Bad (%)	Don't know (%)	Hard to answer (%)	Under 1000 r. (%)	1001 to 2000 r. (%)	More than 2000 r. (%)	Grown better (%)	Stayed unchanged (%)	Grown worse (%)
<i>Nationwide average</i>		44	35	11	10	27	39	26	23	30	36
V. Shamanov	Ulyanovsk province	16	73	7	5	41	42	15	7	24	60
D. Ayatskov	Saratov	19	65	7	9	35	48	10	7	23	62

⁴⁸ What Makes Governors Popular in Russia? FOM (Fond Obshchestvennogo Mneniia), 16.10.2003 // <http://bd.english.fom.ru/report/cat/societas/regions/ed034130/printable/>

Table 2 (continuation) Ten least popular governors

Governor	Region	The governor performs his duties...				Income			Economic situation in the region has...		
		Good (%)	Bad (%)	Don't know (%)	Hard to answer (%)	Under 1000 r. (%)	1001 to 2000 r. (%)	More than 2000 r. (%)	Grown better. (%)	Stayed unchanged (%)	Grown worse (%)
V. Sergeyenkov	Kirov province	<u>19</u>	65	8	9	27	48	<u>18</u>	<u>13</u>	27	50
V. Starodubtsev	Tula province	<u>25</u>	61	<u>6</u>	8	28	51	<u>17</u>	<u>13</u>	33	45
V. Shershunov	Kostroma province	<u>17</u>	59	11	14	38	45	<u>15</u>	<u>15</u>	29	40
B. Govorin	Irkutsk province	<u>24</u>	56	10	9	23	41	31	<u>18</u>	31	45
Ä. Mikhailov	Kursk province	<u>26</u>	54	12	9	50	38	<u>10</u>	<u>17</u>	<u>25</u>	44
V. Tikhonov	Ivanovo province	<u>26</u>	53	16	5	31	50	<u>16</u>	<u>18</u>	29	48
N. Maksyuta	Volgograd province	29	53	10	8	33	51	<u>13</u>	21	27	43
Y. Lodkin	Bryansk province	<u>37</u>	52	8	4	43	42	<u>14</u>	20	29	45

* Rows may not add up to 100% due to rounding.

APPENDIX 3

Content-analysis of public speeches and presentations delivered by the regional Governor StroeV⁴⁹

Date, the audience	Social issues	Context
2001	<p>Content: Social policy achievements are viewed through the perspective of economic efficiency. Economic efficiency is presented as the achievement of regional authorities (their entrepreneurship initiative, attention to private capital, introduction of foreign capital, strategic thinking, etc.) <i>'We have organized free nourishment in kindergartens and schools. We also subsidy nourishment at the universities, provide pensions to the Chechen and Afghan veterans, Soviet Union heroes, honorary citizens of Orel, provide humanitarian help. This all is the result of the fact that we have not refused from being part of the contemporary economic processes, on the contrary, we succeeded in being part of them and even managed to define them'.</i></p> <p>Social policy inefficiencies are viewed as a result of regional economic crisis <i>'Orel region is deprived of opportunity to get super-profits, since we have no gas, oil, metallurgic or any other industries...'</i></p> <p>Amount of space: 1 paragraph</p>	Efficiency of regional economy; Market economy; Parliamentarianism; System of power relations.
2001 Public Speech (meeting with the federal inspectors)	<p>Content: Major themes: 1. Poverty and socio-economic crisis in the central part of Russia are explained by the inefficiencies of the federal policy. Imperfections of fiscal relations between the federal and regional levels of power are viewed as those which lead to unjustifiable inequality among Russian regions. StroeV states that federal policies put in question the existence of fiscal federalism in Russia. <i>'How can we speak of budget federalism?... Can we consider calculations to be unbiased in a situation where Tatarstan receives 13 billion roubles, Orel region gets 15 million, while the whole amount of resources allocated to the Central Federal Okrug, in general, constitutes 408 million roubles?'</i> 2. Responsibility of regional powers for the welfare of their citizenry is also emphasised. Success in avoiding social collapse is viewed as the achievement of wise political decisions at the regional level. <i>'The powers that do not take care of their citizens, do not survive. Even if they are excellent in lying... The year 1998 showed that regions, which took care of citizens, managed to save Russia and to avoid social collapse...; they also enhanced effectiveness of internal market by intensification and structural identification of local regional markets'.</i> 3. Social polarization is conceived as being connected with the fact that the power turned out to be concentrated in the hands of oligarchs. The corollary of the speech suggests that Russia needs a coherent socio-economic developmental strategy. Overall, the problems of state structure and power relations appear to be intertwined with the problem of social crisis, as well as with the search for the ways to avoid it.</p>	System of power relations; Economic problems; Federalism.

⁴⁹ The main analytical units of the content-analysis are *the context, major themes and points of view*, expressed in the governor's speeches. The study involves all speeches available up to now from the governor's web-cite.

Date, the audience	Social issues	Context
2005 Public speech (Fair of investments)	<p>Content: Regional economic efficiency and the development of regional enterprises is the major focus of the study. Themes: Social responsibility of the entrepreneurs is underlined. Stroeve proclaims 'social question as being the most important to date' and proposes the following requirements for entrepreneurs in social sphere:</p> <p><i>'...monthly wages should count no less than 5,5 thousand roubles by the end of the year; monthly wage should not be less than the subsistence level; if not adhere to these requirements, an entrepreneur should not be considered as a partner and will face considerable sanctions...'</i></p> <p>Social responsibility of the regional enterprises is emphasised. Amount of space: Half of the report</p> <p>Monetization of social benefits is conceived as that which has doomed the Constitutional principles of budget federalism in Russia Amount of space: 1 paragraph.</p>	Economic development of regional companies Federalism
2006 Public speech (Fair of investments)	<p>Content: Major themes:</p> <ol style="list-style-type: none"> 1. Achievements in the social sphere in Orel region: enhancement of social responsibility of business, the rise of wages, reduction of wage debts, mitigation of social disproportions, enhancement of social expenditures. 2. The necessity to achieve consensus between economic interests and social goals is underlined. The emphasis is on economic efficiency of social system in Orel region (creation of a medical centre is accompanied by the ongoing project on production of insulin) 3. Federal powers should play the key role in finding solutions to social problems: <i>'State holds the major part of [social] responsibility. It makes investments that should have far-reaching consequences, not only tactical benefits...Improvement of the quality of life should become the key goal of state policies.'</i> <i>'The priority of regional policy is to maintain socio-political stability within the region; this [stability] is the basis of economic reforms.'</i> <p>Amount of space: One third of the speech.</p>	National projects (Presidential programmes)
2006 Interview with Stroeve 'Russia may become the richest country of the world'	<p>Content: Major themes: <u>1. Presidential address</u> Presidential address to the Federal Assembly is assessed as the beginning of a new socio-economic and political course toward greater responsibility of the state in the social sphere. Stroeve emphasises that social support of vulnerable groups, as well as the support of family and childhood have become the priorities of the federal government. Amount of space: Half of the article <u>2. Regional social policy</u> The governor mentions the social programme "Youth of Orel region" (Molodezh' Orlovshchiny), 'Housing for young families'. Among the achievements of the regional social policy are the nourishment of children in schools and kindergartens, and the provision of opportunities for health recreation in summer children camps. <i>'It's not enough to rely on the federal centre; it is necessary to mobilise all resources available at the local level.'</i></p>	Regional view on federal social policy

Date, the audience	Social issues	Context
2006 Public Speech (meeting with the Committee of the Deputy President in the Central Federal District)	<p>Content: Major themes:</p> <p><u>1. Presidential national projects</u> The main focus of the speech is the Presidential National Projects, which are viewed as a new strategic instrument for the achievement of strategic goals. Stroev attributes national projects to a new course, marked by greater input into the intellectual and physical capital of the nation. However, the governor also recognizes many weak points, related to the initiative. (Speaking of 'Education' project, the governor mentions its declarative character (specifically, there is no any financial foundation for the initiatives promoted by the centre).</p> <p><u>2. The role of regional authorities</u> The governor emphasises the key role played by the regional authorities in implementation of the project on agricultural complex (APK). While federal transfers are limited to 35 mln roubles, the regional contribution constitutes around 500 mln roubles per year. The same holds true for the 'Housing' project. The Presidential project proposes to use credit opportunities for the promotion of comfortable and available housing. Orel, according to Stroev, has been using this instrument for more than 7 years.</p> <p>Opportunity to exert control over the self-governing institutions is crucial to guarantee effective implementation of national projects. According to the governor, regional authorities need to have control functions over the local organs.</p> <p>Proliferation of bureaucracy, accompanied by the shortage of money: <i>'Paper circulation creates only an image of the working process...In fact, we do not receive enough money. National Projects Monitoring makes regional authorities forceless parts of the bureaucratic machine'</i>.</p> <p>One of the obstacles to effective reform is rooted in mass psychology: <i>'It is necessary for people to get rid of superficial demands from the state...It's necessary that a person, from the beginning of his career, relies not only on the state, but also on his own'</i>.</p>	<p>Presidential programmes</p> <p>Federalism; relations between the levels of power.</p>
2006 February 15, Public Speech (on implementation of national projects)	<p>Content: Stroev asserts that federal programmes mark a radical transformation of the federal approach to social reforms. According to the governor, the model of a 'bureaucratic' state (or a 'night guard') is being substituted by the model of a 'socially responsible state'. Contemporary social policies are assessed as being creative, which is opposite to the majority of destructive initiatives during the period of 1990s. The emphasis is on the notion of a socially responsible state. Again, Stroev states that regional authorities have been at the forefront of reforms in the sphere of housing and agriculture. The contemporary period does add additional resources from the federal centre. Amount of space: whole article</p>	National projects
2006 August, Public Speech at	<p>Content: Major themes: <u>1. National project 'Education'</u> National project 'Education' is one of the main priorities of the Federal and regional</p>	Education reform

<p>the meeting with the education workers</p>	<p>initiatives, which are based on the intention to increase human capital investment and to restore intellectual potential of the whole nation. This project necessitates greater cooperation between the state and society. Education reform is intertwined, in the speech, with the problems of the demographic decline (4 paragraphs), depopulation of villages (6 paragraphs), low wages (5 paragraphs), and economic problems (7 paragraphs). The governor notes that there is a relationship between the level of development of self-governing institutions and the level of development of education system in the region. The lack of control over local-self-governing bodies, as well as institutional conflicts, based on opposition to the regional authorities, represent major impediments to the effective reform.</p> <p><u>2. The role of the region</u> Orel region is presented as having considerable experience in organization of school system in the villages. As well, the system of higher education is very well developed, which creates beneficial conditions for effective reform. Appeal is made to the business the regional business elite to provide financial resources for the development of secondary education. The corollary of the speech concentrates on the notion of stability. The latter is seen as the basis for political, economic and cultural reform. Amount of space: whole article</p>	
<p>2006, January Public speech (Meeting with the Board of the Regional Executive Branch)</p>	<p>Content: The speech is concentrated on the development of the agricultural complex in Orel region. This is the major theme of the article. National projects mark the beginning of the new economic course pursued by the central authorities. In this context, emphasis is made on the central role of regional initiatives, discipline, intellect, new technologies and private property. Housing reform (1 paragraph) and health care project (1 paragraph) are mentioned as being intertwined with the development of the agricultural sector. Presence of the presidential representatives at the regional level suggests how serious intentions of the federal powers concerning socio-economic policies are. The corollary of the speech concentrates on the necessity to protect rural workers. <i>'It is clear for us that peasants will protect [regional] power only in a case where [regional] power protects peasants...It is still an imperative [as it was previously]. But we have to look forward. The goal of the power is to support and protect all layers of the society; it is also to make contribution to the welfare of all citizens'.</i></p> <p>Amount of space: the whole speech is devoted to the agricultural sector development; social issues – 2 paragraphs.</p>	<p>National programme 'Agriculture'</p>
<p>2006, November Interview with Stroev, by <i>Izvestiia</i> 'Give oxygen to regions!'</p>	<p>Content: Major themes: <u>Economic recovery</u> The article is concentrated on the economic recovery of Orel region. The governor emphasises his adherence to the federally proclaimed economic goals (to double gross national product, etc.). Initiatives taken at the regional level can significantly support federal initiatives. <u>Regional disparities</u> To overcome a growing diversity between the regions a coherent strategy for economic development of Russia has to be developed. Regions have to possess greater freedom in economic and social terms. They should develop their own socio-economic strategies, based on the assessment of needs of each particular case. In Orel region, measures should be taken to overcome migration of rural population to the cities; nationalism should be also fought. Amount of space: the whole article</p>	<p>Regional development, centre-periphery relations</p>

2006, March Public speech at the consultati on on the developm ent of the agricultur al sector	<p>Content: The focus is on the economic efficiency of the agricultural sector. This is the major theme of the article.</p> <p>Major points: Responsibility of the local/regional administration and rural workers; Necessity to fight corruption and the lack of professionalism; Necessity to foster initiatives at the regional and local levels. The corollary of the article is focused on the notions of stability and creation.</p> <p>Amount of space: the whole article</p>	Agricultur al sector developm ent
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*Analysis of the governor's speeches took into consideration several aspects. First, we considered major themes and points of view, expressed in the governor's presentations. Secondly, we considered to whom these speeches were addressed. Thirdly, the context in which social issues were mentioned was traced.

Starting from the year 2000, the major focus of StroeV's speeches is centered on the issues of economic efficiency and economic recovery.

Analysis of the public speeches shows that most often social issues are mentioned in the discussion of the following issues: economic efficiency, market economy, system of power relations/federalism, national projects.

According to the analysis of public speeches, there are three major actors of regional social policy-making, whom StroeV considers to be absolutely important: federal powers, regional powers and regional business-elite. The role of regional powers in the social sphere is obscured. In fact, the latter boils down to maintaining social consensus and social stability within the Russian region. The emphasis is made either on the federal authorities who should develop a coherent social strategy or on the regional business elite. Self-governing institutions are mentioned in the context of the centre-periphery relations; in this respect, the necessity to exert control over self-governing institutions is emphasized.

APPENDIX 4

Open-Ended Interview Questions (English-language questionnaire)⁵⁰:

For members of social policy committees of the representative body of the Orel region (Russia):

Please, tell several words about yourself and your organization. Which committee/department/centre do you represent? What are your major functions within the organization? How long have you been working in this organization?

Which social organizations are you working with (at the city and regional level)? Are you satisfied with contacts and cooperation you maintain? Please, elaborate on this question if possible.

The following questions will concern the development of social policy at the regional level:

How would you assess changes which have taken place in social policy of Russia during the last 10-15 years? Were they radical? Were they successful? Were they appropriately designed?

How would you assess changes which have taken place in social policy of Orel region during the last ten years? Can you distinguish between the stages of social system restructuring at the regional level? Which spheres were reformed at first hand? Are there any reforms which need to be introduced?

To what extent did regional social initiatives diverge from the federal policies? Were they more conservative, or, on the contrary, reform-oriented? Were they successful?

⁵⁰ For the purpose of this study, two questionnaires were developed: the English-language one that includes only general questions and the Russian-language one that is of a more elaborated character. Both of them are represented in this Appendix

Can you think of any examples when a conflict between the federal and regional powers emerged because of social problems/social policies? If yes, then could you please, elaborate on that?

Could you please tell several words about the divestiture of social assets in Orel region during the course of reforms (problems and solutions)?

Were any elements of the Soviet-era security system preserved in Orel region? In your opinion, what were the rationales for the preservation of some merits of Soviet social security system in changing circumstances (if any)? Were there any political reasons involved?

Can you please tell several words about the present stance of the social sector in Orel region? What is your opinion on regional social policies implemented nowadays (could you please elaborate on advantages and disadvantages)?

Have the priorities of the social system restructuring significantly changed over the last several years?

Can you indicate the priority spheres, covered by social policy initiatives during the last decade? Which social programs implemented in Orel region do you consider to be the most successful? Which are, on the contrary, the least successful?

Can you also indicate some population groups which were supported in your region better than in any other?

What actors, in your opinion, played a crucial role in the social security reform in Orel region (can you please name particular figures or organizations)?

What was the role of social policy committees, trade unions, civic organizations?

What was the role of particular political figures?

Can you think of any examples when the social policy decision was made under the pressure of one of actors mentioned above?

Can you think of any examples when the social policy decision was made under the pressure of citizens (after the strike or other form of discontent)?

Do you feel that any constituency has sufficient influence over policy decisions made during the last decade?

Do you feel that your committee has sufficient influence over the decision being made in the social policy area?

Can you think of any factors that pose obstacles to formation/implementation of successful social policies at the regional and federal levels?

In your opinion, what have changed in the social policy area after the beginning of Putin's presidency? In what way have recent reforms influenced social policies at the regional level?

The following questions will concern the development of social policy at the regional level:

Do you view federal social policy reforms as having any influence on social policy formation and implementation in Orel region?

What is your opinion on the recent reform, which replaced in-kind benefits by cash transfers?

How does this reform change the process of social policy formation and implementation in your region? Will it be possible to fulfill many commitments that local government preserved during the last decade? How can this reform affect the relationships between local political leaders and its electorate?

Are you satisfied with the current distribution of resources and responsibilities between the region and the federal centre? Have it changed over time?

How do you assess federal social policies in general? Are they conducive to the formation/ implementation of effective social policies at the regional level?

What are the major goals of the recent federal initiatives in the social sphere?

What should be done at the federal level to make regional social policies more effective?

Can you think of any measures which would improve cooperation between the centre and Russian regions in the social policy area?

Russian-Language Questionnaire

Уважаемый респондент! Вашему вниманию представлены вопросы интервью, проводимого в рамках проекта «Социальная политика России: есть ли место региональным различиям?». Нас интересует Ваше мнение о достоинствах и недостатках реализуемой в России социальной политики, а также о проблемах регионов в социальной сфере. Интервью предназначается для экспертов в области социальной политики. Оно состоит из открытых вопросов, и его продолжительность составляет около 1 часа. Оно не представляет никакой опасности или риска для участника, который вправе в любое время отказаться от ответа на заданный вопрос. По вашему желанию, ответы интервью останутся анонимными.

Спасибо за участие!

Вопросы экспертного интервью

Сначала несколько слов о вас:

1. Расскажите несколько слов о себе: деятельность какой службы (комитета, управления, центра) вы представляете; в чем основные цели и задачи вашей работы; как долго вы работаете в данной организации.
2. С кем из специалистов, экспертов по вопросам, связанным с социальной политикой вы взаимодействуете на уровне города, области и за ее пределами? Удовлетворены ли вы такими контактами? Прокомментируйте свой ответ.

Теперь более подробно поговорим о развитии социальной политики в регионе

3. Как бы вы оценили перемены, которые произошли в области социальной политики России за последние десять лет (в целом)? Насколько эти реформы были радикальными, успешными/неуспешными, продуманными?
4. Как происходило реформирование социальной сферы в Орловской области в последние десять лет? Можете ли вы выделить основные этапы реформирования социальной сферы в Орле и Орловской области? Какие сферы были реформированы в первую очередь? Какие сферы еще нуждаются в реформе?
5. Насколько сильно социальная политика региона отличалась от политики федерального центра; была ли она более радикальной, или наоборот, консервативной ; была ли она более успешной? Если да, то в чем?
6. Можете ли вы вспомнить какие-либо примеры конфликтов между центром и регионом (Орловской областью) по поводу социальной политики (ее формированию или реализации)? Если да, то в чем выражались эти конфликты?
7. Расскажите несколько слов (если это в вашей компетенции) о муниципализации социальных объектов в Орловской области. В чем ее специфика?

8. Какие социальные реформы Вы считаете достижением, прежде всего, региональной социальной политики? В чем ее преимущества по сравнению с другими регионами, а также политикой федерального центра?
9. Согласны ли вы с утверждением о том, что Орловской области удалось сохранить важнейшие достижения в области социальной политики советской эпохи? Если да, то не могли бы вы прокомментировать ваше мнение?
10. Что, по вашему мнению, способствовало сохранению достижений советской эпохи? Каковы были основные цели? Были ли на это политические причины (желание политических лидеров/партий обеспечить себе поддержку населения)?
11. Как бы вы охарактеризовали состояние социальной сферы в Орловской области на сегодняшний день? Как вы оцениваете социальную политику региона в целом (какие достоинства и недостатки вы видите)?
12. Изменились ли за последнее время приоритеты реформирования социальной сферы региона, если да, то как? Что, по вашему мнению, должно стать сегодня приоритетом социальной политики региона и страны в целом?
13. Можете ли вы назвать ключевые сферы, охватываемые социальной политикой области (образование, семья, проч.), а также наиболее важные социальные программы, реализуемые в Орловской области? Каковы достоинства и недостатки названных вами программ? Можете ли вы выделить наиболее и наименее успешные социальные программы, осуществленные за последние годы (или осуществляемые в настоящее время) в Орловской области?
14. Назовите, пожалуйста, те социальные группы, которые получают наибольшую поддержку региональных и местных властей? Как вы думаете, интересы какой социальной группы общества защищаются в области в наибольшей степени (дети, студенты, пенсионеры проч.)?
15. Кто (что) по вашему мнению, в наибольшей степени влияет на развитие социальной сферы и реформирование социальной политики в регионе (если

сможете, назовите, пожалуйста, отдельные органы, комитеты или политические фигуры в регионе)?

16. Какова в этом процессе роль общественных организаций, профсоюзов, отдельных комитетов?
17. Можете ли вы вспомнить пример, когда какое-либо решение в области социальной политики было принято под воздействием давления со стороны:
 - а) общества (в результате общественных протестов, забастовок, проч.)
 - б) неправительственной организации (общественные организации, профсоюзы, проч.)
 - в) по настоянию отдельных руководителей, политических лидеров, проч.
18. Можете ли вы назвать факторы, которые, по вашему мнению, тормозят выработку и осуществление более эффективной социальной политики на уровне региона и страны в целом?
19. Как вы считаете, изменились ли возможности региона в области социальной политики с приходом В. Путина (ограничили или расширили его реформы возможности региона в области социальной политики)?

Несколько вопросов о федеральных реформах

20. Каково ваше мнение по поводу федеральной реформы по замене льгот денежными выплатами (в чем ее основные достоинства и недостатки)? Была ли это реформа своевременна? Была ли она должным образом проработана? Как данная реформа повлияла на реформирование социальной сферы в вашем регионе?
21. Как данная реформа, по вашему мнению, может повлиять (или уже повлияла) на отношение между властью и электоратом в регионе (ухудшила, улучшила или оставила без изменения популярность местных властей)?
22. В целом, одобряете ли вы реформы в социальной сфере, проводимые на уровне федерального центра? Каковы, по вашему мнению, истинные цели данных реформ? С чем вы согласны, а с чем – нет?

23. Удовлетворяет ли Вас распределение обязанностей и ресурсов между федеральным центром и регионами в области социальной политики?
Изменилось ли оно за последнее время?
24. Способствует ли, по вашему мнению, политика федерального центра решению социальных проблем в регионе? Создает ли она предпосылки для выработки более эффективной социальной политики на уровне регионов?
25. Что, по вашему мнению, должно измениться в политике федерального центра, чтобы регионы начали решать социальные проблемы более эффективно?
26. Какие меры, по вашему мнению, могли бы усилить эффективность взаимодействия центра и регионов в области социальной политики?

APPENDIX 5

Patterns of social transformation in Russian regions⁵¹

Reform process	'Social patronage' model (Ulyanovsk, Orel)	Reform-oriented model (Samara)	Strategy of gradual reforms (Tatarstan)
Guiding principle of socio-economic transformation	Stability, Social consensus Smooth transition to market,	Transition to a market economy	Soft transition to a market economy, Socially oriented economy, Social stability
Priorities of the reform process	Elimination of negative effects of the economic restructuring; Protection of social infrastructure from disorganization	Development of a system compatible with the principles of market economy that is oriented toward business growth, outside investments	1992-1993 – elimination of negative effects of the economic restructuring; 1993-2000- development of a system compatible with the principles of market economy
Primary measures	High expenditures on energy, transport, food subsidies. Development of barter and partially monetirised exchanges In healthcare system – adherence to “vertical administration”; high expenditures on regional healthcare system	In social sphere: rapid dismantling of the old social guarantees and the restructuring of the old service sectors, introduction of means-testing system ⁵² , which allowed for more targeted support of the poor In healthcare system – introduction of mandatory free healthcare system; establishment of a ‘one channel system’ finance system; enforcement competition between pharmaceutical companies, etc.	1) 1992-1993 - tough control measures over the prices for public goods, primarily, products of mass consumption; attempts to maintain low prices and provide rationing for the needy 2) 1993-1994 – introduction of a means-testing system of social support Continuous expansion of welfare benefits
Peculiarities of a welfare regime	Exclusionary welfare system, based on selective support of those constituting the electoral base of regional powers (pensioners, workers, invalids); Financial austerity	Selective support of the most needy	Generous system of welfare benefits; paternal support of different population groups

⁵¹ The table is compiled by the author; the content is based on the analysis of patterns of social reforms in Russian regions.

⁵² The most successful experience in this respect was connected with the support of children without family. They were adopted in families which got money for raising children. This was the main reason for the reduction in numbers of children without families. In other spheres experience with means-testing system was less successful. As research shows it can be explained by general declining in quality of life in Samara, as well as in the country as a whole.