

## Social Security Abroad

### Recent Changes in Russian Social Security\*

In the middle of 1971 the Union of Soviet Socialist Republics introduced the latest in a series of improvements in its social insurance system, most of which were specifically designed to benefit the collective farmer. As a result of the improvements, the gap between coverage for the collective farm population and that of the rest of the work force, employed in the socialized sector, was further narrowed and in most ways virtually eliminated.

At the same time, minimum pensions, both for collective farmers and the rest of the population, were increased. For workers in the socialized sector, who comprise most of the population, these new minimum rates were mainly a symbolic gesture. In view of the earnings-related features of the pension formula, earlier increases in the minimum wage had already set an effective floor under full pensions at the same level as the new minimum pensions.

Nevertheless, certain pensioned groups did receive an increase in pension benefits as a result of the new statutory minimum pension, most notably those working pensioners who, because of the retirement test, are entitled to only a partial pension.

The partial pensions, like the full pensions of other retired workers, were also raised to the new minimum levels. This favorable action taken toward working pensioners is only the latest in a long series of regulations relaxing the retirement test. Such moves have been basically designed to encourage older workers to remain economically active and thus relieve the country's labor shortage.

Among the improvements in social insurance planned for the future under the current Five-Year Plan (1971-75) are a guaranteed minimum income supplement for families with children and an improvement in disability and survivors pensions.

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A number of improvements in the social insurance of collective farmers became effective on July 1, 1971. They raised the minimum for old-age, disability, and survivors pensions. At the same time the formula for calculating pensions in these categories was improved and, in effect, placed on the same basis as that for other retired workers. Since the new formulas were made retroactive, collective farmers who retired before July 1, 1971, also profit from the changes and receive higher benefits calculated on the new norms.

A comparison of the old method for computing old-age and disability pensions with the new method is presented in table 1.

A large part of the population was affected by these liberalizations. Though the number of active collective farmers has been dwindling in recent years—dropping from one-third of the labor force in 1960 to about one-fifth in 1968—as recently as 1950, 45 percent of the labor force was still employed on collective farms. The comparatively large number of retired collective farmers tends to reflect to a certain extent the higher percentage of earlier decades. In 1970, 30 percent of all pensioners were retired collective farmers.<sup>1</sup>

### TREATMENT OF COLLECTIVE FARMERS AND OTHER WORKERS

Social insurance for the collective farmers was inaugurated in January 1965. Before that time only the collective farmer who was a member of one of the more prosperous farms could look forward to receiving some sort of financial assistance on reaching old age through arrangements such as mutual aid societies. A few arrangements of this type are still in effect and provide supplements to what the peasant now receives from social insurance.

When the collective farmers' social insurance system was first instituted, it did not provide as much protection as that for other workers.

<sup>1</sup> Slightly less than one-tenth of the labor force is employed on state farms. These workers have always been insured, along with workers in manufacturing and other employees of socialized enterprises, under the general system.

TABLE 1.—Comparison of pension formula for collective farmers under old and new methods

Type of pension	Pension formula	
	For collective farmers before July 1971	For general system and for collective farmers after July 1971
Old-age pensions <sup>1</sup> ....	50 percent of earnings <sup>2</sup> up to 50 rubles per month plus 25 percent of earnings above 50 rubles per month	From 100 percent of earnings <sup>2</sup> if 35 rubles per month or less, with the percentage decreasing as the amount of earnings rises, to 50 percent of earnings if above 100 rubles per month
	Maximum, 102 rubles per month	Maximum, 120 rubles per month
Disability pensions <sup>1</sup> ..	40 percent of earnings up to 50 rubles per month plus 25 percent of earnings above 50 rubles per month.	65 percent of earnings up to 45 rubles per month plus 10 percent of earnings above 45 rubles per month

<sup>1</sup> The following supplements are provided under new formula (a) 10 percent of pension for 15 years of continuous employment or 10 years beyond the minimum qualifying period, (b) 10 percent for one dependent or 15 percent for two

<sup>2</sup> Earnings for collective farmers are considered to be the average for any 5 consecutive years of the past 10 years. For workers in the socialized sector, earnings may be considered to be either the average for the last 12 months immediately before retirement or the average of the best 5 consecutive years during the past 10

<sup>3</sup> For a small number of collective farmers—specifically those with covered earnings above 122 rubles per month—the old formula for disability pensions was actually more favorable than the present one

Regulations regarding benefit levels, retirement age, base period, and risks covered were considerably less liberal. Over the years, however, the gradual trend toward equalization, together with the latest changes, has left only minor differences in the formulas used. Nevertheless, since earnings of collective farmers remain, on the average, considerably below those of workers in the public sector, the actual size of their pensions is still inferior to those of other retired workers.<sup>2</sup>

Another point that must be taken into account is the fact that covered earnings of collective farmers are only a portion of total earnings. Particularly in areas near urban markets, a large part of peasant income covers proceeds from sales of produce grown on private plots, but only payments from the collective are included in the category of earnings subject to social insurance coverage.

In 1965, according to unofficial Russian estimates, covered earnings of collective farmers were

<sup>2</sup> The former practice of ascribing "workday" equivalents to different tasks has been abandoned. Earnings of the collective farmer are still largely dependent on the type of work performed and the hours involved, but he is now also entitled to a guaranteed minimum. Payments in kind have recently constituted a lower portion of total wages than in the past.

only about half of those in manufacturing (51 rubles a month, compared with 103 rubles).<sup>3</sup>

Besides these earnings-related effects, the only significant differences in treatment under the collective farmers' scheme and that for workers in the socialized sector are the following: (a) The collective farmer receives a slightly lower percentage of his earnings for sick leave. For instance, under the general system a worker receives, after 8 years of continuous employment, 100 percent of his earnings if he must remain out of work because of sickness. The collective farmer under the same circumstance receives 90 percent of his earnings; (b) the collective farmer is entitled to a pension even for a partial disability if his affliction is the result of a work injury, but if the disability comes from non-work-connected causes he is not entitled, as is his counterpart in the socialized sector, to a pension for anything less than total incapacity; (c) for many contingencies the minimum rates for collective farmers remain below those for others, as shown in the following tabulation outlining these rate differences.

Type of pension	Minimum monthly pensions (in rubles)	
	Collective farmers	Others
Old-age.....	20	45
Disability (total).....	20	30
Disability (total plus constant attendance).....	30	50
Disability (partial).....	0	15
Work injury (total).....	25	50
Work injury (total plus constant attendance).....	35	50
Work injury (partial).....	16	21
Survivors		
1.....	16	21
2.....	20	30
3.....	30	50

Mention should also be made of another regulation that, though not aimed exclusively at the collective farmer, has served to reduce the size of his pension in more cases than that of the worker retiring from the socialized sector. A pensioner residing in a rural area, considered as having a connection with agriculture, receives only 85 percent of the pension to which he would otherwise have been entitled. Information is not available on what criteria were used until recently to determine if a pensioner was connected with agriculture or how many persons were affected. In June 1971 a resolution of the Council of

<sup>3</sup> The controlled, official exchange rate for the ruble is now \$1.19 (U.S.).

Ministers clarified the rule to a great extent and, according to Russian sources, also reduced the number of people affected. Under the new guidelines a pensioner who is a collective farmer is considered to be connected with agriculture only if he resides in a household that owns a private plot of over 0.15 hectare (0.06 acre). For retirees from the socialized sector the size of the plot can apparently be somewhat larger before he is placed in the category of those "connected with agriculture."<sup>4</sup>

### OTHER PENSION IMPROVEMENTS

The most significant change in social insurance affecting workers outside the collective farm was an increase in minimum old-age retirement pensions from 30 rubles to 45 rubles per month. In certain respects, however, this increase simply served to underline the lifting of pension levels as a result of the higher wage levels of recent years.

On January 1, 1968, for instance, the minimum wage was raised from 40-45 rubles a month to 60 rubles a month for workers in the socialized sector (including those on state farms). The schedule for computing pensions is so constructed that a minimum level of earnings of 60 rubles a month for 1 year, in effect, yields a 45-ruble pension.

Nevertheless, although the new statutory minimum has little practical meaning for newly awarded pensions or those granted in the past few years, it should serve to raise the benefit level for those who retired some years ago, before the 1968 boost in minimum wages took effect.

The minimum of 45 rubles, moreover, not only applies to full pensions but also establishes a 45-ruble floor when the retirement test has operated to reduce the benefit level of the working pensioner.

This latest measure is only one in a series designed to liberalize benefits for working pensioners. Before 1963 a pensioner forfeited his pension, in most cases, if he continued to work after retirement and earned over 100 rubles per month. At that time the Government became concerned over the economy's manpower requirements and the possibility that they might not be

met by a labor force depleted by such factors as war casualties and low birth rates. The Government, therefore, sought to encourage the worker to continue in his job beyond pensionable age by publishing a list of occupational categories that would entitle him to a total pension regardless of his earnings, subject only to an income ceiling set at the relatively high level of 300 rubles a month. Other working pensioners in other job categories, particularly if located in undesirable geographic areas, were allowed 50 percent or 75 percent of their pensions. Periodic liberalizations since that time, according to Russian sources, have left virtually no one in the country subject to the relatively strict regulations that prevailed before 1963.

### FUTURE PRIORITIES

The directives of the 24th Congress of the Communist Party of the Soviet Union, promulgated in early 1971, announced the intention of improving social insurance in several different priority directions during the present Five-Year Plan. Probably most significant is the prospective introduction of financial assistance for families with children when the average income per family member does not exceed 50 rubles per month.<sup>5</sup>

By virtue of another projected improvement, working mothers will benefit from an increase in the number of days of leave for which they can receive full pay while they care for a sick child. In addition, in 1973 maternity leave is to be raised to 100 percent of earnings, regardless of length of service.

At the present time the formula for disability pensions is set at a level that brings considerably lower pensions than those under the formula for old-age pensions. In most cases, for a single worker without dependents earning the average wage of 126 rubles per month in 1971, the old-

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<sup>5</sup>According to estimates of the Moscow Scientific Research Institute on Labor, to maintain a satisfactory minimum standard of living, a family of four in 1965 would have required a total income of 206 rubles per month, or the equivalent of 51.5 rubles per person. (See Jan S. Prybyla, "Soviet Man in the Ninth Plan," *Current History*, October 1971, page 231.)

<sup>4</sup> *Trud*, Moscow, July 7, 1971, page 4.

TABLE M-29.—Gross national product and personal income, by type, 1940-72

[Amounts in billions Monthly amounts at annual rates Before 1960, data for the 48 States and the District of Columbia, except where otherwise noted; beginning 1960, includes Alaska and Hawaii]

Period	Gross national product	Personal income							
		Total	Wage and salary disbursements <sup>1</sup>	Social insurance and related payments <sup>2</sup>		Public assistance payments <sup>3</sup>		Other income <sup>4</sup>	Less personal contributions for social insurance <sup>5</sup>
				Amount	Percent of personal income	Amount	Percent of personal income		
1940.....	\$89.7	\$78.3	\$48.2	\$1.7	2.1	\$2.7	3.4	\$28.4	\$0.7
1945.....	211.9	171.1	117.5	2.9	1.7	1.0	.6	62.1	2.3
1950.....	284.8	227.6	140.7	6.7	3.0	2.3	1.0	74.7	2.9
1955.....	398.0	310.9	211.3	12.7	4.1	2.5	.8	89.7	5.2
1960.....	503.7	401.0	270.8	23.3	5.8	3.2	.8	112.9	9.3
1961.....	520.1	416.8	278.1	26.8	6.4	3.4	.8	118.2	9.6
1962.....	560.3	442.6	296.1	27.8	6.3	3.5	.8	125.5	10.3
1963.....	590.5	465.5	311.1	29.4	6.3	3.6	.8	133.2	11.8
1964.....	632.4	497.5	333.7	30.5	6.1	3.8	.8	142.0	12.5
1965.....	684.9	538.9	358.9	33.1	6.1	4.0	.7	156.3	13.4
1966.....	749.9	587.2	394.5	36.4	6.2	4.3	.7	169.8	17.7
1967.....	793.9	629.3	423.1	43.0	6.8	4.9	.8	178.8	20.5
1968.....	864.2	688.9	464.9	48.8	7.1	5.7	.8	192.3	22.8
1969.....	930.3	750.9	509.7	53.5	7.1	6.6	.9	207.4	26.3
1970.....	970.4	800.3	541.9	63.2	7.8	8.4	1.0	220.8	28.0
1971.....	1,050.4	861.4	572.9	74.0	8.6	10.1	1.2	235.6	31.2
1971									
July.....		862.4	572.5	74.7	8.7	10.1	1.2	236.3	31.2
August.....		869.1	577.2	75.0	8.6	10.2	1.2	238.1	31.4
September.....	1,056.9	872.2	577.9	76.4	8.8	10.2	1.2	239.2	31.5
October.....		874.8	579.9	76.4	8.7	10.3	1.2	239.8	31.6
November.....		879.4	583.4	76.6	8.7	10.5	1.2	240.7	31.8
December.....	1,078.1	890.4	594.3	77.0	8.6	10.7	1.2	240.7	32.3
1972									
January.....		898.9	602.6	76.8	8.5	10.7	1.2	243.1	34.3
February.....		908.5	609.0	77.4	8.5	10.8	1.2	246.0	34.7
March.....	1,109.1	913.6	612.4	78.0	8.5	11.0	1.2	247.0	34.8
April.....		919.4	617.6	78.8	8.6	10.9	1.2	247.1	35.0
May.....		924.0	619.9	79.7	8.6	11.0	1.2	248.5	35.1
June.....	1,139.0	922.9	624.0	80.1	8.7	10.9	1.2	243.2	35.3
July.....		634.2	626.4	81.2	8.7	10.9	1.2	251.2	35.5

<sup>1</sup> Includes payments in kind, includes pay of Federal civilian and military personnel in all areas. Excludes earnings under work-relief programs in effect during 1935-43.

<sup>2</sup> Includes government transfer payments to beneficiaries under OASDHI, railroad retirement, public employee retirement, unemployment insurance, and veterans' pensions and compensation programs, cash and medical payments under workmen's compensation and temporary disability insurance; and court-awarded benefits for work injuries sustained by railroad, maritime, and other workers under Federal employer liability acts.

<sup>3</sup> Includes government transfer payments to recipients of direct relief under programs of old-age assistance, aid to families with dependent children, aid to the blind, aid to the permanently and totally disabled, and general assistance; includes, during 1935-43, earnings under work-relief programs and the

value of surplus food stamps. Excludes payments made in behalf of recipients to suppliers of medical care (vendor payments).

<sup>4</sup> Includes proprietors' income, dividends, personal interest, and rental income, other transfer payments not enumerated in footnotes 2 and 3 (such as Government life insurance payments, World War bonus payments, mustering-out pay and terminal-leave benefits to discharged servicemen, subsistence allowances to veterans at school), and employer contributions to private pension and welfare funds and other labor income (except compensation for injuries).

<sup>5</sup> Includes life insurance premium payments for veterans.

Source: Department of Commerce, Office of Business Economics. Data regrouped to highlight items of special interest to the social security program.

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age pension would be 55 percent of earnings, but a disability pension would represent only 34 percent or about 43 rubles.

The details of the program for subsidizing low-income families have not yet been spelled out. The plan has most often been described as

a humanitarian gesture, designed to reduce hardships among the poorest elements of the population. Recently, it has also been represented by Russian sources as a means of propping up the sagging birthrate. It is interesting that, as such, it seems to run counter to the idea, also frequently argued in the Soviet Union, that material incentives do not encourage large families.