

# Russia 'Can Afford' to Keep Putin's Social Promises

By [The Moscow Times](#)

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Despite budget cuts, Golodets says all social obligations are being met. **Sergei Karpukhin**

Russia is committed to improving education, health and social welfare and will have no problem financing their long-term development, Deputy Prime Minister Olga Golodets said at the Reuters Russia Investment Summit.

Concerns about Russia's poor demographics, an eroding skills base and the high cost of social security obligations are mounting, amid signs that these chronic problems are taking a toll on overall economic performance.

But Golodets, charged with coordinating social policy in the government formed by President Vladimir Putin in May 2012, said resources had been earmarked to deal with these challenges for decades to come.

Deputy Prime

Minister Olga Golodets reaffirms that social goals and the spending necessary to execute them are a top priority.

"Our social goals are the absolute priority for our state," she said. "When we are talking about investment in people, in education and in health, we understand that these are not simply expenses: this is our fundamental goal."

### **Chronic Underinvestment**

Golodets, a 51-year-old former head of personnel at Arctic mining company Norilsk Nickel, said that despite improvements, much work remained to be done to address chronic underinvestment in human resources.

Total government spending as a share of GDP amounts to 3.7 percent for education and 4 percent for health, still well below the shares seen in developed economies. In the U.S., she noted, spending on health care is 15 percent.

"What's important for us is not how much you spend but the results," she said, vowing to continue recent improvements in life expectancy and mortality rates.

Life expectancy for men, still among the lowest in Europe at 64, has increased by five years since 2003. The birth rate has also picked up, from 1.3 children per woman in 2003 to 1.69 today. Russia's population, which has fallen by 5 million since 1991, has been rising since 2009.

The demographic turnaround partly reflects policy measures, such as maternity grants, designed to encourage more births.

Russia also plans to address other acute problems, such as low pay for public servants. "The absolute priority is the level of pay for teachers and doctors," Golodets said.

Before his return to the Kremlin last year, Putin promised to double salaries for teachers and doctors by 2018, to increase maternity benefits and to open more kindergartens.

Financing for these priority programs is being increased, notwithstanding a recent economy drive forced by slowing economic growth and tight government finances.

"I'm satisfied, because all the key obligations [spending] are fulfilled in their entirety," Golodets said, after the cabinet last week signed off on savings in its three-year fiscal plan.

### **Labor Shortage**

For many years, Russia's deep-seated demographic problems appeared to impinge little on its

once fast-growing economy.

But with a slowdown coinciding with record low unemployment, the shrinking labor force has emerged as a pressing economic and social problem. "We are now suffering from a severe labor shortage," Golodets said.

Due to a record low birth rate at the start of the 1990s, when the Soviet Union collapsed, the number of new entrants to the workforce is at a two-decade low.

To help address the labor shortages, Russia has earmarked 45 billion rubles (\$1.4 billion) over three years to encourage employers to take on workers in depressed regions, young people and the disabled, including funds for training, she said.

Golodets said the government was cracking down on widespread employment of illegal immigrants in casual work such as on building sites, saying labor productivity in Russia could rise by 70 percent if such jobs were made legitimate.

She defended the government's decision not to raise the retirement age which currently stands at 60 for men and 55 for women that many economists have criticized as a populist step that exacerbates the impact of the demographic crunch.

"Our pension reform very strongly encourages people to work beyond the retirement age," she said, citing the successful example of countries such as Sweden.

Under a new formula for calculating pensions, people who choose to retire later will receive significantly higher pensions than those who retire at the statutory retirement age.

Nor is Russia neglecting private pensions, she said, responding to criticisms of recent decisions that will greatly reduce the pool of pension savings available for investment by private fund managers.

She pointed to government action to provide state guarantees for private pensions savings in conjunction with tougher regulations, similar to a deposit insurance system already in place for banks.

"Maybe there will be a temporary transition phase when growth slows," she said. "But in the future, it will be a good basis for the system to develop."

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