

Tripartite round table on pension trends and reforms

Overall assessment of the pension system

Russian Federation (Workers)

Position of the FNPR

1. *Compliance with the ILO principles.*

a) The pension system in Russia complies with the following ILO principles: universal coverage; social solidarity and collective financing; non-discrimination, gender equality and responsiveness to special needs; involvement of social partners and consultations with other stakeholders.

There is the universal, non-discriminatory access to basic pension guarantees, including the basic health services and the basic level of guaranteed income in old age. The pension system takes into account the basic needs of people with disabilities, people working in special climatic zones and in hazardous industries, and other vulnerable social groups. The Russian Trilateral Commission on the Regulation of Social and Labor Relations provides a framework for regular discussions of the pension provision issues between the social partners.

b) The pension system in Russia partially complies with the following standards and principles of the ILO: secured provision of benefits, in accordance with the period of payment of contributions and the amount of contributions; adequacy and predictability of benefits based on the financial sustainability of the system.

The low benefit level is one of the main problems of the Russian system of the compulsory social insurance. The relation of the amount of contributions and the years of employment to the replacement rate is not legally established. Therefore, the ILO norm on the minimum replacement rate is not implemented. Over the past 30 years, the ratio of the average insurance pension to the average salary has never reached 40%.

Both the external and internal factors contribute to the pension system insufficiency.

External factors:

- The labor market trends: the reduction of the sector with secure jobs and the growth of informal employment;
- Underestimation of the minimum wage as a reference point for workers' income and the social protection system assessment and regulation.

Internal factors:

- The unfinished transition to the 3-tier compulsory pension system with basic pillar, social insurance pillar and voluntary savings pillar;
- The lack of a clear distinction between state obligations (to protect against poverty, ensure the social protection floor) and obligation to ensure earning-related benefits, inherent in social insurance pillar;
- The attempts to reduce the dependence of the insurance pension system on the federal budget;
- The inclusion of complementary contributions into the social insurance system;
- Refusal to adjust pensions of working pensioners following changes in the cost of living.

2. The overall assessment of the pension system: it is acceptable.

3. External and internal measures are required in order to strengthen the pension system.

External measures:

- To promote intensive economic growth aimed at expanding domestic consumer demand;
- To create conditions for the development of knowledge-intensive enterprises;
- To implement labor market policy, aimed at creation of quality jobs with decent wages.

Internal measures:

- To renounce the measures, aimed at pension system compression (out of 5 measures, outlined by the ILO, 3 were applied in Russia);
- To resume the working pensioners' pensions adjustment.
- To amend the pension formula in order to ensure that the replacement rate is not less than 40%.