

# Neoliberalism, Social Policy and Welfare in Developing Countries (Russia, India and South Africa)



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(Russia, India and South Africa)

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1. 本報告係根據「個人資料保護法」及「政府資訊公開法」之規定，向社會大眾公開。



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1. 在《说文解字》中，「文」字被解释为「错画也，象交文」，即指交错、交叉的图形。这反映了早期文字与图形的高度关联。

Chito takoye neoliberalizm v kontekste sovremennoy 'ekonomiks' i ekonomiki

Sotsiologiya: teoriya, metody, marketing

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Важно отметить, что в последние годы в западных странах наблюдается тенденция к усилению государственного вмешательства в экономику и социальную сферу. Это связано с ростом неравенства доходов, увеличением безработицы и другими проблемами, которые требуют государственного вмешательства.

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<sup>1</sup> См. например: *Sotsial'naya politika v stranakh Zapada: novyye vyzovy i kharakter transformatsii* // *Vestnik instituta sotsiologii* // *Vestnik instituta sotsiologii*

*Vestnik instituta sotsiologii* // *Vestnik instituta sotsiologii*

<sup>2</sup> См. например: *Antipode*. *Sotsial'naya politika v stranakh Zapada: novyye vyzovy i kharakter transformatsii* // *Vestnik instituta sotsiologii* // *Vestnik instituta sotsiologii*

<sup>3</sup> См. например: *Kontseptsiya neoliberal'noy nauki v zapadnoy sotsial'noy mysli* // *Vestnik Novosibirskogo gosudarstvennogo universiteta. Seriya Filosofiya* // *Vestnik Novosibirskogo gosudarstvennogo universiteta. Seriya Filosofiya*

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1. 本報告所稱之「環境影響評估」係指環境影響評估法所稱之「環境影響評估」而言。

1. *Perspektivy formirovaniya sotsial'no-oriyentirovannoy rynochnoy ekonomiki* *Ekonika i upravleniye narodnym khozyaystvom* *Vestnik Finansovogo universiteta*

Neoliberalizem o rynku i svobode i kritika marksizma  
Mir  
obrazovaniva – Obrazovanive v mire





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*Birth of Biopolitics: Lectures at the College de France, 1978–1979*.  
*Governing the Present.*

Critical Social Policy  
 Critical Social Policy  
 Critical Social Policy  
 Critical Social Policy

1. *Pensionnoye obespecheniye. Rossiyskiy i zarubezhnyy opyt*  
 2. *SU – HSE*  
 3. *Novaya ekonomicheskaya real'nost' i ekonomicheskaya politika sovremennoy Rossii*  
 4. *Ekonomika i politika*  
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 7. *Ekonom*  
 8. *Cotsiopoliticheskii aktivizm: kritika i dissidentstvo*  
 9. *Vestnik Moskovskogo un-ta. Seriya 18: Sotsiologiya i politologiya*  
 10. *Ideologiya: poiski i nakhodki*  
 11. *Sovremenniy kapitalizm i gosudarstvo: modeli vzaimodeystviya*  
 12. *Ekonomicheskiye i sotsial'nyye problemy Rossii*  
 13. *Problema sozdaniya sovremennoy strategii v oblasti sotsial'noy politiki (na primere FRG i RF)*  
 14. *Vlast'*  
 15. *International Social Work*



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# CHAPTER I

## SOCIAL POLICY AND WELFARE PROVISION IN THE CONTEXT OF NEOLIBERAL REFORMS IN RUSSIA

IRINA L. PERVOVA  
AND VIACHESLAV N. KELASEV

### **Introduction**

The collapse of the USSR has influenced Russia considerably, and capitalism dipped the majority of the population into poverty and unemployment. Only by the turn of the millennium Russia started to recover from the “shock therapy” of the 1990s and build a civil society with the involvement of social business, volunteering and non-governmental organisation in the social sphere. This process is not easy to perform, but it is in progress and Russia is open to further steps forward.

This chapter discusses the changes in the social situation and social policy dynamics in Russia after the collapse of the USSR up to the first two decades of the 21st century. During this time, the main emphases were put on the population’s well-being, changes in healthcare, education and social care. The chapter reflects a short history of social care in Russia, which underlies current social work tendencies. It also shows the role of civil society which solves social problems through the efforts of social business, volunteering and paid social services providers, as well as the role of non-governmental organisations in social services provision. We study the government’s attempts to improve the well-being of the population and the social welfare of the state in the process of trying to strengthen a top-down command and control system, the National Strategy, and two stages of National Projects (2005–2014 and 2019–2024). In conclusion, the chapter demonstrates advantages and disadvantages of the social sphere neoliberalisation in the country.

The process of introducing neoliberal principles in Russia began in 1991. The collapse of the USSR and the crisis of socialist ideology led to the change in the political and economic orientation of the Russian state. As a result, a course was chosen for liberal reforms, which were supposed to be implemented not only within economics but also in the social sphere.

The process of introducing neoliberal capitalist ideology in Russia and its post-1991 policies contributed significantly to the political, economic and social focus of the Russian Federation thereafter. A new way of organising society was introduced overnight, whereby citizens – formerly reliant upon the state for economic and social needs – were forced to become active, independent economic agents responsible for their own well-being. As a result, the society had to reconceptualise the welfare state, poverty, quality of life, personal responsibility and civil society.

According to class-oriented studies, open market relations are still widely understood as an economic practice that enriches those who already have capital and leads to: (a) even greater inequalities; (b) reduced security and losses in social security and services for the rest of the population; and (c) a general decline in the quality of life of the poor and the working class. Social democracies and social systems of support for the world's population in the 20th century were built on the status of an "employee" (including social programmes for the elderly, frail, children, people with special needs, and dependents). In Russia in 1991, an "informally employed category of the population" appeared which received, and still receives, salaries in "envelopes", does not pay taxes on it and does not receive a social package. It represents a very special social group which is at risk of unemployment (people can be dismissed at any time without severance pay or the right to return to work), loss of entitlements and benefits (in case of injury at work and becoming unemployed or redundant) and reduction of pensions.

In Russia, the process of transformation turned a passive consumer of services into an active social entity personally responsible for his/her destiny. Conversely, during the Soviet epoch a generation of citizens got used to paternalism and meekly expected the state to help solve their problems. People got accustomed to receiving government subsidies and benefits, which became unacceptable in the new open market conditions (Yadov 2011).

From the moment Russia adopted the open market orientation concept, it was expected that the introduction of neoliberal relations to the social sphere would have a positive effect on the quantity and quality of

social services provided, save the state budget funds and enhance the well-being of persons receiving services.

However, these expectations came with the excessive polarisation of society, violation of justice principles in the distribution of public goods, difficulties in the allocation of fund flows between the public and private sectors, and insufficient development of the legal framework for social business, as well as pronounced paternalism of the population, its unawareness of non-governmental social service providers, and a lack of professional staff in social business. All of these imposed certain restrictions on the implementation of a neoliberal approach in the state's social policy, and revealed that the Russian civil society was not ready to solve social problems through the efforts of social business, volunteering and paid social services providers.

Soon it became clear that the role of the state in social policy implementation had to be strengthened. It was reflected in the first stage of National Projects (2005–2014) in the social sphere, which prepared a base for the implementation of the second stage in 2019–2024. These projects mainly cover three areas: human capital, a comfortable living environment and economic growth. A general goal of these projects is to provide a higher quality of life for Russians.

## **A Short History of the Russian Social Welfare System**

Social assistance in Russia dates back to the period of the ancient “Slavs”<sup>1</sup> and the formation of “the Kievan Rus”.<sup>2</sup> During the period of the early Slavs, assistance to the needy (widows, orphans, lonely elderly people, victims of natural disasters – famine, fire, flood, etc.) was provided by the community, and it was often in-kind since money was not used extensively at that time. However, the ideology and social assistance changed due to the stratification of Slavic society, the emergence of the nobility and the adoption of Christianity. Helping the needy was considered a godly deed in which both the Orthodox Church and the nobility played an active role. One type of help was to give donations and handouts. The development of church charity not only resulted in providing basic needs for destitute people, but also promoted literacy training, made it possible to receive

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<sup>1</sup> Ancient Slavs – a tribal society that lived in the 9th century in Eastern Europe, northeast towards the Volga River.

<sup>2</sup> The Kievan Rus – a loose federation of East Slavic and Finnic peoples in the 9th to 13th centuries.

interest-free loans from the church treasury and protected destitute people from oppression.

The consolidation of the Russian society and the state after the unification of the Russian lands around Moscow led to the establishment of shared values enshrined in the special set of “Domostroy”<sup>3</sup> rules governing behaviour in all spheres of public and private life, including the family, in which special attention was paid to helping those in need.

The reforms of Peter the Great completely changed the face of Russia. Peter the Great changed the state social policy, including matters of social assistance. A number of decrees concerning assistance to the needy were issued; shelters for illegitimate children, hospitals for the military and almshouses were opened. Legislatively, it helped to identify the needy and sources of funding. During this period, the state became actively involved in issues of social charity; the church was crowded out and put under control in the matter of helping those in need. Many undertakings of Peter the Great laid the foundations of the state social policy for the subsequent periods of history concerning socially unprotected segments of the population.

Later, during the reign of the Romanovs in Russia, we see that further development and differentiation of social assistance and social help took place. Authorities solving social issues in provinces and districts were established, educational homes were opened for illegitimate children, the orphan court was established to appoint guardians to orphans of the nobility and orphans were raised in peasant families with the help of patronage. The establishment of national schools began, women’s education became the norm, the development of medicine accelerated, there was a reduction in infant mortality, population growth took place, and charitable societies began to cooperate with government organisations.

The liberalisation of society during the reign of Alexander II led to the strengthening of church charity and the expansion of private charity. New charitable societies and unions were established. Further, they refocused their efforts on studying the causes of social issues (poverty, alcoholism, orphanhood). Hence, the Department for Social Charity was opened; one of its founders was Peterim Sorokin, a famous sociologist who immigrated to the United States after the 1917 socialist revolution.

The revolution and the Soviet period gave rise to new beginnings in the development of social assistance. Social insurance and labour legislation started to develop, and state foundations were laid for the social

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<sup>3</sup> Domostroy (Domestic Order) – a 16th-century set of household rules and instructions regulating various religious, social, domestic and family behaviours in Russian society.



protection of motherhood, childhood and youth work. Medical care and education became free, with the latter also being compulsory. Regulatory acts were issued concerning social assistance to various segments of the population. At the same time, charities and church organisations were liquidated, and private charity was banned. The state became the basic and main provider of social assistance in the country. The state took each person under complete control, providing the necessary opportunities for life and work. The social security system gradually took shape.

In the aftermath of World War II, a law on pensions was introduced and the pension fund was shaped into an independent form. A network of free public medical care, sanatoriums, children's camps, orphanages and a system of kindergartens, nurseries, and nursing homes were developed. This system of social assistance and support of the population persisted until the 1990s. However, social work as a profession was not allocated to an independent sphere of professional activity and the main role of social work was to assist the needy (mainly the single elderly and disabled) with food and medication.

## **The Russian Social Welfare System after 1991**

In 1991, with the collapse of the USSR, the Soviet economic model – based on rigid centralisation, state planning and the absence of private property – went down in history. It was replaced by a new political and economic course based on the principles of liberalism and neoliberalism.

It is impossible to call the socio-economic reforms of the 1990s in Russia fully neoliberal, due to the combination of radicalism with the so-called “pure liberalism”. Thus, the ideological and political trend of radical liberalism was established, which cannot be attributed to purely neoliberal theory since this rejects extremes.

It was assumed that liberal transformations based on large-scale privatisation would revive the economy, allow private entrepreneurship to enter the areas of the state monopoly, improve the quality of products and services through competition, and also save budget funds. However, the planned transformations did not go as expected. Privatisation and “shock reforms” led to the emergence of an oligarchy and the impoverishment of the overwhelming majority of people in the country. Instead of healthy competition, monopolies arose, dictating their conditions to the consumer. The lack of social control and regulatory framework in the regulation of economic and social processes led to the criminalisation and corruption of power structures and society as a whole.

The reduced funding for state-owned enterprises in social services, education and healthcare led to a sharp decline in the quality of services provided, and the impoverishment of the population sharply increased the need for social protection and social help. The period of professional social work development in Russia started in 1991 when it became clear that the need for better educated specialists was alarming. It was a period of the gradual destruction of the systems of free education, medical care and social security. Social problems increased and the quality of social support was insufficient, and these factors negatively influenced the socio-psychological climate of society.

In the early 2000s, the economic situation in the country began to improve and this recovery led to an increase in household incomes. Due to Vladimir Putin coming to power in 2000, a course for the development of Russia began to be based on the following priorities: 1) strengthening the centre of state power through the introduction of a system of federal districts; 2) separation of power and property; 3) removal of oligarchs from direct power; and 4) liberalisation of economics and social relations.

There are two notable features of neoliberal policies introduced in Russia during the 2000s. First, social welfare reforms took place after a decade of “shock therapy” that had paralysed economic and social institutions across the country. Hence, the delivery of the new directives was weak, at best. Second, while socio-economic state transformations were being implemented, certain previously provided welfare obligations were preserved, causing confusion among the citizenry and service providers.

The Russian economy of the first stage of neoliberal reforms maintained high rates of economic growth due to energy resources, exports of raw materials, and the preference of large Russian private business interests over state interests. It led to a disparity between the export-oriented and nationally oriented sectors of goods and services. Enterprises of light and heavy industry started to close all over the country. People who worked often experienced long delays in monthly payments or were paid in kind through the products being manufactured, the unemployed did not receive any allowance and pensions (as small as they were) were also delayed in many regions of the country.

The state system of social services in these conditions was unable to cope, and private social services proved to be expensive and insufficiently developed, which made them inaccessible to the majority of those in need. Major attempts at reforming the social sphere began in the early 2000s when a system model for managing it began to form at the state level (Vasiliev 2011).

New principles of social policy organisation suggested the rejection of equalising, distributive, situational and projective principles of social management. The equalising and distributive principles assumed the distribution of growing resources in target groups needing social support without taking into account social dynamics, but in turn, the situational-project approach was focused on a more rational distribution of funds but differed by their non-systemic distribution and fully depended on political conjuncture in the country.

So, between 2000 and 2003 a review of the state role and functions in social management began, with particular attention being paid to the interaction of the state and non-state structures – non-profit organisations, the public and charities – in order to develop the most effective methods of social management. Until 2019, the lack of a sufficient degree of non-state structure involvement in social policy was obvious, which contributed to the lack of quasi-market development for social services.

Neoliberal social policy is essentially formed to facilitate the design of a new horizontal social contract, entailing the need to create civil society institutions. The Russian peculiarity of liberalisation is that the local authorities in the social sphere create the so-called “playing field”, in which the third sector can compete with the state and private institutions to obtain contracts for the provision of social services to the population (Romanov et al. 2008).

Attempts to introduce the neoliberal concept into the social sphere in 2005 included the monetisation of benefits and the transfer from the state to quasi-private ownership of some social institutions, e.g. hospitals, universities, schools and museums.

The reforms aimed at the commercialisation of the social sphere had negative consequences. The great rejection of innovations in society by pensioners and other vulnerable groups was caused by the monetisation of their benefits. Some categories of citizens lost their privileges such as free public travel, medication and sanatorium treatment, etc. in exchange for a non-equivalent monetary compensation (The Federal Law 2004).

The reason for the adoption of the Federal Law (FL) on monetisation was that the existing system of “natural benefits” did not correspond to modern realities. Free medication in pharmacies became a scarce commodity and beneficiaries were forced either to buy them with their own money or to wait months for them to appear. A difficult situation arose in the transportation sector: a large number of beneficiaries led to huge losses for public transportation carriers, who were forced to either

raise prices for their services or require regional authorities to cover these losses (Ovcharova and Pishniak 2006).

The living standards of unprotected groups of the population further decreased and a wave of protests swept through the country, headed by former beneficiaries: pensioners, “liquidators” of the Chernobyl nuclear power plant disaster (people who were under radiation while working on closing the reactor), disabled people and the military. Despite the fact that the real goal of the reforms was to save inefficiently spent budgetary funds, it was perceived by the population as an “anti-people” action (Zhukov 2005). Due to the mass protests, the state was forced to make certain concessions. Consequently, there was a partial return from monetisation to the former system of benefits (Monetization 2014).

Examples of neoliberal reforms that produced negative results manifested themselves in social services, healthcare and education. The reduction in budget expenditures for these areas in the 1990s led to a decline in the quality of services provided and had a detrimental effect on both suppliers and consumers. The introduction of the principle of “profitability” led to a systematic reduction of both medical and educational institutions. This process continued until 2018. As a result, compared with 2005, the number of state medical and educational institutions in Russia had decreased. However, it was a boom time for private clinics, schools and the higher education private sector. According to the Russian Federal Statistics Agency, in 2010 the proportion of private clinics was 13 per cent and universities - 41 per cent (Rosstat 2016).

Starting in 2013, spending on healthcare and education steadily decreased. This was due to both the decline in the price of oil and the increasing priority of national defence and pensions. In Russia, prices rose by an average of 9.5 per cent per year (Indeksy 2019); therefore, nominal monetary indicators were not capable of providing a complete picture by themselves due to inflation covering the increase in spending on those or other items of the budget. Thus, the real growth of expenses did not occur. Hence, the reduction in nominal expenses was even greater if inflation is considered.

The peak of the reduction in the number of beds in medical institutions was between 2005 and 2007. The number of hospital organisations in the Russian Federation between 2000 and 2013 decreased by 44.9 per cent (Issledovaniye RBC 2016).

Between 2012 and 2016, the federal budget expenditures on healthcare decreased by 46.8 per cent (in nominal terms). The reduction was most severely reflected in the financing of inpatient medical care (hospitals) (from 2012 to 2016: 39.6 per cent; 2018: 63.3 per cent). However, federal

spending on outpatient care increased (polyclinics) – between 2012 and 2016: 65.9 per cent; in 2018: 69.5 per cent (Issledovaniye RBC 2016, Shishkin et al. 2016, Nazarova and Borisenkova 2017). Private healthcare partially complemented the state sector by offering other types of medical services but it mostly acted as an alternative.

Between 2012 and 2018, federal spending on pre-school education decreased by 54.5 per cent, expenses for general education decreased by 87.1 per cent and higher education decreased by 25.8 per cent (Issledovaniye RBC 2016).

In 2003, the Russian Federation became a participant of the Bologna process<sup>4</sup> and began to reform the higher education system in order to meet the norms and standards established in European countries. The changes that took place in Russia included the implementation of a two-level education system (bachelor's and master's programmes), the introduction of a credit system and a number of other changes. As a result of the reforms, Russian fundamental science fell into decay and the competitiveness of Russian diplomas on the world market palpably declined; student mobility was quite limited which was largely due to Russian students having insufficient knowledge of foreign languages. The profit orientation of commercial universities and bribery in both non-state and state institutions turned education into a “paid service”, which could be obtained without learning and without gaining knowledge (Bobrova 2018). According to Russian Public Opinion Research Center data 2019, 68 per cent of young respondents believed that it was possible to build a successful career and life without higher education (compared to 45 per cent in 2008).<sup>5</sup>

The modern Russian education system requires adjustments to both the forms of implementation and the content of university educational programmes, updating the material and technical base, sustainable financing, increasing the mobility of teachers and students to gain international experience, and strengthening of practical-oriented education.

In the long run, obtaining high-quality educational and medical services has become difficult for a large number of citizens. Over time, the prestige of professions related to medicine and education has declined significantly compared to Soviet times, when being a doctor or a teacher was considered a high-level occupation. Nowadays, the low salaries in state institutions push graduates of vocational and technical schools and

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<sup>4</sup> A series of agreements between European countries on comparability in the standards and quality of higher-education qualifications.

<sup>5</sup> Russians are disappointed in higher education:

<https://www.kp.ru/daily/27004/4066022/?from=nnn> (Accessed: 7 August 2019).

universities to either choose occupations that are not related to their degree or go to the private sector where salaries are much higher. Citizens who have money seek medical assistance and education abroad.

The social business and public organisations that provide social services are still at a very early stage of development in the country. Entrepreneurs do not rush into this sphere due to its unprofitability and high risks, but prefer to enter other more profitable areas. The state social policy that attempts to attract private entrepreneurs to the social sphere has not yet been able to bring about the desired results. Despite the growing understanding of social responsibility and a wish to participate in various projects, a social business does not receive the necessary support from the state (Johnson et al. 2016). Only recently in 2019 a legal framework for social entrepreneurship in the social sphere was articulated.

In 2006, the state National Projects started to operate in the social sphere, such as education, health, housing and maternity capital.<sup>6</sup> In 2007, the peak of foreign investment into the Russian economy was noted, which was reflected in a steady increase in economic indicators between 2003 and 2008. The initial period of the new stage of neoliberal reforms in Russia up to 2008 can be characterised as a time of noticeable disproportion among GDP growth, and changes in per capita income and wealth distribution, as well as growing income inequality and social stratification.

In 2008, the Concept of Socio-Economic Development of the Russian Federation until 2020 was adopted; however, the subsequent crisis in the global economy affected Russian reality and the economic growth indicators drastically dropped. The fall in demand for products and reduction in industrial production contributed to the rise in unemployment and an increase in the number of the population with an income below the subsistence minimum.

Thus, the concept had to undergo a number of changes in connection with, first of all, the crisis (2008–2009) and, later, Western economic sanctions which started in 2014. The actualisation of the concept was carried out in general and in particular in the field of new social policy. It was obvious that Russia needed to develop a qualitatively new economic model, which was partially reflected in a new document – The National Strategy (2020) – as the second version of the concept of the long-term socio-economic development of Russia, passed in 2008. The

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<sup>6</sup> Maternity capital is a measure of state support to Russian families when a second child (or third child or subsequent children) was born (or adopted) from 2007. Starting on 1 January 2015, the amount of maternity capital was 453,026 roubles. Starting on 1 January 2020 it is 466,617 already for the first born child.