WELLSO 2017
IV International Scientific Symposium Lifelong Wellbeing in the World

PUBLIC FINANCES AND INCREASE OF THE STANDARD OF LIVING OF ELDERLY PEOPLE

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Abstract

The article concerns the problem of wellbeing of the elderly population in Russia. It is specified that according to the Elderly Quality of Life Index in 2015 Russia was rated 65th. The process of ageing of the population of Russia is currently being observed and the pressure on the employed population connected with the pension provision for elderly people is being increased. If we consider the situation at the level of the Novosibirsk region, we can see that the general tendency of population aging persists. The state should take care of the elderly population by means of social measures implementation. Nowadays the average amount of pension in Russia is 32per cent higher than the subsistence minimum and accounts for 35 per cent of the average monthly salary. The average size of pension in the Novosibirsk region exceeds the size of a subsistence minimum for 17.6% and falls behind the average monthly salary by 2.5 times. Increase in number of persons of pensionable age leads to increasing demographic pressure on working age population. One of ways to eliminate negative financial consequences is to rise the retirement age. However increase in a retirement age can negatively affect the welfare of the elderly. In such conditions promotion of social guarantees from the state is possible by intensive economic growth.

Keywords: Standard of living of elderly people, ageing of population, public finances.

1. Introduction

Modern society is facing the problem of aging of the population. According to forecasts of the UN in the future the ratio of elderly (at the age of 60 years and over) will only increase. In 2014 it accounted for 12% of all population, and by 2050 it will account for 21% (A Concise Report, 2014). Although the tendency of ageing of population is universal, living standard of the elderly varies depending on their place of residence.

2. Problem Statement

The international non-governmental organization HelpAgeInternational with the United Nations Population Fund (UNFPA) submitted the elderly quality of life and well-being Index for different countries throughout the world (GlobalAgeWatch Index) (Mohammed, 2015).

The study represents 96 countries for which internationally comparable statistical data are available; it covered 90% of world's population at the age of 60 years and over.

According to the Elderly Quality of Life Index in 2015 Russia was rated 65th, having been located between Belarus and Serbia.

3. Research Questions

The article studies the number and age structure of the population of Russia and the Novosibirsk region. The dynamics of material security of the elderly population is studied. It also estimates participation of the state in the material security of the elderly population.

4. Purpose of the Study

The aim of the study is to study the impact of public finances on welfare of the elderly population.

5. Research Methods

The method of statistical indicators analysis was used during the research.

Nowadays there exist various approaches to determination of the status of people in dependence on their age.

In 1963 the World Health Organization adopted the following classification of age structure of population: 60-74 years - elderly people, 75-89 years - old people, over 90 years - long-livers. Within statistical practice it is common to classify people into three age groups: persons younger than working age, persons of working-age, and persons over working-age. In Russia the first group include children aged 0 to 15 years; the second group includes women from 16 to 54 years and men aged 16 to 59 years; and the third group includes women of 55 years and over and men of 60 years and over. (Makiyenko, 2015).

However, if people of working-age can influence the level of their wellbeing, the primary responsibility for the care of elderly people wellbeing, on the contrary, falls on the state, especially, if according to the Constitution, the state is social.

According to the Federal Law No. 400-FZ dated December 28, 2013 "On insurance pensions" of the Russian Federation the men aged 60, and the women aged 55, i.e. persons over working age, can be entitled to an insurance old-age pension.

6. Findings

6.1. Population structure by age

At the current situation the problem of welfare of elderly people in Russia remains acute. According to the statistical data presented in table 1 the decrease in total population of the Russian Federation was observed until 2009. The noticeable population growth is being registered since 2012. But, unfortunately, this growth is caused by migration processes rather than by increase in birth rate (Anofrikov, 2013).

Table 01. The total population of the Russian Federation (at the start of the year)

Parameter name	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total population, million people	143.24	142,8	142,7	142,7	142,8	142,8	143,0	143,3	143,6	146,2	146,5	146,8
Population growth rate, %	-	-0,27	-0,08	-0,01	0,06	0,03	0,13	0,20	0,22	1,81	0,18	0,18
Population over working age, million people	29,41	29,73	30,16	30,54	31,19	31,81	32,43	33,10	33,79	35,16	35,99	36,69
Growth rate of population over working age, %	-	1,09	1,45	1,26	2,13	1,99	1,95	2,07	2,08	4,05	2,36	1,94
The share of population over working age to the entire population, %	20,5	20,8	21,1	21,4	21,8	22,3	22,7	23,1	23,5	24,0	24,6	25,0
The ratio of population employed in the economy, to one pensioner (in an average year), people	1,75	1,77	1,78	1,73	1,72	1,70	1,68	1,66	1,64	1,62	1,61	-
The ratio of population over working age to 1000 people of working age, people.	326,2	330,1	336,1	341,8	360,5	362,1	372,6	384,3	396,7	411,7	427,4	-

Note: Composed by the authors from Central statistical database (2017, May/June) and Elderly people in Russia: problems and prospective (Trubin et al, 2016).

As a result in 10 years (from 2007 to 2017) the total population of the Russian Federation has grown by 2.75% (from 142.86 million to 146.80 million people). At the same time the population over

working age during the period from 2007 to 2017 has grown by 23.4% (from 29.73 million to 36.69 million people respectively), the share of population over working age to the entire population has grown by 4.2 percentage points. In 2007 this parameter was 20.8% compared to 25.0% in 2017.

During the period from 2006 to 2016 the increase in the ratio of pensioners to 1000 people of working-age is observed: 326.2 people in 2006 and 427.4 people in 2016.

The ratio of people employed in economy to one pensioner decreases. In 2015 this parameter was 1.62 people, in 2006 – 1.75 people.

The rate of the total population growth in the Russian Federation since 2006 does not exceed 0.2% (with the exception of 2015 when the Republic of Crimea and Sevastopol became part of the Russian Federation) while the rate of the growth of population over working age is about 2% a year.

The submitted data show the problem of aging of the Russian Federation population and increase of the pressure on the employed population connected with the pension provision for elderly people.

The course of the processes described above may be different for various territorial entities of the Russian Federation, which is caused by regional features. So, for example, according to data represented in table 2 in the Novosibirsk region, as well as in Russia in general, the population was being reduced up to 2009. But in general during the period from 2007 to 2017 we can observe the population growth by 132.6 thousand people or by 5% (from 2,647.0 thousand people in 2007 up to 2,779.6 thousand people in 2017).

Table 02. The total population of the Novosibirsk region (at the start of the year)

Parameter name	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total population, million people	2655.0	2647.0	2643.0	2649.0	2662.0	2666.0	2686.9	2709.5	2731.2	2746.8	2762.2	2779.6
Population growth rate, %	-	-0.30	-0.15	0.23	0.49	0.15	0.78	0.84	0.80	0.57	0.56	0.63
Population over working age, million people	546.93	553.2	560.3	569.5	583.0	597.2	610.1	624.0	638.7	654.5	671.5	685.6
Growth rate of population over working age, %	-	1.15	1.28	1.64	2.37	2.44	2.16	2.28	2.36	2.47	2.60	2.10
The share of population over working age to the entire population, %	20.6	20.9	21.2	21.5	21.9	22.4	22.7	23.0	23.4	23.8	24.3	24.7
The ratio of population employed in the economy, to one	1.77	1.78	1.81	1.76	1.77	1.75	1.79	1.76	1.75	1.70	1.70	-

pensioner (in an average year), people											

Note: Composed by the authors from Central statistical database (2017, May/June) and Russian Statistical Yearbook (2013, February/March, 2017, February/March)

The population over working age in the Novosibirsk region from 2007 to 2017 has grown by 24%, which approximately corresponds to the average parameter for Russia (23.4%).

The share of population over working age in 2017 was 24.7%, which is by 3.8 percentage points more, than in 2007. This parameter is slightly lower than that for Russia (4.2 items).

The rate of the population growth in the Novosibirsk region per year is about 0.5%; the same parameter for population over working age has been changed from 1.15% in 2006 to 2.60% in 2016.

The ratio of people employed in economy to one pensioner in the Novosibirsk region decreases. In 2006 this parameter was 1.77 people (1.75 for the Russian Federation), in 2015 it was 1.70 people (1.62 for the Russian Federation).

As a result, apart from some regional peculiarities, the general tendency in alteration of the designated indicators remains.

6.2. Dynamics of elderly population material security

Let's analyze the key parameter characterizing a material basis of the elderly population welfare– to the scale of pension.

Table 03. Total number of pensioners and average scale of pension in the Russian Federation (at the start of the year)

Parameter name	2011	2012	2013
Total number of pensioners, thousand people	41819	42367	42837
including the recipients of old-age pension	32462	32982	33451
Average scale of pension for the old-age pension recipients registered in the system of the Russian Federation Pension Fund, rubles per month	8165.8	8876.1	9790.1

Note: Composed by the authors from Central statistical database (2017, May/June)

Total number of pensioners in the Russian Federation for 2016 was 45.2 million people, 35.5 million of them receive an old-age pension, which is 10% more, than in 2011 when 32.5 million people received an old-age pension. The average scale of pension for the old-age pension recipients staying on the registry in the system of the Russian Federation Pension Fund in 2016 was 12,830.4 – that is 57% more, than in 2011.

It should be noted that the average scale of pension for 2017 is specified taking into account lump monetary sum of 5 000 rubles.

In 2016 the size of an old-age pension in the Russian Federation exceeded minimum subsistence level (9 691 rubles) for 32% that corresponds to all period under consideration. However this indicator

falls behind the average monthly salary almost by 3 times. It demonstrates that the standard of living after retirement sharply decreases. And, if the person hasn't found additional sources of income during his working life, then he gets to category of the poor population or, at worst, the population which lives below poverty line. Naturally, in such situation the level of consumption of the elderly person decreases as his income is enough only for necessities. It is one of the distinctive features of elderly people living standard in Russia and other developed countries that is emphasized by various authors (Silifonova & Dukart, 2015).

Let's address the situation in the Novosibirsk region to analyze the regional peculiarities.

Table 04. Total number of pensioners and average scale of pension in the Novosibirsk region (at the start of the year)

Parameter name	2011	2012	2013	2014	2015	2016
Total number of pensioners, thousand people	749	760	772	786	800	813
Average scale of pension for the old-age pension recipients registered in the system of the Russian Federation Pension Fund, rubles per month	7933,8	8617,5	9494,5	10386,4	11206,4	12443,5
Minimum subsistence level (average per capita), rubles per month	6482	6989	7764	8945	10117	10583
Average nominal monthly salary, rubles per month	20309	23246	25528	27214	28046	29863

Note: Composed by the authors from The Novosibirsk region. 2016: brief statistical digest (2016, February 10) and Central statistical database (2017, May/June).

Total number of pensioners in the Novosibirsk region in 2016 was 813 thousand people. In comparison with 2011 this indicator has grown by 8.5%.

The average scale of pension for the old-age pension recipients staying on the registry in the system of the Russian Federation Pension Fund in 2016 was 12,443.5; that is 57% higher, than in 2011; this corresponds to the parameter for the Russian Federation.

In 2011-2013 the size of an old-age pension in the Novosibirsk region exceeded minimum subsistence level for 22-23%. In 2016 the size of an old-age pension in the Novosibirsk region exceeded the size of a subsistence minimum (10,583 rubles) for 17.6%. It says that the position of pensioners is getting worse.

The average size of pension in the Novosibirsk region falls behind the average monthly salary by 2.5 times. This indicator is less, than on average in Russia; however, unfortunately, it occurs because the size of the salary is lower than in general across the country.

6.3. Participation of the state in the elderly population material security

As it was already noted, the social state is obliged to take care of the citizens, especially of those who cannot independently ensure their financial security. In this regard the designated tendency of aging of the population leads to a number of negative consequences, one of which is the risk of increase in expenses of the budgetary system on funding social obligations, including pension obligations, social and medical insurance, and social care.

Expenses on pensions funding have always been the largest area of social expenses. However maintenance costs of the elderly people are funded not only by means of the pension fund, but also using the federal budget.

Table 05. The Russian Federation budget expenses, billion rubles

Parameter name	2011	2012	2013	2014	2015	2016
Total federal budget expenses	10,925.6	12,895.0	13,342.9	14,831.6	15,620.3	16,416.4
Social policy expenses	3,128.5	3,859.8	3,833.1	3,452.4	4,265.3	4,588.5

Adopted from: Brief information on the federal budget execution, 2017 (2017, July 10).

According to data given in the table 5 the increase in the social policy expenses of the Russian Federation is being observed since 2014. In 2016 the expenses made 4.59 trillion rubles. In 2017 the planned expenses amount to 5.07 trillion rubles (Simonyan, 2016). According to the project, 4.96 trillion and 5.05 trillion rubles are planned for 2018 and 2019 respectively.

In 2017 3.63 trillion rubles are planned to provide pensions, which is 570 billion rubles more than in 2016. The project assumes that in 2018 and 2019 3.48 trillion and 3.6 trillion rubles will be respectively allocated for pensions. In particular in 2017 3.47 trillion rubles are planned for development of pension system (which is 500 billion rubles more than in 2016). These expenses include the interbudgetary transfers for the state pension payments, additional payments for pensions, compulsory pension insurance and lump sums. Also within implementation of the state program "Social support of citizens" 126.2 billion rubles go for social extra payments for pensions. 982.8 billion rubles will be directed to the social service of Russians which is 38.4 billion rubles more than in 2016. Besides in 2017 expenses on implementation of the state program "Available environment" will increase by 0.9 billion rubles and will account 11.8 billion rubles (Simonyan, 2016).

But, despite the positive dynamics of the federal budget expenses on social policy, rates of their growth lag behind growth rates of the amount of retirement age people; and this demonstrates lack of the state social policy efficiency.

Besides it must be noticed that at the moment budgets are in difficult situation and it is impossible to achieve high standard of living for elderly people without reaching the high level of economic development (Silifonova et al, 2016). Therefore, to increase budget expenses in the conditions of reducing number of working population it is necessary to provide high rates of economic growth of intensive type.

In the circumstances, one of ways to eliminate negative financial consequences, including risks of increase in budget system expenses, is to rise the retirement age.

Since January 1, 2017 the retirement age is being gradually raised up to 65 for men and to 63 for women, granting the right for appointment and payment of an insurance old-age pension for the persons holding the state and municipal positions (Filimonov, 2017).

However it must be kept in mind that increase in a retirement age can negatively affect the welfare of the elderly. At the moment people of pre-retirement age experience difficulties in employment; moreover, raising the retirement age can lead to increase in number of unemployed citizens.

7. Conclusion

According to the Elderly Quality of Life Index in 2015 Russia was rated 65th.

The situation is getting worse as the elderly population growth rates are continuing to increase above the rates of entire population growth, both in the Russian Federation and in the Novosibirsk region.

Increase in number of persons of pensionable age leads to increasing demographic pressure on working age population. In 2006 the ratio of pensioners to 1000 people of working-age amounted to 326.2 people; in 2016 - 427.4 people.

The scale of pension in modern Russia is insufficient to maintain the decent standard of living for the elderly. In 2016 the size of an old-age pension in the Russian Federation exceeded minimum subsistence level for 32% and amounted to 35% of the average monthly salary.

It is the state that is obliged to take care of the welfare of its citizens. So the state is increasing the budget system expenses, targeting on effective managing this task. However the expenses growth rates are insufficient. To change the situation it is necessary to provide high rates of intensive economic growth.

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