

SOCIAL DEVELOPMENT

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Methodology and mechanisms of funding the social welfare system in the Northern regions

The article deals with the notion 'social assistance' as a form of social protection. It gives the definition of the concept 'social assistance measures' and analyzes such forms of social assistance as regular monetary payments, lump-sum payments and monetary compensation provided in the Northern regions. Besides, the article analyzes expenditure obligations of the Russian Federation and its subjects on the provision of social assistance measures. Furthermore, it determines the dynamics of structural changes in the categories of population receiving social support in the Northern regions for the period from 2012 to 2020.

Social protection of population, social assistance, regular monetary payment, lump-sum payment, monetary compensation, targeted social assistance.



**Valentina V.
TIKHOMIROVA**

Ph.D. in Economics, Senior Scientific Associate at the Institute of Socio-Economic and Energy Problems of the North Komi Science Centre, Ural RAS Department
tikhomirova@iespn.komisc.ru

Implementation of social support measures provided to different population groups in Russia's Northern territories is specified by the region, as it is determined by the level of socio-economic development of the territory, characteristics of various-level budgeting, prerogatives of federal and regional authorities in the sphere of social protection, which is the field of shared responsibility.

Great practical experience in the usage of different forms and methods of budgetary support of the population entitled to benefits has been accumulated in the Northern

regions by now. Legislative and regulatory framework governing measures on social security has been formed. Diverse network of institutions providing social services to certain population groups has been established. There are, however, factors significantly reducing efficiency of social support measures, such as the lack of balance between federal and regional social programmes, uneven distribution of expenditure obligations on social support provided by the Russian Federation and RF constituent entities; insufficient level of retirement benefits from federal sources that

requires regional authorities to take additional measures to raise non-working pensioners' income to the subsistence level. The most vulnerable group of population with income below the subsistence level is not affected sufficiently by social support. The task of providing targeted social support has not been solved so far. The common feature of RF constituent entities with varying levels of budget allocation sufficiency is the prevalence of categorical social support measures in the structure of social security expenditures.

The legislative framework is the basis for state social security regulation. Legislators present social support as one of the forms of a broader concept "social security".

The term "social security" does not have a single regulatory meaning yet, therefore it is interpreted quite differently in academic circles demonstrating that "the specified social phenomenon is complex and diverse" [1].

Some authors consider the content of the term "social support" broader, than that of the term "social security" [2]; others, on the contrary, narrow it greatly defining social support as a form of supplemental assistance to people facing difficult life situation, and not to those living below the subsistence level. Social support is poorly regulated by normative-legal documents.

According to the majority of specialists, however, social support is provided to low-income citizens in financial distress in the form of monetary payments, in-kind assistance, benefits, services and, as a rule, is of short-term nature [4].

In general, three main tasks of social support system are the following:

- to provide support to people, who have made outstanding contributions to the state;
- to make insurance-like payments (pensions, temporary disablement allowance, benefits for harsh environmental and hazardous working conditions);

- to carry out social services for disabled population group not provided with adequate family support, including certain benefit payments of such as child benefits, benefits to families with three or more children and single-parent families, etc.

The latter task is of the lowest priority and is poorly financed. As a result, low-income (needy) population groups have limited access to resources reallocated through allowance and benefits system.

The content of social support, according to the author, practically coincides with the content of social assistance, but differs nominally by legal formalization and sources of financing.

Hence, social support measures are defined as a complex of activities, carried out as a part of social security programme within the framework of the state's social policy and aimed at providing assistance to certain population groups in accordance with the legislative and regulatory acts of the Russian Federation and RF constituent entities.

Financial security of the social support system (income generation and use) is carried out through the set of corresponding financial institutions [5]. Therefore, the system of social support should be regarded as a financial institution from the institutional point of view, as it is based on money relations (finance) and requires financial security.

State sources constitute the major part of social support funding sources, and they are allocated from budgetary and non-budgetary funds.

Federal Laws No. 122-FL of August 22, 2004, No. 122-FL of July 23, 2005, No. 67-FL of May 9, 2006 introduced amendments to the legislative acts of the Russian Federation envisaging changes from in-kind benefits provided to certain population groups to monetary compensations, as well as the division of expenditure commitments providing social support measures by levels of the budgetary system.

Thus, firstly, the law made a clear distinction of expenditure powers between federal, regional, and municipal levels of authorities. Secondly, expenditure commitments assigned to the federal budget in the field of social support were reduced, unfunded mandates were eliminated. Thirdly, ensuring the conformity of budgets profits and new expenditure powers became the responsibility of regional and local authorities. Finally, in order to improve accountability and increase transparency of financial flows, certain types of in-kind benefits were transferred into monetary compensations [6].

Distribution of powers on social support resulted in the distribution of all welfare recipients into two levels of responsibility – of the federal government and of the RF entities. The group of “federal welfare recipients” comprises veterans and disabled persons of the Great Patriotic War, veterans of military actions, family members of dead war veterans, Heroes of the USSR and the Russian Federation, Heroes of Socialist Labour, Full Cavaliers of the Orders of Glory and the Orders of Labour Glory, honorary donors, victims of radiation accidents and nuclear disasters, the disabled (including children with disabilities).

Powers regulating the implementation and financing of measures providing social support to “regional welfare recipients”, i.e. labour veterans, home front workers, rehabilitees and victims of political repressions, were allocated to RF constituent entities.

Moreover, social support and services provided to the elderly and the disabled, families with children, orphans, poor and socially vulnerable population groups, as well as the development of regional standards in the rent subsidies programme have fallen under the jurisdiction of regions.

Thus, once the Federal Law No. 122-FL had been issued, the law on veterans underwent the most substantial reduction, with the two largest categories of welfare recipients – labour veterans and home front workers, being

excluded. These groups were attributed to the RF entities, due to the distribution of powers between the federal centre and constituent entities of the Russian Federation.[7].

At present, the system regulating social support reflects such *indicators* as population groups entitled to social support; the number of welfare recipients at regional and federal levels; dynamics of social support expenditures; territorial and socio-demographic differentiation of population; rate of population growth.

Expenses on the implementation of social support measures is an ongoing priority within budget commitments of the Northern regions.

Thereupon, it is appropriate to analyze the dynamics of the number of certain population groups and expenditure commitments of the Russian Federation and RF constituent entities on the measures regulating social support.

The forms of social support are distinguished as following: *regular monetary payment; lump-sum payment; money compensation.*

Regular monetary payment is defined as payment, introduced due to the changes in the form of social benefits, as well as all kinds of payments (extra-payments), provided to certain categories of citizens at regular intervals (monthly or quarterly) in accordance with the regulatory acts of RF constituent entities, except for monetary compensations [8].

According to Rosstat data [9], the total number of certain population categories receiving *regular* monetary payments, as a whole across the Russian Federation in 2008 was 18446 thousand people, i.e. 743 thousand people more as compared to the year 2007, with 1046 thousand (5.7%) welfare recipients in the Northern regions. Out of the total number of individuals in the Northern territories entitled to benefits and receiving regular monetary compensations, only 13.5 (1.3%) thousand people fall under the jurisdiction of the Russian Federation. The largest number of welfare recipients are in Khanty-Mansi Autonomous Okrug (6.1 thousand) and in the Sakhalin Oblast (3.3 thousand).

The sum of regular monetary payments in Northern regions in 2007 ranged from 100 to 2518 rubles in the Republic of Sakha per month per one welfare recipient, and in 2010 from 100 rubles in Kamchatka Krai to 19566 rubles in Yamalo-Nenets Autonomous Okrug, depending on the category of recipients.

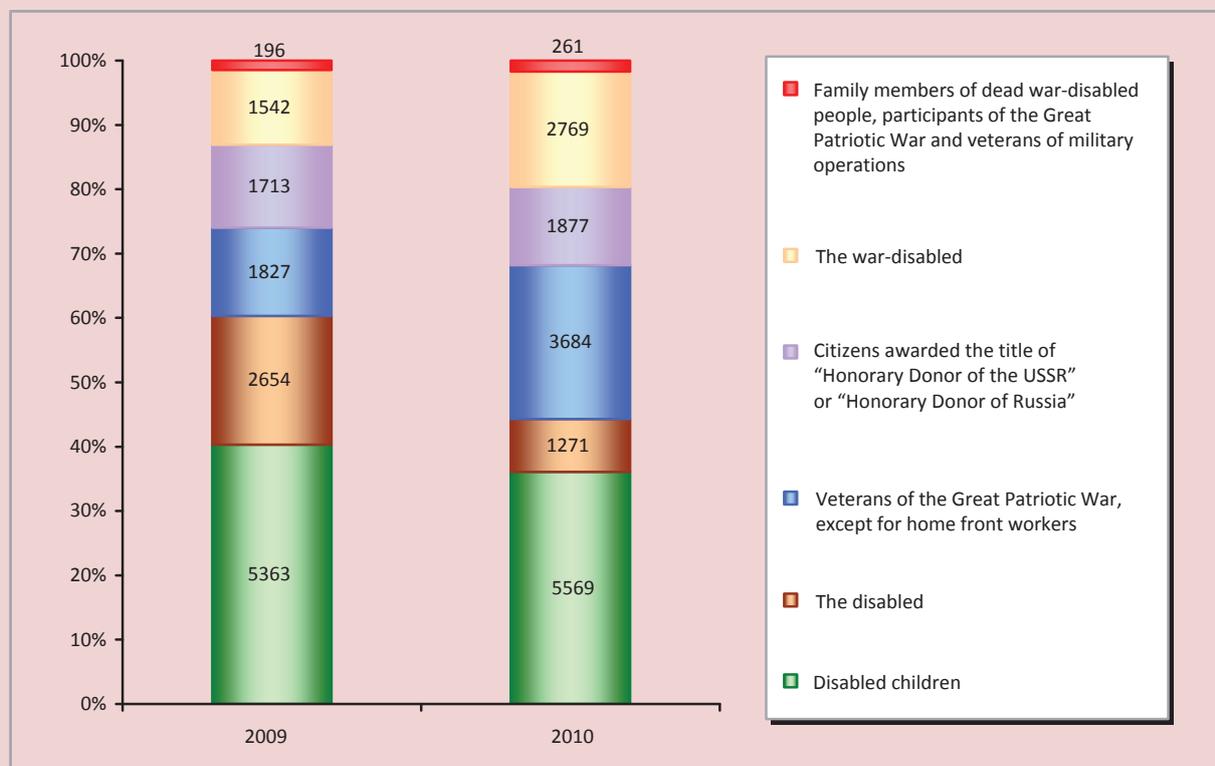
According to Rosstat data, the total number of individuals receiving regular monetary payment and falling under the jurisdiction of the Russian Federation made up 12.8 thousand in 2009, and 1.6 thousand in 2010, which is 9.4% less as of the last year level. This change occurred due to reducing number of the war-disabled (216 people), the disabled (747 people) and children with disabilities (281 people). The total volume of regular payments by the Northern regions comprising 13.3 million rubles in 2009, increased by 13.9% in 2010. The average amount of regular monetary payments

amounted to 1042 rubles in 2009, and has increased to 1333 rubles per a recipient in 2010. Disabled children, disabled war veterans, and veterans of the Great Patriotic War accounted for the largest volume of payments (*fig. 1*).

The largest number of the war-disabled in 2010 was registered in Khanty-Mansi Autonomous Okrug (595 people) and in the Republic of Sakha (509 people), of the disabled – in the Republic of Sakha (533 people), of children with disabilities – in Khanty-Mansi Autonomous Okrug (4.6 thousand people). The Sakhalin Oblast accounted for a significant number of the Great Patriotic War veterans (1018 people) and citizens awarded the title of “Honorary donor of Russia” (2410 people).

The total number of certain population categories receiving *regular* monetary payments and falling under *the jurisdiction of RF constituent entities* has increased from 617.7

Figure 1. The amount of regular monetary payments under the jurisdiction of the Russian Federation, thsd. rub.



to 662.9 thousand people in the period from 2007 to 2010, i.e. by 6.9%. On average, the number of welfare recipients in the Northern regions increased annually by 1.7%.

The total amount of payments for the period under review rose by 23.3%, from 290.6 to 379.0 million rubles. On average, the volume of payments grew by 5.8% per year.

In 2010 in the Northern regions, labour veterans received from 90.4% to 94.1% of regular monetary payments, home front workers received from 3.9% to 6.1%, and rehabilitees received from 1.8% to 2.5% (fig. 2). The largest volume of payments to labour veterans was registered in the Arkhangelsk (98.9%) and Murmansk (98.1%) oblasts. The exception is the Republic of Sakha, where 100% of the payments are received by home front workers.

The analysis of the data above suggests that the expenditure commitments of the Russian Federation with regard to regular monetary payouts cover an insignificant number of welfare recipients of the Northern regions, that has been annually decreasing due to natural

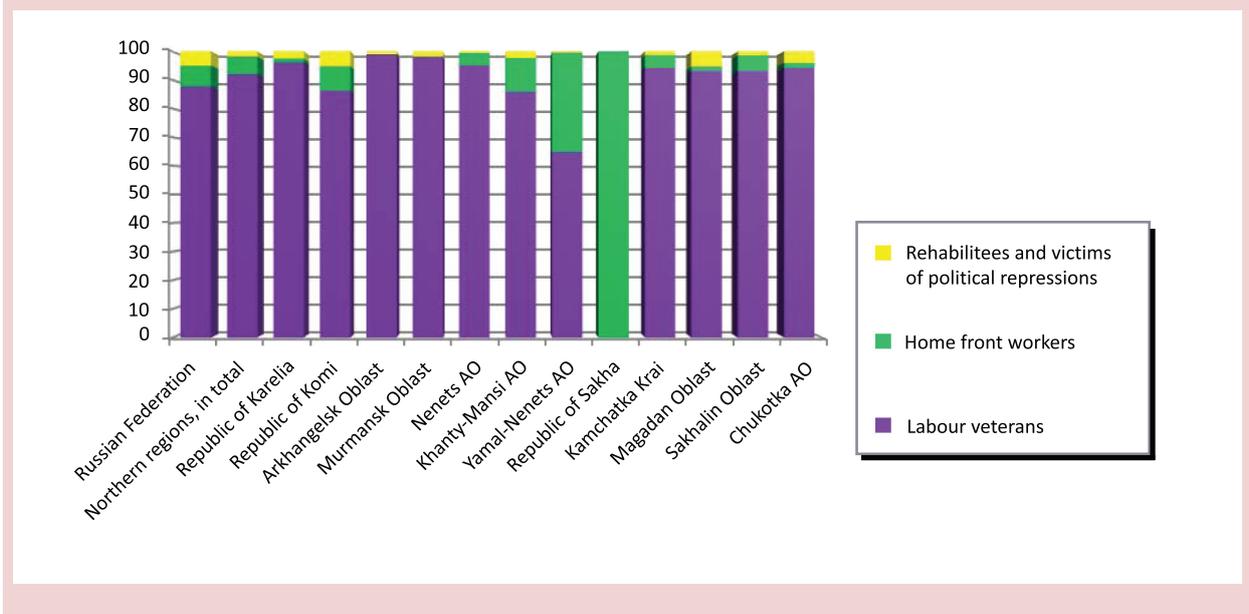
loss among such population categories, as the war-disabled, the disabled, and children with disabilities. The total amount of these payments is insignificant and in 2010 made up only 4% of the expenditure commitments of RF constituent entities, that became responsible for payments to the largest categories of welfare recipients, i.e. labour veterans and home front workers.

Another form of social support is *lump-sum payment*, which is defined as a sum of money paid at once and in whole, not by parts; form of monetary compensation of the losses; insurance lump-sum benefit [8].

According to Rosstat data, the total amount of individuals receiving lump-sum payment made up 223.5 thousand in 2007. Only 26% out of the given number are welfare recipients under the jurisdiction of the Russian Federation, accounting for 11.6% of the total amount.

The number of individuals entitled to this type of social support, increased to 289.7 thousand people, i.e. by 22.9% in 2008, with 83.5% of them falling under the jurisdiction of RF constituent entities.

Figure 2. The amount of regular monetary payments under the jurisdiction of the RF entities, 2010, thsd. rub.



The number of lump-sum payment recipients under the jurisdiction of RF constituent entities, was 80.9 thousand people in 2009. The total volume of payments in all Northern regions as a whole reached 490 million rubles. Home front workers received the main share of payments (92.7%), labour veterans – 6.6%, and rehabilitees and victims of political repressions – 0.7%. On average, home front workers received the highest lump-sum payments (21753 rubles). They follow by rehabilitees with 1556 rubles, and labour veterans with 556 rubles per one recipient. Though being insignificant, the payment was received mostly by labour veterans (57.9 thousand people, or 71.6%). In the Murmansk Oblast labour veterans receive 84.9% of payment funds. In some regions, such as the Republic of Sakha (Yakutia), Kamchatka Krai, Nenets and Khanty-Mansi autonomous okrugs home front workers are the only ones to receive lump-sum payment.

The number of lump-sum payment recipients in the Northern regions increased by 25.9 thousand people and reached 106.9 thousand people in 2010, due to a significant increase in the number of home front workers, that rose by 28 thousand as compared to the 2009 level. In the total volume of spent funds, however, their share decreased by 18.7% as compared to the last year level and made up 74%.

Average amount of lump-sum payment per a recipient sharply decreased: from 21753 rubles to 1348 rubles, i.e. 16 times. Lump-sum payment was made only to home front workers in practically all Northern regions. The only exceptions were the Murmansk Oblast, with 86.1% of the funds paid to the labour veterans, and Yamalo-Nenets Autonomous Okrug, with 4.4% of payments received by rehabilitees.

The above-stated information indicates that, often, subjects of management do not have necessary statistical data on the number of individuals, entitled to social support by

categories that in many cases results in inefficiency of social policy when making strategic decisions.

Social monetary compensation is another type of social support. *Compensation* [from lat. “compensation”] is defined in the dictionary as repayment or remuneration [10]. In Russian economic literature and in practice the term is mostly used in the meaning of “compensation”. The meaning is stipulated in the Labour Code of the Russian Federation, in which compensation is defined as monetary payment, implemented in order to reimburse expenses to employees, and related to fulfillment of labour duties or other forms of duties envisaged by the Federal Law by the Federal law [11].

Rosstat interprets *monetary compensation* as a complete or partial targeted reimbursement of expenses for purchase of goods and services paid to individuals.

Social compensations are targeted at certain population groups, including:

- participants of the Great Patriotic War and home front workers in the Great Patriotic War given the same status;
- mothers and widows of soldiers, who died during the Great Patriotic War and in peacetime;
- former underage prisoners of fascism;
- victims of political repressions;
- victims of radiation accidents;
- other population groups.

Since the budgets of different levels and funds (mainly the federal and local budgets, the Pension Fund of the Russian Federation) are the sources of different types of compensations and indexations, it is impossible to keep track of and assess the extent of compensation payments to the fullest. Remunerations of financial character, i.e. having monetary value are used as compensation. The expression “of financial character” highlights the idea that the compensation payouts are accompanied by formation of financial relations. The latter are associated with the movement of cash flows, use

of money funds for financing of compensation payments, regardless of the form (cash, in-kind, or services) they were made in each specific case.

The compensation payments are as follows: use of urban, suburban and intercity transport; purchase of medicines; sanatorium and health resort treatment; phone subscription fee; food, purchase of clothes, shoes and articles of prime necessity; manufacturing and repair of dentures; installation of house telephone; other purposes.

According to Rosstat data, the total number of welfare recipients falling under the jurisdiction of the Russian Federation in the Northern regions made up 640 thousand people in 2007, and rose by 64.4% and reached 993.7 thousand people in 2010. In the period under review the given indicator grew by 19.5% from 6.5 million people to 7.8 million people throughout the country. Northerners comprised 12% out of the total number of Russian citizens provided with financial support in the form of compensation payments in 2010, illustrating considerable expenditure commitments of the subjects of the Northern territories with regard to social support measures.

The largest number of individuals receiving compensation payments falls on the Republic of Sakha (377 thousand people), Kamchatka Krai (144 thousand), and Khanty-Mansi Autonomous Okrug (110 thousand).

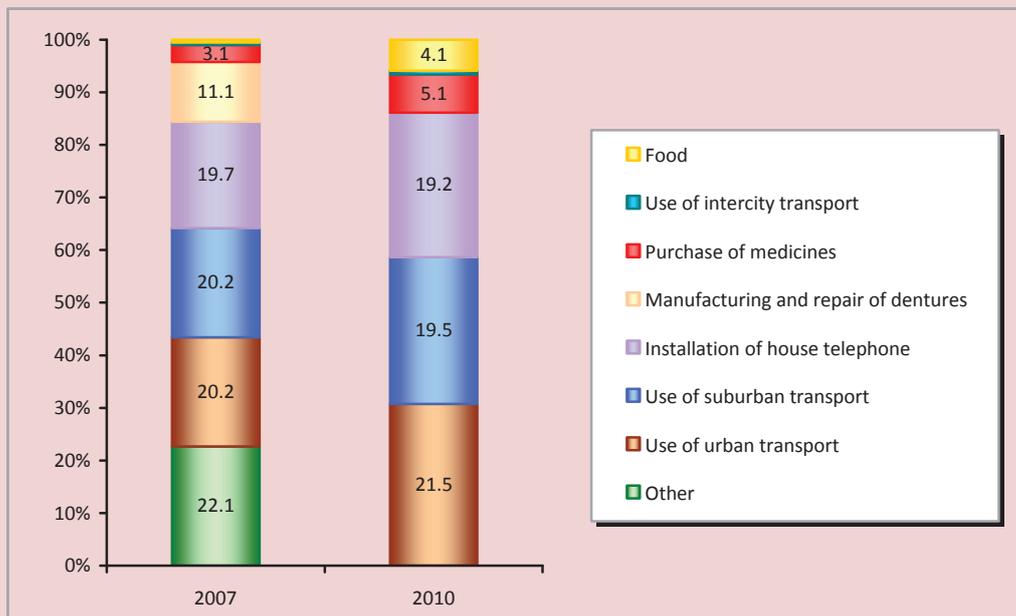
The largest share of compensation recipients out of total population was observed in Kamchatka Krai (44.8%), the Republic of Sakha (39.3%), and Nenets AO (32.9%), and the smallest share was registered in the Magadan and Murmansk oblasts (0.6 – 1.8%). Compensation payments are not practically carried out in Chukotka AO (*tab. 1*).

In 2007 – 2010 period a considerable share of welfare recipients used the benefit for travelling by urban and suburban transport, which makes 40% out of total compensation payments and remains almost without changes during the period (*fig. 3*) with compensation payments provided to 84.6% of all compensation recipients in the Murmansk Oblast, 56.4% of the recipients in Kamchatka Krai, and 54.2% in the Republic of Sakha. This fact is explained by very low population density in the named regions and high demand for transportation communications.

Table 1. The number of individuals receiving compensation payments out of the total population in 2010

| Regions | The total population, thousand people | The number of compensation recipients, thousand people | The number of compensation recipients out of total population, % |
|----------------------------|---------------------------------------|--|--|
| Russia, in total | 142938.3 | 7765 | 5.4 |
| Northern regions, in total | 7617.1 | 933.7 | 12.3 |
| Republic of Karelia | 646.1 | 63.9 | 9.9 |
| Republic of Komi | 904.1 | 40.5 | 4.5 |
| Arkhangelsk Oblast | 1187.9 | 112.5 | 9.5 |
| Murmansk Oblast | 798.2 | 14.4 | 1.8 |
| Nenets AO | 42.6 | 14.0 | 32.9 |
| Khanty-Mansi AO | 1527.3 | 109.6 | 7.2 |
| Yamalo-Nenets AO | 523.7 | 18.2 | 3.5 |
| Republic of Sakha | 958.2 | 377.0 | 39.3 |
| Kamchatka Krai | 321.7 | 144.0 | 44.8 |
| Magadan Oblast | 157.6 | 1.0 | 0.6 |
| Sakhalin Oblast | 498.9 | 38.6 | 7.7 |
| Chukotka AO | 50.8 | 0.0 | - |

Figure 3. Share of payments by compensation types in 2007, 2010, %



The next most important type of compensation is phone subscription benefit. Its share remained at the level of 19% throughout the analyzed period. However, this kind of benefit is only made in three Northern regions (Kamchatka Krai, the Republic of Sakha and Yamalo-Nenets Autonomous Okrug), whereas in other regions it has been abolished. Nevertheless, such type of compensation as the installation of house telephone has been introduced, with the share of 27.3% out of total compensation payments throughout the Northern regions. It is necessary to note, that this type of compensation was paid by all Northern regions, without exception. The largest share of the benefit is in Nenets (94.6%) and Khanty-Mansi autonomous okrugs (80.9%), the Arkhangelsk Oblast (66.1%) and the Republic of Komi (57.7%).

The percentage of medicines benefits has increased from 3.1% to 5.1%. The highest number of individuals receiving this kind of benefit was registered in the Magadan Oblast (74.6%), the Republic of Karelia (63.5%) and the Republic of Komi (24.5%).

In the period under review, the share of individuals receiving sanatorium and health resort treatment benefit decreased from 0.9 to 0.4%. The benefit is present only in two Northern regions – the Republic of Komi (13.3%), and the Murmansk Oblast (4.5%). Food expenditures increased considerably, with the Sakhalin Oblast being the leader (98.8% of the benefit recipients).

Thus, the analysis conducted has shown that the most financed types of compensation payments are the following: travelling by urban and suburban transport, phone subscription fee and installation of house phone. There are regions, in which the funds are directed mostly to one type of payment, i.e. the Sakhalin Oblast (food – 98.8%), the Murmansk Oblast (use of urban transport – 84.6%), the Magadan Oblast (the purchase of medicines – 74.6%). Such cost-based payments as sanatorium and health resort treatment, purchase of medicines, clothes, shoes and articles of prime necessity, manufacturing and repair of dentures are not carried out in most Northern regions, which is determined by socio-economic development level of these regions.

Based on the Rosstat population forecast for the 2012 – 2020 period, the dynamics of structural changes within the groups of social support recipients in the Northern regions was revealed by the author, who adjusted the Rosstat calculation of expected population size in three variants (low, medium, high) proceeding from the size and categories of resident population as of the beginning of 2009 taking into account Russia's 2010 Census data. [12].

The *medium* forecast scenario is considered the most likely and is accepted as the base one. The population forecast by the Northern regions was made for the 2012 – 2020 period.

According to Rosstat data, *average population size* in the Northern regions will be steadily declining up to the year 2020. The only exception is four Northern regions, where sustained population growth is expected: Khanty-Mansi AO (11.2%), Yamalo-Nenets AO (10.9%) and Nenets AO (2.8%), and the Republic of Sakha (1.5%) (*tab. 2*).

Population has been growing in these regions due to migration and natural increase processes over the years. Population growth throughout Russia's northern regions will make up 0.3% (7631.8 thousand people).

Population growth forecast by groups. The important characteristic of socio-demographic processes is the age structure of population that will undergo serious changes. According to the medium forecast scenario, in the Northern regions *average size of population under working age will increase* by 1556.7 persons (9.4%) by the year 2020. In Russia growth rate will amount to 11.8% (*tab. 3*).

According to the table, five top regions are: Khanti-Mansi AO (20.5%), Yamalo-Nenets AO (16.8%) and Nenets AO (15.5%), the Republic of Sakha (9.6%).

Growth rates in other Northern regions will be fluctuating from 2% (the Sakhalin Oblast) to 5.9% (the Murmansk Oblast). The exception is Chukotka AO, with the size of population under working age declining by 2.8%.

Population aging generally typical for the country becomes a serious issue for the Northern territories, as well. Considering growth of population under working-age, and significant increase of retirement-age individuals in almost every region, *working age population will decrease* considerably.

Maximum reduction in the number of working-age population will be observed in

Table 2. Population growth rates in Russia's Northern regions by 2020, %

| Regions | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---------------------|------|------|------|------|------|------|-------|-------|-------|
| Russia | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | -0.1 | -0.1 |
| Northern regions | 0.1 | 0.1 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Republic of Karelia | -0.4 | -0.9 | -1.3 | -1.7 | -2.2 | -2.7 | -3.2 | -3.8 | -4.3 |
| Republic of Komi | -0.6 | -1.1 | -1.6 | -2.2 | -2.7 | -3.3 | -3.9 | -4.4 | -5.0 |
| Arkhangelsk Oblast | -0.5 | -1.0 | -1.5 | -2.0 | -2.6 | -3.2 | -3.7 | -4.3 | -4.9 |
| Nenets AO | 0.5 | 0.9 | 1.2 | 1.7 | 1.9 | 2.1 | 2.4 | 2.6 | 2.8 |
| Murmansk Oblast | -0.4 | -0.8 | -1.2 | -1.6 | -2.0 | -2.4 | -2.9 | -3.3 | -3.7 |
| Khanty-Mansi AO | 1.3 | 2.6 | 3.9 | 5.2 | 6.5 | 7.6 | 8.8 | 10.0 | 11.2 |
| Yamalo-Nenets AO | 1.1 | 2.3 | 3.6 | 4.8 | 6.1 | 7.3 | 8.5 | 9.7 | 10.9 |
| Republic of Sakha | 0.2 | 0.4 | 0.6 | 0.8 | 0.9 | 1.1 | 1.2 | 1.4 | 1.5 |
| Kamchatka Krai | -0.3 | -0.6 | -1.0 | -1.3 | -1.7 | -2.1 | -2.5 | -2.9 | -3.3 |
| Magadan Oblast | -0.5 | -1.1 | -1.6 | -2.1 | -2.6 | -3.1 | -3.6 | -4.1 | -4.6 |
| Sakhalin Oblast | -0.7 | -1.4 | -2.1 | -2.8 | -3.5 | -4.3 | -5.1 | -5.8 | -6.6 |
| Chukotka AO | -1.7 | -3.4 | -4.9 | -6.6 | -8.0 | -9.5 | -11.0 | -12.5 | -14.0 |

Table 3. Growth rate of population under working age by 2020, %

| Regions | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---------------------|------|------|------|------|------|------|------|------|------|
| Russia | 3.2 | 5.0 | 6.5 | 8.2 | 9.7 | 10.2 | 10.7 | 11.2 | 11.8 |
| Northern regions | 2.7 | 4.1 | 5.4 | 6.9 | 8.1 | 8.4 | 8.8 | 9.1 | 9.4 |
| Republic of Karelia | 2.3 | 3.5 | 4.5 | 5.6 | 6.2 | 5.6 | 5.1 | 4.5 | 4.0 |
| Republic of Komi | 1.6 | 2.5 | 3.1 | 4.0 | 4.6 | 4.3 | 3.9 | 3.6 | 3.2 |
| Arkhangelsk Oblast | 2.3 | 3.4 | 4.2 | 5.2 | 5.8 | 5.3 | 4.8 | 4.2 | 3.7 |
| Nenets AO | 3.1 | 5.2 | 7.2 | 9.3 | 11.3 | 12.4 | 13.4 | 14.4 | 15.5 |
| Murmansk Oblast | 1.9 | 3.0 | 4.0 | 5.2 | 6.0 | 6.0 | 5.9 | 5.9 | 5.9 |
| Khanty-Mansi AO | 5.0 | 7.6 | 9.9 | 12.5 | 14.9 | 16.3 | 17.7 | 19.1 | 20.5 |
| Yamalo-Nenets AO | 3.0 | 4.9 | 6.7 | 8.7 | 10.9 | 12.4 | 13.8 | 15.3 | 16.8 |
| Republic of Sakha | 1.8 | 2.9 | 4.1 | 5.6 | 6.8 | 7.5 | 8.2 | 8.9 | 9.6 |
| Kamchatka Krai | 1.9 | 2.9 | 3.4 | 4.3 | 5.2 | 5.2 | 5.2 | 5.2 | 5.2 |
| Magadan Oblast | 1.8 | 2.9 | 3.2 | 4.3 | 4.7 | 4.6 | 4.5 | 4.4 | 4.3 |
| Sakhalin Oblast | 1.5 | 2.5 | 3.0 | 3.8 | 4.0 | 3.5 | 3.0 | 2.5 | 2.0 |
| Chukotka AO | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.0 | -0.9 | -1.9 | -2.8 |

Table 4. Growth rate of working age population by 2020, %

| Regions | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---------------------|------|------|-------|-------|-------|-------|-------|-------|-------|
| Russia | -2.1 | -3.3 | -4.5 | -5.7 | -6.9 | -7.8 | -8.6 | -9.5 | -10.4 |
| Northern regions | -2.3 | -3.4 | -4.6 | -5.8 | -6.8 | -7.4 | -8.0 | -8.7 | -9.3 |
| Republic of Karelia | -3.2 | -4.9 | -6.6 | -8.4 | -9.9 | -11.1 | -12.2 | -13.3 | -14.5 |
| Republic of Komi | -3.4 | -5.1 | -6.7 | -8.4 | -9.9 | -10.9 | -12.0 | -13.1 | -14.1 |
| Arkhangelsk Oblast | -3.7 | -5.5 | -7.3 | -9.2 | -10.9 | -12.1 | -13.3 | -14.5 | -15.8 |
| Nenets AO | -2.6 | -4.1 | -5.3 | -6.8 | -7.9 | -8.8 | -9.8 | -10.7 | -11.7 |
| Murmansk Oblast | -3.0 | -4.4 | -5.9 | -7.3 | -8.5 | -9.3 | -10.1 | -10.9 | -11.7 |
| Khanty-Mansi AO | -0.2 | -0.3 | -0.5 | -0.8 | -0.9 | -0.7 | -0.4 | -0.1 | 0.1 |
| Yamalo-Nenets AO | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.7 | 1.2 | 1.7 | 2.2 |
| Republic of Sakha | -1.8 | -2.7 | -3.7 | -4.9 | -5.9 | -6.6 | -7.2 | -7.9 | -8.5 |
| Kamchatka Krai | -2.8 | -4.2 | -5.4 | -6.7 | -8.0 | -8.9 | -9.9 | -10.8 | -11.7 |
| Magadan Oblast | -3.8 | -5.6 | -7.1 | -8.7 | -9.9 | -10.8 | -11.7 | -12.5 | -13.4 |
| Sakhalin Oblast | -4.0 | -6.0 | -7.8 | -9.6 | -11.2 | -12.3 | -13.4 | -14.5 | -15.6 |
| Chukotka AO | -6.0 | -8.5 | -11.4 | -13.6 | -15.5 | -17.1 | -18.7 | -20.3 | -21.8 |

Chukotka AO (by 21.8%), the Arkhangelsk (by 15.8%) and Sakhalin (by 15.6%) oblasts, the Republic of Karelia (by 14.5%) and the Republic of Komi (by 14.1%), Yamalo-Nenets AO being the only one with the indicator increasing by 2.2% up to 374.8 thousand people (*tab. 4*).

In general, this population group will reduce by 9.3% and will amount to 4.5 million people throughout the Northern regions by 2020.

Hence, *high growth rate of retirement-age population* throughout Northern regions is forecast by 2020. Specifically significant increase of retirement-age population will

be observed in Yamalo-Nenets AO (75.9%), Khanty-Mansi (74.2%) and Nenets autonomous okrugs (47.5%), the Republic of Sakha (37%). In other Northern regions this indicator will be fluctuating from 2% (the Sakhalin Oblast) to 5.9% (Kamchatka Krai). The exception is Chukotka AO, where retirement-age population will reduce by 1.9%. (*tab. 5*)

This will result in a considerable increase in financial expenses of *local* budgets for social support of the elderly: bringing income level of non-working pensioners to subsistence minimum, benefits and compensation payments, social service provided to the elderly.

Table 5. Growth rate of retirement-age population by 2020, %

| Regions | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---------------------|------|------|------|------|------|------|------|------|------|
| Russia | 4.0 | 6.0 | 8.2 | 10.5 | 12.6 | 14.4 | 16.1 | 17.9 | 19.6 |
| Northern regions | 7.0 | 10.5 | 14.1 | 17.6 | 20.7 | 22.8 | 25.0 | 27.1 | 29.2 |
| Republic of Karelia | 3.7 | 5.7 | 7.8 | 10.0 | 11.9 | 13.2 | 14.5 | 15.8 | 17.1 |
| Republic of Komi | 4.9 | 7.2 | 9.6 | 12.0 | 13.9 | 15.1 | 16.2 | 17.4 | 18.5 |
| Arkhangelsk Oblast | 4.3 | 6.3 | 8.6 | 10.8 | 12.6 | 13.7 | 14.9 | 16.1 | 17.3 |
| Nenets AO | 11.9 | 16.9 | 22.0 | 27.1 | 32.2 | 36.0 | 39.8 | 43.6 | 47.5 |
| Murmansk Oblast | 4.7 | 7.0 | 9.4 | 11.5 | 13.2 | 13.9 | 14.6 | 15.3 | 16.0 |
| Khanty-Mansi AO | 15.9 | 23.8 | 32.4 | 41.0 | 48.9 | 55.2 | 61.6 | 67.9 | 74.2 |
| Yamalo-Nenets AO | 16.6 | 25.2 | 34.2 | 43.4 | 51.9 | 57.9 | 63.9 | 69.9 | 75.9 |
| Republic of Sakha | 8.3 | 12.5 | 16.7 | 21.0 | 25.2 | 28.2 | 31.1 | 34.1 | 37.0 |
| Kamchatka Krai | 5.2 | 7.7 | 9.9 | 12.0 | 13.9 | 15.1 | 16.3 | 17.4 | 18.6 |
| Magadan Oblast | 6.2 | 9.2 | 11.7 | 13.6 | 15.0 | 15.6 | 16.1 | 16.7 | 17.2 |
| Sakhalin Oblast | 4.9 | 6.7 | 8.8 | 10.2 | 11.2 | 11.4 | 11.6 | 11.8 | 12.0 |
| Chukotka AO | 3.8 | 5.7 | 7.5 | 7.5 | 5.7 | 3.8 | 1.9 | 0.0 | -1.9 |

As a result, due to demographic processes, *average annual size of population in the Northern regions*, which is subject to the system of social guarantees, *will be objectively increasing* in the 2012 – 2020 period. It is related both to growing rate of population under working-age (by 1% on average), and overall population ageing (the number of the elderly increase by 2.9%).

The analysis of the dynamics of structural changes within the groups of social support recipients has shown that many individuals, entitled to social benefits will be moving from one group to another. Due to demographic reasons (natural loss), the Russian Federation expenditure commitments will be steadily decreasing, whereas the commitments of the RF constituent entities will be considerably increasing.

Hence, in the course of implementation of the Federal Law No. 122-FL of August 22, 2004 concerning measures of social support provided to regional welfare recipients, the growing tendency of all welfare recipients groups is observed, mostly due to natural increase in the number of the elderly, entitled with “Labour Veteran”. This group of welfare recipients accounts for the largest expense volume from regional budgets. Therefore, the main burden of

providing population with social support weighs heavily on the local authorities.

Thus, the imbalance of resources and commitments at all levels of the RF budget system is the most acute problem, determining socio-economic relations between the state and the society. The federal government faces the task of promoting efficiency of social security system and decreasing social differentiation in order to reduce poverty by means of interbudgetary level equalization.

In this connection, the main method of social security in general and of social support, in particular is the provision of targeted social assistance only to the households with the actual consumption below the subsistence minimum.

In practice, system functioning of social payments in the regions shows that the only possible way to improve its effectiveness is to introduce immediately the targeting principle. The concept of “targeting” in this context is defined as limitation of social support recipients to specific target groups depending on the state priorities concerning social policy at a given stage.

In this case, the targeting principle is opposed to “category approach” with social assistance provided to individuals depending

on the formal type of the group (professional or social-demographic) they belong to, not taking into account the neediness factor.

Boosting social assistance targeting requires the adoption of legislative and organizational measures to limit social support recipients to poor families and poor individuals without families. Corresponding budgetary resources will be formed by means of reduction in non-targeted forms of assistance, as well as socially unjustified benefits and payments.

It should be noted, that the benefits provided for outstanding contributions to the state, such as Heroes of Russia and the Soviet Union, Full Cavaliers of the Orders of Glory, the disabled and participants of the Great Patriotic War are to be preserved [13]. Provision of other benefits should be dependent on the income of the recipients.

In this connection, the amount of social payments should correspond with regional

financial possibilities. The criterion of social advisability providing social security becomes a serious issue, requiring exact definition of those who, due to objective reasons, completely or partially, are not able to take care of themselves and have incomes below the subsistence minimum. Absence of due consideration to the real needs, and maintenance of equalization results in low efficiency of social support, as it is unreasonably distributed among large number of its consumers.

Against the background of the current crisis and in conditions of limited financial resources, conceptual approaches for establishing the social security system (field of activity, a set of indicators, categories of recipients, funding sources and levels of responsibility), as well as quantitative characteristics (the number of recipients, the amount of support) and forms of direct entitlement (cash, in-kind and services) become crucial.

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