

# WHOM CAN WE ENTRUST PENSION SAVING: SOCIOLOGICAL ANALYSIS PRACTICES OF RUSSIAN FEDERATION

Tatiana Radchenko – Lyudmila Voronina

---

## Abstract

The authors address to such sociological category as trust and suggest considering it one of the feasible characteristics of social interaction of different subjects in the system of retirement savings. The subject of the investigation is factors affecting the citizens trust level. Along with the methods of theoretical and statistic analysis the authors use methods of qualitative empirical investigation – discussion focus-groups. They were held in the center of social technologies «Optima» in September 2015 in Yekaterinburg. The results of investigation enable to state that the level of trust of Russian citizens largely depends upon peculiar actions of the state aimed at keeping stability and social order. The execution of social obligations by the state, including pension savings sphere, is a specific indicator of retaining control by the state over the system and actions of its actors. This kind of control enables rising citizens trust level to the state, which performs function of conceptual foresight in crisis instability thereby providing adequate stability level of citizens' social wellbeing. If interaction rules keep on changing, this dramatically will decrease the citizens' level of trust to the actors in the system of retirement savings.

## Keywords

Trust, the state, citizens, retirement savings, focus group.

**JEL Code:** H55, G02, H75 J32

## Introduction

The scale of interaction of citizens and the state in this sphere is one of the reasons of the present investigation. The next reason is connected with large scale revisions in pension saving system and definitely influence the character of social interconnection of citizens and the state rising the level of uncertainty and testing trust between them (for example, Mikucka,; Sarracino & Dubrow, 2017; Mahon, McNeill & Heymann, 2015; Rzhanitsyna, 2015; Simonovits, 2015).

The competencies of pension Russian Pension Fund (RPF) are being changed: it becomes core assets administrator of the saving system. All insurance fees to savings pension come to RPF which transfer these assets to management companies or non-state pension funds due to citizen's

choice. In year 2015 the activity of citizens rose in choosing insurance company or investment portfolio to store pension savings. If in year 2014 RPF received 6,7 million applications from insured persons on the transfer of pension assets, whereas in year 2015 its quantity rose more than in half up to 11,52 million applications. Indirectly, statistic data analysis enables to estimate the level of citizens' trust on the whole to the system itself and its participants as insurers in private management companies and non-state pension funds. Meanwhile statistic analysis gives no reasons to reveal peculiarities of trust display between Russian state, the structures presenting its interests and citizens in the system of pension accruals: estimation of citizens actions, reasons for choosing peculiar insurer and factors effecting this peculiar choice. That's why the authors apply sociological approach for achieving these goals.

To study trust as social phenomenon in the system of pension savings the authors applied methodological approaches of sociologists studying social interaction and its characteristics. In particular, have been used theoretical conclusions of Parsons about the nature of the action which is the element of society dominating culture and under influence of various motives might be of different types: rational, affective, axiological-rational and traditional (Parsons, 2000).

Apart from methodology of T. Parsons the authors have applied theoretical and methodological approaches for studying trust, proved by P.Sztompka and F.Fukuyama. These researches consider trust as a means to minimize risks and transactional costs in the process of different types of social interaction, as well as one of the terms to provide social order and stability in society. The state is considered as a subject of social interactions.

P.Sztompka and F.Fukuyama, developing theoretical conclusions of T.Parsons, prove necessity of social and cultural approach to the theory of action, in particular, to investigation of trust. F.Fukuyama believes that trust is based upon ethnic norms shared by the majority in society. Precisely, ethnic norms, which grow into habit and control daily life he refers to basic norms of social culture affecting economic and social society development. According to F. Fukuyama trust – this is a expectation of society members that the other members would behave more or less predictable, honestly and attentively with regard to the needs of others, according to some general standards (Fukuyama, 2004). By this, estimation value of trust could be corresponding actions including expected ones.

There is a widespread opinion that category of trust is borrowed from psychology, considering trust at personal as interpersonal trust. Analyses of personal decisions of respondents enable to consider trust at social, anonymous level, for which is specific similarity of motives of trust for various groups of clients of non-state pension funds and RPF. Decisions taken by respondents with

regard to their future pension are mostly stipulated by not their physiological peculiarities but social and economic terms and regulations of different social institutions including government.

It would seem that regulators in the system of pension savings refer to economical relation, but we believe their context is much wider than only money and obligations between the state, citizens and businessmen. Rephrasing definition of F.Fukuyama which has been given above, one can say that trust is an expectation of society members that the state will behave more or less predictably, honestly and attentively to the needs of the others, according to general standards in relation to pension savings. P.Sztompka considers trust in the context of actions performed by concrete actors, which are aimed to control other peoples actions and institutions in the absence of predictability and guarantee of expected actions. Trust is a stake in relations of future unpredicted actions of others. «Acting in terms of uncertainty and absence of control we risk, make a stake on something; take a deposit on unsecure, independent future actions of other people. As a result we approach to simple, more general definition of trust: trust is a deposit taken for future unsecure actions of other people (Sztompka, 2012) One can abuse a bank, but if we made a deposit in this bank, we made a stake on it and this is a sign of trust. Consequently, in methodology of P. Sztompka the index of trust or distrust is not a conclusion or personal allegation, but its actions dealing with risk. By this, type of personal action can be active doing or intended undoing of something. Making this or that intended choice, interacting with someone, actor decreases or increases risk level. According to P. Sztompka there are five factors which affect trust to the state. This is historical nation experience, legitimate stability as a basis of existence safety, social order solidity as opposed to fuzziness, coming round pattern of institutions and organizations, responsibility of state bodies and their subjection to the law and finally consecutive implementation of citizens rights (Sztompka, 2005). And developing ideas of P.Sztompka, presume that governments control over regulations stability in the system of pension savings and steady character of social institutions rises role of the state in generating trust not only to themselves but to society on the whole.

## **1 Methodology**

In the list of methodological items there is a choice of sociological investigation method focus groups. Direct «point blank» questioning on such a problem as trust to the state is rather problematic to receive true, sincere respondents' answers. But when these questions arise during active discussion in «warmed up group», during discussion of questions relevant to life projects and wellbeing, than possibility of getting more qualitative information rises, in our opinion. Indirect approach is productive due to the area of research significant for respondents and their future, exactly, pension

savings or their creeping. Overall, according to methodology of this exploration the authors consider most appropriate form in conducting focus groups. All respondents' answers on the trust to the state and corresponding organizations of this system are spontaneous and received during pension provision discussions.

According to the presented methodology were hold four focus groups, related to pension savings and planned citizens' actions on their placement. The focus groups were conducted in the center for sociology «Optima» in Yekaterinburg in September 2015. Respondents were men and women with various social and demographic characteristics, at the age from 25 to 45 who joined labor market and had time and ability to make a clear decision about placement of pension savings. The groups differed by two criteria. 1) What choice makes respondent: RPF or a non-state pension fund 2) What is the character of this choice: active, i.e. respondent makes independent decision on fund choice, or passive choice – the decision is taken for him by employer or his relatives.

Investigation hypotheses:

- 1 In the system of pension savings trust, as one of the features of social interactions of citizens and the state, can be viewed as a sociological category.
- 2 Actions performed by citizens as depositors of pension savings are basically typical: value-conscious, rational and traditional.
- 3 In the situation of economic and social slowdown in the country declines citizens confidence, as depositors of pension savings, to the state and structures presenting its interest i.e. RPF, state management company and Bank of Russia.
- 4 Stability and social order maintenance (law observance, interaction standards adherence, supervision of pension saving system structures) is one of the basic social and cultural parameters in the process of generating citizens trust to Russian state.
- 5 One of the demonstrations of culture of trust is both trust and open expression of distrust of citizens to the state and corresponding actions performed.

To estimate the insight of the respondent in having ability to affect the size of future pension and in what way it is wise to choose the following criteria:

- 1 Motives of choosing RPF as criterion of trust to the state;
- 2 Motives of choosing non-governmental fund as criterion of trust to business structures;
- 3 Motives of denial to choose both RPF and non-governmental fund as distrust criterion.
- 4 To discover rational level on taking decision to choose non-governmental pension fund, it is chosen such criterion as presence of corresponding opinion which of the non-governmental funds deserve greater trust.

There are the following questions suggested for discussion trust to government in the sphere

of pension provision:

1. How is better to dispose of set aside money for old age? Why?
2. Do you think it is possible even now to influence the size of your future pension? If yes, than how?
3. What scenarios dealing with pension topic worry you most of all?
4. What pension fund, state or non-state is better for storing your future pension? Why do you think so?
5. Please, specify advantages of storing pension savings in state pension fund;
6. Please, specify disadvantages of storing pension savings in state pension fund;
7. Please, specify advantages of storing pension savings in non-state pension fund;
8. Please, specify disadvantages of saving pension in a no-state pension fund.
9. What non-state pension funds, do you think, are most trustworthy?

## 2 Results and discussion

1. To value-rational action, by authors' opinion, relates choice of insurer and further citizen's investment of its pension accruals. A citizen must make the following action: choose one of the insurers whom he trusts to invest his future pension: this is RPF, whose interests represents state management company «Vnesheconombank», or private management company, or non-state pension fund. Here is a typical utterance of a value-rational approach citizen.

*«I was matched in year 2013 to non-state pension fund, I was talked into doing it and signed foolishly everything at once. Ok. I calculated later. You know? In state pension fund I would get more. That's why I took myself off in year 2014 from non-state fund and moved to a state one» (Natalie, 46y.o., accountant).* But the carriers of value-rational approach are clients of pension fund of Russia. The state as a guarantor of value-rational choice percept not only clients of RPF, but those who already chose non-state pension fund (Sane & Thomas, 2015).

But in any variant of choice within value-rational action of citizens in the system of pension accrual, they are motivated by such valuables as safety and definite profit. And, certainly, citizens' choice happens under the influence of trust or its absence to concrete participant of pension accruals system.

The second type of actions, performed by citizens in the system of pension accruals one can classify as traditional ones. In this case it is presumed that one of the value attitudes of concrete citizens group, performing as depositors have been formed under the influence of such percepts: «Russian state – is a guarantor of citizens' rights in all spheres», «better to rely upon the state, than upon private organizations». This percept can be steady with definite group of citizens. Despite all social and economic collision, it doesn't change and in fact transforms into category of belief. Thus,

action performed by the representatives of this group can be classified as typical and linked with RPF for installment of pension accruals. *"I believe that in a state one is better, because at least we can try to demand something. So, in general, the state is a bigger guarantor where you can get money back, than, for instance, non-state pension fund» (Anna 22 y.o., teacher).*

Thus, for most of the respondents installment of pension accruals is a conscious choice and value-rational action. Such type of choice is specific for clients of both no-state and state pension funds clients. Traditional type of actions when making installments, providing traditional trust to the state is less frequent and is spread only among depositors of RPF. Hence, there is no close connection of traditional and value-rational type of actions for choosing state or non-state pension fund. For majority of respondents it is typical value-rational approach when choosing insurer. Among the clients of RPF sometimes occurs traditional trust to the state being a motive in choosing insurer.

2. In the process of investigation it is revealed that in the period of uncertainty specific for social and economical decline the institutional level of trust of citizens to the state in the system of pension accruals is not decreased. This level of trust even gets higher, if not in absolute but in relative ratio comparing to the trust to other social institutions that creates at first sight some paradoxical situation. *«It's easier to trust the state than some commercial entities or banks. More guarantees to get money back. I'm rather worrywart person and don't trust any kind of banks to invest money and get my profit for sure. Yes, I 'm afraid can lose money I have collected so long. So, I think, there are more chances to get some result from the state in the end» (Elena, 25y.o, operator).*

P. Sztompka having distinguished five factors determining generation of culture of trust in society didn't range them, which is absolutely justified. Indeed, the weight of each factor depends upon cultural and historical peculiarities of the state and citizens way of life. The influence of these factors is not adequate on generation of trust to the state. For the Russians more important are factors, determining stability and steadiness of social order, as well as responsibility of the state for execution of one's social duties than factors enabling civil society to control the state activity. That's why even with worsening social and economic situation the trust of citizens to the state is not decreasing and even rises in some spheres until the state succeeds provision of relative stability of these parameters.

Some kind of touchstone, which reveals senility of respondents to the factors like stability and solidity of social order is a discussion about «the stormy 90's», which appears practically on every socio-political focus group and appeared spontaneously in the context of analyzed problems. *«Since I've got no abilities to business its better someone think of me. Better, the state, because so many years I overcame in the 1990's, there were cheating, banks crashes, a lot of companies went bankrupts, – better the state. This makes some guarantee that if I'm stuffed into it, than we stay*

together» (Ivan, 43 y.o., assistant director).

The 90's being a byword of democracy formation and flourishing in the meantime for many respondents symbolize weakness of state power and losing control over social and economic development of the country as well as observation of laws. That is why modern social and economic situation with all its complexity and ambiguity comparing to the 90's is perceived by respondents as more preferable. *«I definitely trust the state more, because as practice of the 90's shows if something horrible happens than the state makes some compensations (Ekaterina, 35y.o., lawyer).*

Thereby, the third hypothesis of our investigation that worsening of social and economic situation in the country automatically leads to lowering citizens' level of trust to the state finds no confirmation.

3. Trust is one of the terms of economic development and approaches to correlation of trust and state bodies control are not in doubt. According to the first approach the control from the power and the state as well as trust between the entities of economic relations are mutually opposite regulators of economic activity.

But for us is more interesting another approach according to which trust and control performed by state bodies fill up each other with social functions. The control performed by state bodies and manifesting trust by citizens is the mechanisms of social control. In this situation institution of power is similar to institution of trust in that it can be considered as alternative mechanism for effective coordination of social interactions which help to develop rather stable relations between economic agents involved in cooperation process (Lyasko, 2016).

In the unstable economic situation, the state has got more possibilities to perform control functions including economical ones, and the indicator of such a control is performance of its social obligations by the state. *«The state took some social obligations and it will perform them to some extent, but a non-state company can vanish in a moment. (Evgeniy, 42 y.o. sales manager.)*

In the situation when on the level of real social interaction, we monitor objective conditions of trust crises, inability of individual to control the zone of its environment the role of the state as a system and that institutional trust sets some limits for reproduction of social trust so state control becomes some kind of trust substitution. The participants of discussions confirm it. *«Even if non-state pension fund fails, than the state has nothing to do but to accept the debts of this non-state pension fund and for these desolate people, like us, install some piece to survive, in other way there will be lots of beggars and poverty. Something like this. (Julia, 38y.o. technologist).*

4. The form of trust to a citizen is admissibility to tell him what you think of him, without fear for circumstances. Institutionalization of mistrust expressed in critical estimation of state activity both from citizens and from opposing parties more likely contributes to development of trust culture in

society than hidden mistrust or absolute trust.

Here one can agree with P.Sztompka's theory stipulations, that for normal society development it is important not only trust, but distrust. P. Sztompka is sure that one of the paradoxes of democracy is in close interconnection of trust and distrust culture as institutionalization of distrust generates trust. Functional provision of this connection is based that distrust to the power is not hidden and nor suppressed, but entered into institutional frames, that's mistrust possesses the right in the society that trust has. On the other side a citizen is not fully trusted as well, in the sense that power doesn't trust his spontaneous law-abiding behavior. This mutual distrust generates the culture of distrust (Myshlyayeva, 2006).

Public opinion of Russian people is non-uniform and often polarized that was revealed during focus groups discussions. Along with the answers of majority respondents reflecting the position of trust to the state as regulator in the system of pension savings, it was revealed position of some respondents characterized by extreme distrust to the state. It was spontaneously uttered during informal discussion: *«I know; I won't get much from the state. Especially after half of the pension fund was injected into Crimea. What else to expect? What else we need to attach? Alaska? Will money go there? I've got no answer. I don't trust our state not a bit. All I deduct I control as far as I can. And whether I get it back, I don't know. Wolves live by their legs, so everyone works for himself»* (Anton, salesman, 35y.o). The followers of this position are not numerous, but they speak out rather sharp and straight in respect of the state.

Ability to speak out mistrust freely demands presence of definite trust level of society to the state. Publically spoken distrust to the state by people, who know that their focus group is tape recorded, is peculiar factor of mistrust institutionalization, as an attribute of culture of trust. Culture of trust demands potential ability to manifest distrust. This demonstration is the result of actions and ideas freedom, a guarantee of one's position choice. In the culture of trust the obligatory is manifestation of distrust. In other way society descends to the limit of primitive, ultimate and absolute trust.

The distrust, which the state lets to address to itself strengthen trust to the latter, as opposed to such processes as mass migration from the country, withdrawal of capital, growth of protest moods, which are indicators of absolute distrust.

## **Conclusion**

Consequently, all hypotheses of the present investigation have been confirmed within investigations of analyses except hypothesis that the level of trust to the state decreases followed by worsening social and economic situation and material life of people in the country: here we talk only about trust in the sphere of installment of pension savings.



In favorable social-economic conditions, when nothing threatens existence safety, as one of the crucial human needs, the risks of taking decisions shaping the future diminish. The citizens' sphere of trust expands and it covers large number of institutions, its subjects as well as social actions performed by them. Today the state manages to stay among a few social institutions on account of ability to be criticized showing distrust.

The level of trust in many ways depends upon peculiar actions of the state, aimed at keeping stability and social order, and performance of social obligations by the state (including pension savings system) is a special indicator of retaining control over the system, its actors' actions. This control contributes rising level of trust to the state, which performs function of forecasting of future in indefinite situation thus providing necessary level of stability in social well-being of Russian people.

Along with this instability of social medium rises social sensitivity of citizens to alternations in the field of pension regulations and thus in the system of pension accruals. In the system always change interaction rules that effects relations stability and can decrease trust level.

### **Acknowledgment**

The authors are grateful to the colleagues from the center of social technologies «Optima» for help and assistance in writing of the article. In addition, the authors express special gratitude to the administration of the Institute of Public Management and Entrepreneurship, UrFU "named after the first Russian President Boris Yeltsin" for the support and participation. The work was supported by Act 211 Government of the Russian Federation, contract № 02.A03.21.0006.

### **References**

Lyasko, A.K. (2016). Power of institutions: trust, control and informal regulation of economic relation practice. Social medium and power, 1st ser.

Mahon, A., McNeill, K., Heymann, J. (2015). Pension Programs Around the World: New Comparative Global Policy. Journal of comparative policy analysis.

Fukuyama, F. (2004). Trust: social virtues and creation of prosperity. Moscow: ACT.

Mikucka, M., Sarracino F., Dubrow, J. (2017). When Does Economic Growth Improve Life Satisfaction? World development.

Myshlyayeva, T.A. (2006). Trust in modern society: approaches to analysis. Retrieved from [http://www.unn.ru/pages/vestniki\\_journals/99990201\\_West\\_soc\\_2006\\_1\(5\)/34.pdf](http://www.unn.ru/pages/vestniki_journals/99990201_West_soc_2006_1(5)/34.pdf)

Pension Fund of Russian Federation (2015). Annual report for 2015. Retrieved from [http://www.pfrf.ru/files/id/press\\_center/godovoi\\_otchet/Pension\\_fund\\_Annual\\_report\\_2015\\_1.pdf](http://www.pfrf.ru/files/id/press_center/godovoi_otchet/Pension_fund_Annual_report_2015_1.pdf)

Parsons, T.O. (2000). The structure of social action. Moscow: Academicheskiiy project.

Rzhanitsyna, L. (2015). Pensions in Crisis. Journal of the new economic association.

Sane, R., Thomas, S. (2015). In Search of Inclusion: Informal Sector Participation in a Voluntary, Defined Contribution Pension System. Journal of development studies.

Simonovits, A. (2015). Socially optimal contribution rate and cap in a proportional (DC) pension system. Portuguese economic journal.

Bouchard St-Amant PA.; Garon, JD. (2014). Optimal redistributive pensions and the cost of self-control. International tax and public finance.

Sztompka, P. (2001). Sociology. Analysis of modern society. Moscow, 2005: Logos.

Sztompka, P. (1996). Trust is society basis. Moscow, 2012: Logos.

## Contact

Radchenko Tatiana

Institution: UFU – Ural Federal University named after the first President of Russia

620002, Russia, Ekaterinburg, Mira Street, 19

t.radchenko@mail.ru

Voronina Lyudmila

Institution: UFU – Ural Federal University named after the first President of Russia

620002, Russia, Ekaterinburg, Mira Street, 19

voronina\_612@outlook.com