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RESOLUTION OF CONFLICTS OF ECONOMIC INTERESTS IN
THE SYSTEM OF PENSION PROTECTION

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Abstract

Providing the population with protection from poverty in the event of loss of labor income is an important direction of the social policy of any state. To do this, the government creates a system of pension protection for the population and involves various economic entities in it. Entering economic relations, the subjects of the pension protection system pursue their economic interests, which require increased study attention due to their fundamental nature for effective economic interactions and the stable functioning of the system. The conducted studies made it possible to identify four main subjects of the system of pension protection for the population, which in Russian practice directly or indirectly interact within the framework of state pension, compulsory pension, and non-state pension provision. These subjects included: the state, the population, employers, and specialized financial institutions. The paper describes the main economic interests of the subjects of the system of pension protection for the population. This made it possible to identify internal and external conflicts of economic interests of these entities. Conflicts demonstrate the system's inefficiency, resulting in a low level of pensions for Russians. To partially smooth out the identified conflicts and improve the efficiency of the formation and distribution of financial resources in the system of pension protection for the population, the article proposes several measures. The key ones are reducing the burden on the payroll fund with mandatory pension insurance, increasing public confidence in financial institutions, and creating conditions for stimulating the population to independently accrue their pension capital.

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1. Introduction

The effectiveness of providing pension protection to the population is influenced not only by its architecture but also by the maximum possible convergence of the economic interests of all entities involved in this process. Due to the difference in roles within the framework of economic relations in the system of pension protection for the population, prerequisites are created for the development of internal and external conflicts among subjects of pension protection, which can become a source of inefficiency in the overall system. To do this, it is necessary to analyze in detail the main economic interests of the subjects of the pension protection system, which will allow develop the possible options for conflict mitigation..

2. Problem Statement

The system of pension protection for the population is an essential component of ensuring the well-being of the population after the termination of employment due to age or health status. The search for ways of the inefficiency of the protection provided was previously mainly based on the analysis of the obtained financial results, without detailing the underlying problems that lie not only in the architecture of pension protection systems but in the driving forces behind the management and financial decisions of its main subjects. This driving force is economic interest, which emphasizes its importance for the study.

3. Research Questions

The study of the vital economic interests of the subjects of the system of pension protection for the population allows determining the motives that prompt the subjects of the system to make certain decisions, identifying potential internal and external conflicts of economic interests, and forming possible conflict mitigation.

4. Purpose of the Study

The purpose of the paper is to analyze the main economic interests of the subjects of the system of pension protection for the population to identify the underlying problems of its low level of effectiveness.

5. Research Methods

The article is based on the systematization of materials on the economic interests of subjects of economic relations using the methods of comparative analysis, induction, and deduction. The study is supported by tables with illustrations of the data obtained.

6. Findings

6.1. Subjects of the system of pension protection for the population and their economic interests

The formed system of pension protection of the population is determined by the special conditions for the development of economic relations in the state, which creates a unique code for each system. This leaves an imprint on the composition of economic entities of the system of pension protection for the population, the mechanism of their interaction, and the interests they pursue (Katorgin, 2021).

In Russian practice, four key actors of the system of pension protection for the population (the state, employers, the population, and specialized financial institutions) can be distinguished, which interact within the framework of different economic mechanisms, but to achieve the common goal of protecting the population from retirement risks (Grigorieva et al., 2017).

From the standpoint of economic interests, each member of the system of pension protection for the population has opposed tasks that give rise to an internal conflict (Tsikin, 2019). The state, within the framework of pension protection, makes the provision of income for each citizen when they lose their ability to work due to age or health a main priority. At the same time, the level of income of the population (in this case, pensions) must satisfy several conditions: the minimum amount of payment should correspond to the subsistence level of a pensioner, the annual indexation of the pension to inflation, etc. Due to the change in the value of money over time and the necessary adjustments to the size of the pension, the growth in the number of pensioners, all affect the conditions for the growth in the size of the annual costs of paying pensions. The use of the budgetary mechanism to cover such expenses (in full or in part) creates the preconditions for an increase in the burden on the budget and underfunding of other government obligations.

In this regard, to maintain a certain balance between all areas of its expenditures, the state needs to involve various economic entities capable of generating sources of income to cover part of the costs of pension protection for the population. At the same time, the fiscal mechanism (benefits and preferences) is used to create incentives for these entities. The population, as one of the subjects of economic relations within the framework of the pension protection system, on the one hand, needs protection, on the other hand, it is able to generate a source of income to cover the future costs of such protection. Therefore, a situation is created when the population is interested in receiving a high level of income after retirement, but with minimal personal financial costs for the formation of pension capital in financial institutions (funds). The desire to minimize costs may be due to the financial capabilities of the individual or personal attitudes (for example, distrust of the state or financial institutions).

Employers are another subject. Employers are payers of insurance or pension contributions under mandatory or voluntary pension programs in many states. In this case, with the mandatory form of payment of insurance or pension contributions to the relevant public or private funds, employers are interested in the implementation of the existing legislation. Or employers prefer to adhere to the corporate concept of social responsibility in the framework of a voluntary payment form of insurance premiums. At the same time, they have a desire, like other economic entities of the pension protection system, to limit

or minimize their costs, due to the possibility of investing financial resources in their main activity and generating income (Brizhak, 2012).

The financial resources of employers and the population go to specialized funds, non-state pension funds, or insurance companies, which aim increasing pension capital. These funds are private institutions, which indicates their desire to make a profit. Funds are obliged to maximize the money transferred to them for the formation of future pensions, and, at the same time, to ensure a high level of income from ongoing transactions, in the face of severe state restrictions on the list of financial instruments for capital growth. Given the high social significance, the state particularly monitors the funds, which gives rise to some confrontation.

6.2. Assessment of the impact of the conflict of economic interests of the subjects of the system of pension protection of the population on its results (based on the Russian model)

The described economic interests of each subject of pension protection for the population create an internal conflict in the system. This has a strong impact on the results of its functioning (Grigorieva et al., 2019). For clarity, it is necessary to analyze several indicators characterizing this conflict (Table 01).

According to the main economic interests described earlier, it is essential for the state not to increase the share of spending on pension protection in the budget structure. As part of the state pension provision, the costs of pension protection are financed from the country's budget, and, at the end of 2018–2020, the share of expenditures in the overall structure of the federal budget gradually decreased. It amounted to 2.4 % in 2020 (in 2018 3.14 %, in 2019 2.9 %). The vector for cost reduction is obvious. However, the amount of paid social pensions slightly exceeds the subsistence level of a pensioner. On average, for the study period, this value is 456 rubles. Thus, the level of pensions received is quite low; it provides a minimum level of life activity for individuals, which is contrary to their economic interests.

For employers, the need to pay insurance or pension contributions to special funds in the presence of a mandatory form of payment in the country is associated with an increase in the burden on the financial results of their activities (Murzagalina, 2021). In Russian practice, employers pay insurance premiums for mandatory pension insurance from their funds, based on the size of the wage fund. To reduce such expenses, employers use off-the-books wages payment schemes (Migranova, 2021), which reduce the calculated value of insurance premiums and affect the future size of the employee's pension. According to statistics, about 30–40 % of Russians receive under-the-table wages. This leads to the fact that annually the pension protection system of Russians does not take into account about 2.2 trillion rubles. As a result, the effect of insufficiency of pension rights is formed, and the replacement rate for the pension of lost income does not correspond to the minimum value recommended by the International Labor Organization (40 %).

Table 1. Separate indicators characterizing the state of the pension protection system of Russians (Federal law on the execution ..., 2018, 2019, 2020; Federal Law on the Execution ..., 2018, 2019, 2020; Statistical indicators and ..., 2018, 2019, 2020; Key performance indicators ..., 2018, 2019, 2020)

Name of indicator	2018	2019	2020
Total budget expenditures, trillion rubles	13.92	15.20	19.24
Federal budget expenditures on state pension provision, million rubles	0.44	0.45	0.46
Amount of social pensions (state pension provision), thousand rubles	9.01	9.3	9.85
Subsistence minimum for a pensioner, thousand rubles	8.48	9.0	9.31
Share of Russians receiving under-the-table wages, %		≈ 30–40	
Off-the-book wages, trillion rubles		≈ 10	
Number of insurance contributions to the PFR for mandatory pension provision, trillion rubles	4.96	5.41	5.46
Average size of pension under obligatory pension insurance, thousand rubles	13.73	14.61	15.46
Replacement rate, %	31.4	30.5	30.1
Average monthly nominal accrued wages of employees, thousand rubles	43.72	47.87	51.35
Share of savings in the structure of household income, %	1.78	1.53	5.77
Number of existing contracts with non-state pension funds, million units	6.13	6.19	6.18
Number of valid contracts with insurance companies, thousand units units	34.66	36.23	36.23
Number of non-state pension funds	52	47	42
Number of insurance companies	190	172	147
Average pension in a non-state pension fund, thousand rubles	3.29	3.71	3.93
Average amount of payment under a pension insurance agreement with an insurance company, thousand rubles	0.17	0.18	0.19

The effect of off-the-book wages could be neutralized due to the independent formation of pension capital by Russians. However, a survey of the population showed that Russians spend no more than 3% on savings (in annual average terms, for the study period), which is confirmed by stagnation in the dynamics of concluded pension insurance contracts in non-state pension funds and insurance companies.

This effect is additionally provoked by the influence of the state on the number of specialized participants accumulating the financial resources of citizens, and employers for the formation of pension capital. The downward trend in their number has reduced the public confidence level in such financial institutions. When considering the result of economic relations in the field of formation of pension capital in the vector “population-employers-specialized financial institutions”, it is clear that the amount of payments is sufficiently small. It is many times less than the subsistence minimum for a pensioner and, for all its totality, is not able to provide an acceptable standard of the population's standard of living.

6.3. Possibilities of harmonizing the economic interests of subjects of the system of pension protection for the population

It is impossible to eliminate the external and internal conflict of economic interests of the subjects of the system of pension protection for the population. However, using some economic instruments and methods, it is possible to mitigate the conflicts and achieve a certain balance. The first direction may be to reduce the burden on the wage fund, which will increase the income of the Pension Fund of the Russian Federation from mandatory insurance contributions. Such an approach, on the one hand, will allow the population in the future to fully form their pension rights and claim a larger pension, on the other hand,

lower federal budget expenditures on the payment of social pensions to citizens who have not acquired or insufficiently acquired their pension rights.

The second direction for smoothing out the conflict of economic interests is to increase the level of citizens' confidence in specialized financial institutions. Only reliable players remained in the financial market, therefore, within the framework of financial literacy programs implemented by the state, attention should be paid to the formation of the population's pension capital.

The third direction is measures of economic stimulation of the population to form their pension capital. At present, there is a significant obstacle to this. Now the mechanism for the formation of pensions within the framework of compulsory pension insurance works in such a way that insurance premiums paid by the employer from their funds from the payroll fund do not take into account the withheld personal income tax (PIT). Personal income tax is also not withheld when receiving a pension under compulsory pension insurance.

With the non-state pension provision, if the employee pays insurance premiums on his own, then this is done from income on which personal income tax has already been withheld. According to Russian legislation, only a part of the paid personal income tax can be returned (13 % of the contributions, the contributions' maximum is 120 thousand rubles) by applying the social tax deduction. If the contract for non-state pension provision is concluded by the employer for the employee and pays insurance premiums, then the pension will subsequently be subject to personal income tax.

However, the main goal-setting of non-state pension provision is the solution of the state social problem, that is, ensuring a high standard of living for pensioners. Therefore, it is advisable to ensure a full refund of personal income tax from the amounts allocated for insurance premiums under contracts for non-state pension provisions, and also not to tax non-state pensions with personal income tax if the employer was the payer of contributions.

7. Conclusion

Summing up the results, it can be concluded that insufficient attention has been paid to the analysis of the economic interests of the subjects of the pension protection system in the Russian scientific literature. The decisions made to improve the system efficiency are based on the results of various models for assessing the financial condition of the system without a deep study of all factors. This has already led to a low level of pensions (Semenova, 2020), which demonstrates the inefficiency of the entire system.

The analysis of the main economic interests of the subjects of the pension protection system revealed the presence of hidden conflicts.

The analysis confirmed that conflicts have possible points of contact, however, to minimize them, a whole layer of legal, economic, and other measures implemented by the state is needed.

The possibilities presented in the paper for coordinating the economic interests of the subjects of the pension protection system are not exhaustive and comprehensive and can be subsequently supplemented.

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