
Financial Instruments of the Socially Responsible Economy

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Abstract:

Taking into account its specific character, each country forms its own model of the social policy. Four models of the social policy are used in the countries of the European Community: social-democratic (Scandinavian), corporate (continental), and liberal (Anglo-Saxon), transitional (developing) models. Russia uses a mixed model. Any model of the social policy will not be efficient without the financial support, the instruments of which are social insurance and social assistance.

Under new economic and geopolitical conditions, Russia faced a number of factors that negatively affected the state of public finance. This article analyzes substantial characteristics of social insurance and social assistance and covers the features of the Russian model of compulsory social insurance and possible directions of its improvement; it offers the option of development of a social program for private business that adapted to new conditions.

Key Words: *Social policy, social risk, social insurance, insurance contributions, social assistance, social responsibility of business.*

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1. Introduction

An important role in ensuring the social and political stability in the society is taken by the integral concept of the social policy aimed at strengthening the democratic character of the Russian statehood, at transformation of Russia into a state with the socially responsible economy. These are social factors, social incentives, and social mechanisms of human behavior in a society that are the foundation of any statehood. Actual socio-economic results of reforms are assessed according to the degree of their impact on socio-economic relations, on development of the social sphere of the country and its regions.

In the recent years, Russia is characterized by strengthening of the role of the state social policy. State expenditures on human development are constantly growing. One of the priorities is fulfillment of accepted social obligations. Meanwhile, the macroeconomic situation in Russia has changed. Its budget system operates under the conditions associated with a decrease in oil and gas revenues, with a reduction in the production level and foreign trade. As a result, it changes financing sources, essential links and interests of social actors, public organizations and the state concerning the social protection of workers, self-employed population, socially vulnerable groups of population, so it is necessary to reconsider the current financial instruments of the socially responsible economy, to ground new approaches to the formation of the social security system as an underlying social protection instrument.

2. Theoretical, Informational and Empirical, and Methodological Grounds of the Research

As a methodological basis of the research we used general scientific methods of perception: observation, comparison, system logical-semantic analysis, synthesis of theoretical and practical materials, which allowed characterizing the social risk and social security system, showing its features and development prospects in Russia, considering social programs as a form of social responsibility of business.

As a theoretical basis of the research we used works of the Russian authors that covered problems of the social policy and social protection of population: D.S. Lvov, E.V. Egorova, V.D. Roik, M.I. Pronina, T.A. Fedorova, and works of foreign scientists who developed the theory of a “welfare state”: W. Eucken, F. Bohm, and J. Galbraith, and who developed the social insurance provisions: A.B. Atkinson, E.D. Berkovits, R. Klein, P. Laron, J.A. Pechman.

3. Results

In the course of its vital activity the humanity meets with various social risks. Social risks are risks arising due to the public nature and protection against which individually with a high degree of reliability is impossible in most cases. They are predetermined by a complex set of objective socio-economic conditions and they

practically do not depend on the will of an individual. This point of view of the mutual responsibility of people for their vital activity in a society and state creates the need to establish the criteria for normal, acceptable social status of citizens upon the occurrence of certain types of social risks. And conversely, a significant deviation from the normal, caused by one of risks, is considered to be an anomaly and requires protection, ensuring social security (Boldeanu and Tache, 2016).

The objective nature of social risks leads to the necessity of creating a reliable mechanism to protect from them. Consequently, insurance of social risks should be mandatory, regulated by law for all workers, and the financial burden should be jointly borne by the main social actors - employers and employees. The share of financial participation of social partners may be different, but each side seeks to find the best proportions of financial responsibility with the account of specific economic and social conditions, cultural and psychological traditions (Allegret *et al.*, 2016).

Defining the nature of a social risk and the degree of its probability allows developing the system of preventive measures to reduce (minimize) the risk and assessing the required type and extent of compensatory measures scope of medical services, compensation payments that replace lost wages (Budik and Schlossberger, 2015).

In the Russian scientific literature, the consensus about the social risk has not been formed yet. The Federal Law “On the Basis of Compulsory Social Insurance” refers to the social insurance risk as a “probable event causing changes in the material and (or) social situation of working citizens and other categories of citizens, in case of which the compulsory social insurance is implemented”. We believe that this definition is an extended one due to the inclusion of social security of nonworking citizens. In this case, we can speak about the universal concept of social risk, to which all citizens of the country may be subject, both working and non-working. In our opinion, the social risk should be associated only with the features of employment of citizens; development of the labor market, i.e. this is the risk of reduction in income (mainly wages, business income) due to disability, loss of employment as well as the risk of incurring additional expenditures on the part of the employed population. It should be considered as a social labor risk that is covered by social insurance. The social labor risk should cover only the economically active population, should be associated with the loss of earnings or other income from work due to inability to participate in the economic process for the following reasons: biological (illness, disability, old age, birth of a child), occupational (work-related injury or occupational disease), economic (unemployment).

The world experience (more than a century) as well as the Russian experience have shown that the protection against specific types of the social risk can be organized in the most efficient way within the framework of certain types of social insurance: pension insurance (old age, disability, loss of breadwinner); health insurance (payment for health care), including payment for temporary disability; insurance against work-related injuries (occupational injury, occupational diseases, pensions to dependents of those who died in the workplace); insurance due to unemployment (unemployment

benefits, retraining and job placement). The practicability of separation of these types of insurance is explained by the different nature of social risks, against which they are intended to protect, by the similarity of needs of insured persons as well as by the specifics of the legal regulation of different types of insurance (Giannarakis, 2016).

The insurance mechanism to reduce social risks is expressed in the fundamental difference between social insurance and social assistance. The generalization of various points of view on the social security nature allowed formulating the following definitions: "Social insurance is economic and legal relationships between entities on the formation and expenditure of financial resources intended for the protection of working people against social risks as well as on the organization of medical and rehabilitation care". The main principles of implementation of the social insurance are the following: stability of the financial system ensured on the basis of equivalence of insurance coverage and insurance contributions; its universal binding nature and availability to insured persons exercising their rights; state guarantee of observance of rights regardless of the insurer's financial position; state regulation of the system; parity of the participation of representatives of the insurance entities in the system management organs; obligatory payment of insurance premiums by insured persons; responsibility for the proper use of funds; provision of oversight and public control; autonomy of the financial system (Hamid and Won Kie, 2016; Liapis *et al.*, 2013).

Social assistance is considered as activities of public authorities to eliminate the threat of decline in living standards of all categories of population beyond the limits defined by the society as minimally acceptable by means of provision of monetary or natural-material assistance. In the context of the socially responsible economy, the assistance to socially vulnerable groups of population plays an independent role and this area of the social policy must exist in parallel with social insurance.

Social assistance is provided through budget funds, the range of population within it is that really in need. Social insurance is performed through autonomous insurance funds formed from insurance premiums paid for each insured person by his employer, self-employed people; the range of population within it is insured persons.

Insurance premiums in the social security system are a part of the necessary product, and at the enterprise level they are a part of production costs (cost of goods and services). Budgetary funding is performed through taxes. Tax revenues are a part of the surplus product, and at the enterprise level they are a part of the profit; in the aspect of purpose, insurance premiums have a clearly defined target functional orientation to certain social needs, and thus, they are sort of "marked" and are linked to characteristics of the salary of an insured person, while taxes have an impersonal and non-target character. There are also differences in entities of collection: taxes are collected from businesses and individuals, and insurance premiums are paid by employers and self-employed citizens (Rupeika-Apoga and Nedovis, 2015; Tsvetkov *et al.*, 2015).

Social insurance practice is built on a solid statistical base, accounting and analysis of regularities of a particular type of risk, its most important tasks are prevention and reduction, it applies to the economically active working population. Programs of social assistance are mainly compensatory; they are aimed at supporting the most vulnerable population and are financed from the budgets of the budget system of the Russian Federation. In addition, an essential feature of insurance is self-help of its participants, self-management of the insurance organization. Social assistance, on the other hand, bears the imprint of guardianship, welfare, with all features of the direct government control.

Thus, the basic distinction between social insurance and social assistance can be reduced to a difference in functions and role of the state in the organization and activities of these institutions.

Objectives of functioning of the insurance system of the reduction in social risks are to provide reliable and high-quality social protection of working people, based on:

- formation of economic and legal conditions for salaried and self-employed workers to “earn” insurance rights sufficient in the volume for receiving pensions and benefits comparable to earnings;
- creating legal, institutional and administrative mechanisms of accounting of insurance premiums and guaranteed ways of their return to insured allowing to ensure prompt and full payment of benefits and pensions, provision of quality health care, conducting medical, vocational and social rehabilitation of the insured;
- functioning of an open information system allowing all payers of insurance premiums and recipients of benefits and services to know their rights and responsibilities, methods of checking accumulated social security rights as well as the formation of public and state control mechanisms for efficiency of financial resources management.

Social insurance is a main, basic institution of social protection of the working population in the countries with market economies. Its purpose is to fulfill one of the central functions of social production, i.e. the reproduction one, in the field of labor relations, the implementation of which is realized by means of formation and distribution of insurance resources to protect workers from mass kinds of social risks of disability (illness, disability, old age) or loss of employment (unemployment).

The high efficiency of social security is explained by its ability to solve major social and economic problems on a national scale: to provide for employees in a difficult life situation, who lost the source of income, compensation payments in the form of benefits and pensions, the size of which, as a rule, are comparable with wages as well as to provide them with high-quality and comprehensive health care.

The social security system can function effectively only when all legal entities are socially responsible for the execution of the established responsibilities.

The state responsibility for proper organization of social protection of the population is given in the Constitution of the Russian Federation and international documents. First of all, the state acts as a guarantor of human rights, providing the overall management of the social insurance system. Moreover, the state shall take measures to achieve a sufficient level of equality in the distribution of the produced national product through mechanisms such as the redistribution of taxes and social security.

The social security system is one of the most powerful expressions of social solidarity at the national level. In this regard, the establishment and maintenance of a well-developed social security system is seen as a condition for the development of social cohesion.

The effects upon the occurrence of social risks adversely affect not only workers, but also business, society and the state, since they lead to failures in the production process, generate deprivation, hardship, poverty and alienation. The objective, widespread and casual nature of social risks, vulnerability of all subjects of labor relations predetermines their high relevance and causes interest in solidarity actions for the establishment of appropriate mechanisms and institutions for the protection against social risks. In this regard, the key issue of post-industrial societies becomes social responsibility of all economic actors on the issue of social policy.

The study of the legal framework and current practices allowed singling out the following main features of the Russian system of compulsory insurance:

- there are three state social extra-budgetary funds of the Russian Federation: Pension Fund of the Russian Federation, Social Insurance Fund of the Russian Federation, Federal Compulsory Medical Insurance Fund. In addition, there is a Territorial Compulsory Medical Insurance Fund in each territorial subject of the Russian Federation;
- these funds are financing costs associated with the following insurance cases: achievement of retirement age, temporary disability, accident at work, occupational disease, and the need for medical care;
- financing of costs associated with such an insured event as loss of work is made from the federal budget (before 2001 - at the expense of extra-budgetary State Employment Fund);
- establishment of tariffs of insurance contributions is the exclusive prerogative of the Federal Assembly of the Russian Federation in accordance with the Federal Law "On Insurance Contributions to the Pension Fund of the Russian Federation, Social Insurance Fund of the Russian Federation, Federal Compulsory Medical Insurance Pension Fund";
- insurance contributions are paid to state budget funds by employers and self-employed;
- despite the participation of representatives of trade unions and employers' associations in their boards, management of social extra-budgetary funds is actually carried out by the Government of the Russian Federation and territorial compulsory medical insurance funds are managed by regional administrations.

On January 1, 2017 there will be changes in the administration of insurance premiums: all organizations will move to a new payment - a single social insurance contribution introduced instead of collected insurance premiums, the administrators of which are now the Pension Fund of the Russian Federation and the Federal Compulsory Medical Insurance Fund of the Russian Federation.

Federal Tax Service (FTS) of Russia has developed the roadmap "Creation of a single mechanism of administration of insurance premiums on compulsory pension and social insurance" aimed at the improvement and optimization of the system of administration of insurance premiums and creation of comfortable conditions for interaction between payers of insurance premiums and authorities controlling the payment of insurance premiums, improving the organization of submitting and reception of reporting on accrued and paid insurance premiums, improving the efficiency of administration of insurance premiums, maintenance and extension (improvement of principles) of electronic document flow, simplification of the procedure of control measures.

4. Conclusions and recommendations

The current Russian social security system retains the features characteristic of social assistance. With a sufficiently high insurance burden of employers, the level of most social payments is inadequate and not linked to the volume of paid insurance premiums. The legal framework of this social security institution is being formed. There is no real separation of the social insurance system and social assistance system. The terms, principles and tools of the organization of financial institutions and social security systems that are widely used by industrialized countries to practice different types of social security - social and professional risks, equivalence of insurance premiums and payments, coordination of levels of social risk and insurance rates - are not working still to the full extent.

The social insurance system is organically linked with the system of wages, tax system, politics and the situation in the labor-market, demographic situation in the present and its forecast in the future. Until the formation of the social insurance system is not linked to the above factors that largely determine its qualitative characteristics - the level of pensions and other insurance payments, the quality and the scope of services for treatment and rehabilitation of workers, it will be impossible to build an effective system of social protection in the country. In this regard, it is necessary to develop a medium-term program of measures (e.g., 3-5 years) with the aim of completion of the formation of the social insurance system in Russia in the next 5-8 years, linking it with reforms in the wage and tax systems. The program seems appropriate to take the following measures:

- reduction in the scope of the shadow labor and incomes market - unregistered forms of employment, informal and unreported payment of wages, which ultimately reduces the level of social guarantees for the workers employed in this field and reduces economic opportunities for financing state non-budgetary social funds;

- decrease of differentiation in the system of wages and incomes of population in various sectors of the economy and regions of the country, which is not linked with the system of insurance premiums and the system of social protection;
- ensuring the stability of legislative mechanisms for calculation of pensions and allowances;
- development of a conceptual adjusted system of management of social insurance in the form of democratic participation mechanisms in all major decision-making procedures of the main social subjects - authorized representatives of employees and employers.

This program of measures will allow ensuring the continuity and consistency in the work of the government, ministries, agencies, the community of subjects of social insurance (employee representatives, employers and insurers). The traditionally prevailing in our country organizational model of functioning of enterprises in terms of solving social problems has many similarities with the modern global concept of the social-motivational management of companies. However, the successful implementation of this concept presupposes the existence of objective prerequisites for effective growth of the national economy and profitable operating companies. Unfortunately, these conditions in our country have not been established yet. Meanwhile, the economic practice of recent years has shown that in the process of adaptation to economic management realities the Russian enterprises begin to pay more attention to the social side of life of the workforce.

Entrepreneurship is not limited to the economic goal, i.e. extraction of profit; it takes into account human and social factors of impact of the production sphere on workers, the main role of enterprises and social dimension of society as a whole. Employers have a social responsibility to its employees and the society; they contribute to the achievement of balance between economic and social interests.

This concept corresponds to the ideology of a social-oriented model of the market economy. It is possible to offer the commercial sector adapted to new conditions to develop and implement various kinds of social programs. The process of developing a comprehensive social program of an enterprise includes three main stages: description of the enterprise as a system of social subjects and a complex of social risks; selection of the least socially protected subjects and ranking of the collective social risks; the choice of forms of the social risks management and methods of their financial support (table).

Table 1. *Process of developing a comprehensive social program in a company*

Stages	Step by step development of a comprehensive social program
Description of the company as a social subject	1. Brief description of the company: type of activity, number of employees, age and sex composition, condition and complexity of work, working and leisure conditions, degree of traumatism, etc. 2. Description of social individual and collective risks (family composition, dependents, morbidity, frequency of preventive measures).

<p>Choosing social risks and management forms</p>	<ol style="list-style-type: none"> 1. First aid in emergency situations, additional aid in case of temporary incapacity of both the workers and their families. 2/ Development of a plan of preventive measures to reduce collective social risks. 3. Determination of costs of social activities. 4. Defining a list of potential social risks, to which subjects are exposed, with the definition of terms of adverse events, probability and size of possible costs (based on statistics).
<p>Choosing methods of financial support</p>	<ol style="list-style-type: none"> 1. Determination of appropriate types of insurance, providing the required insurance coverage, with the indication of certain types of insurance required by law or other requirements. 2. Defining parameters of the required insurance coverage for each of the insured risks (maximum insurance liability for each type of hazard and for each type of loss). 3. Indication of insurance rates, the insurance amount and payment, development of recommendations for the establishment of franchise, determination of conditions that limit the insurer's liability. 4. Terms of payment of the insurance compensation as well as the size and conditions of payment of the insurance premium. <p>Possibility to include additional insurance services to shareholders (participants, founders), managers and employees of the company into the program on preferential terms.</p>

The structure of social activities of the company is registered in collective contracts and tariff agreements, in particular: forms, systems and amount of remuneration; establishment of allowances to workers; surcharge for work in hazardous and difficult working conditions; employment; housing; social and cultural services; social benefits for pensioners, families with children; health care, physical culture; personal insurance (in addition to the contributions to the state social security system); cash grants (for purchase of housing); training and retraining of staff, and others. On the basis of this, a social plan of the company is prepared, which includes social programs the company listed above. A cost-effective operating company allocates financial resources for these programs reducing the load on the state budget. Thus, the implementation of the proposed measures is aimed at the development of the social policy based on market principles, under the conditions of limited financial resources of the state.

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