Russian government axes social spending

Andrea Peters
6 November 2026

In an effort to fund massive increases in war expenditures and service a rapidly growing public debt, the Russian government is preparing to slash outlays over the course of the coming three years on a range of social programs and freeze others in nominal terms, such that inflation will erode their actual value.

The austerity measures target subsidies for large families, childbirth benefits, education, healthcare, housing and utilities, sports and physical culture, and the entire basket of services that fall under the label "social policy" in the federal budget, according to an analysis just released by the National Institute of Economic Forecasting at the Russian Academy of Sciences (INP-RAN). Based on the Ministry of Finance's figures, social spending will fall by 15.2 percent next year.

The Kremlin is preparing to simultaneously spend 4.4 trillion rubles ($55 billion) more in 2027 on defense, security, law enforcement and paying off the national debt than it originally planned, an increase of about 1.39 trillion rubles ($17 billion) compared to 2026. This is on top of years of massive increases in war spending. In 2026, defense and security accounted for 42 percent of Russia's federal budget.

According to the revised plan for 2027-2029, funding for virtually all social programs will stagnate, fall, or experience only a modest recovery over the course of the coming years. Whatever small increases are planned for 2028 and 2029 amount to very little, and will turn into nothing, should inflation rise above the 4 percent estimate upon which the budget is currently built.

Payments to parents having children and families with multiple kids, for example, will decline in 2027 by 371 billion rubles ($4.6 billion). According to the government, this is not a cut because suddenly, it seems, only 8 million, not 10 million, children are covered by the program. This reduction is due, however, to two reasons—first, the imposition of new residency requirements that will make many now ineligible, and second, the fact that Russia's birthrate continues to decline. The latter points to the catastrophic failure of efforts to reverse the country's shrinking population through stimulus measures.

For the 2027-2029 period, the Kremlin is also preparing to freeze funding for the country's regions (oblasts), which finance the largest percentage of the social services upon which the working class relies—schools, medical facilities, nursing homes, orphanages, free meals for poor children, cultural and sports facilities, subsidized public transportation, health insurance for non-working populations, and payments to veterans and the families of dead soldiers.

Federal transfers to oblasts will stay flat at about 3.6 trillion rubles in 2027 ($45 billion), a decline in real terms, and roughly 190 billion rubles ($2.4 billion) less than last year's budget had promised. For 2028, the shortfall, when compared to what had been planned previously, grows to nearly 480 billion rubles ($6 billion).

The Russian state is also axing the amount of money it transfers to the country's Social Fund, which finances pensions, maternity and child benefits, paid sick leave, support payments for people with disabilities, veterans and others. Contributions from the federal budget to the Social Fund in 2027 will drop by 15 percent, about 721 billion rubles ($9 billion), compared to 2026. They will remain well below 2026 levels through 2029.

Federal money for the Federal Compulsory Medical Insurance Fund (FOMS) will be cut by 23 percent, 109 billion rubles ($1.4 billion) in 2027 compared with this year. FOMS is expected to run a deficit every year from 2027 to 2029, which it will have to cover by drawing down its reserves.

The Duma, Russia's parliament, approved the first reading of this revised budget on October 29, with zero opposition and only 51 abstentions. It will go through two more review processes before being presented to President Vladimir Putin for his signature.

As the press outlet *Nezavisimaya Gazeta* noted in its November 1 article on the INP-RAN's analysis of the law, the social spending freezes and cuts are not the only aspects of the budget that reveal the financial crisis facing the Russian government. On top of raising taxes on dividends, investments, and non-energy sector business incomes, the Kremlin plans to finance the state through a massive increase in borrowing, which in 2027 will grow to 6.1 trillion rubles ($76 billion), a 60.5 percent increase over the earlier 2027 plan.

"The projected level of public debt will exceed 24 percent of GDP in three years, whereas the 2026–2028 budget set a public debt ceiling of 19.5% of GDP," observes *NG*.

The Russian economy is becoming ever-more dependent on state-financed military expenditures. In the INP-RAN report on the federal budget, author Ksenia Savchishina notes, "despite the increase in federal budget spending commitments relative to last year's law, the period of across-the-board fiscal stimulus to

© World Socialist Web Site

the economy is over, and support for macroeconomic growth will come only through rising defense procurement."

Since INP-RAN analysis of the budget became known, the government has tried to refute the analysis. Media outlets have published headlines claiming the *Nezavisimaya Gazeta* article on the report is "fake news."

"The draft federal budget for 2027–2029 provides for the fulfillment of all social obligations the state has undertaken toward its citizens. Appropriations for the indexation of social obligations, measures to strengthen demography, and the financing of education and healthcare are included in full," stated the Ministry of Finance on November 2, citing data that would point to ongoing and even increasing expenditures on social services.

This data, however, are a sleight of hand. The ministry's figures include, in addition to money from the federal budget, expenditures coming from the Social Fund and the Federal Compulsory Medical Insurance Fund, as well as Russia's regions. In order to make it look like social spending freezes and cuts are not being implemented, this "total budget" compensates for reductions in federal funding by increasing, essentially out of thin air, the amount these extra-budgetary funds and regions will allegedly allot to these programs.

However, the federal government is simultaneously cutting its support for both the extra-budgetary funds and regional budgets. There is the saying, "Rob Peter to pay Paul." In this case, the Kremlin is robbing from Peter and then telling Peter to pay Paul himself.

The increased financial burden being placed on the Social Fund will ultimately be paid for by workers. The Social Fund is sustained by federal monies and insurance contributions made by employers on behalf of their employees. The Russian government intends to make employers give more. Employers, however, see these contributions as part of workers' compensation. When their insurance obligations increase, they find ways to take it out of employees' pay.

The idea, furthermore, that Russia's regions can cover what the federal government is taking away from social services is absurd. Regional budgets are under extreme financial pressure. Multiple areas across the country are reporting major shortfalls and axing services.

Saint Petersburg announced last week that it must reduce its 2026 budget by 70 billion rubles ($870 million) in an effort to plug an expected shortfall of between 80 and 108.8 billion rubles ($1 billion–$1.35 billion). Tyumen, an oil-producing region, recently axed 9.4 billion rubles ($117 million) from its 2026 budget and is projecting a deficit of 39.6 billion rubles ($490 million) for next year.

In Yakutia, a regional legislator announced that since June of this year there have been delays in the payment of stipends to students who are orphans. (While not reported as such, it is possible that some have been orphaned due to war deaths.) And since September, students from large families and low-income families have not gotten their free meals. In its proposed 2027–2029 budget, Yakutia's administration has eliminated funding for state-subsidized airline tickets for residents of a far-flung arctic region with few roads, where people rely on low-cost airfares to move around.

In Nizhny Novgorod, a region in central European Russia with roughly 3.1 million people, the regional government is confronting a budget deficit of 30 billion rubles ($370 million).

"We will be required to mobilize all internal resources and to make difficult and, in places, even unpopular decisions," Governor Gleb Nikitin warned. "In some places we have to cut spending literally 'to the bone.' We are starting the cuts with ourselves, with government bodies. In 2027 we will have to cut some state and municipal employees, by 15%."

According to the news outlet 7x7, over the course of this year 10 Russian regions have reported interruptions in deliveries of free or subsidized medications, and five have grappled with shortages of diabetes drugs and supplies. Officials have attributed the problems to a lack of funding, increasing demand and problems with procurement. In Ulyanovsk, the authorities were short 1.5 billion rubles ($19 million) for medications. Cancer drugs, asthma medications and treatments for rheumatoid arthritis have also been in short supply.

In 2024, the Russian government put the country on a war footing when it raised defense spending to a record 6 percent of gross domestic product. This was unprecedented for the post-Soviet period. This number has now increased to 6.9 percent, and even that number does not include expenditures on national security and law enforcement.

The Russian bourgeoisie is not doing this in order to defend the country's working class from the US and the European powers. It is doing so in a desperate attempt to preserve its ability to exploit Russia's workers for itself. The Putin regime will try to extract as much blood and sweat as it can in this effort. Thus, the fight of the Russian working class is against capitalism in all its forms and all its governments, whether in Moscow, Washington, Berlin, or elsewhere.



To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact

© World Socialist Web Site