

FINANCIAL ASSESSMENT OF POVERTY IN RUSSIA

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Key words and phrases: average wage in industry; consumer basket; consumed electricity and gas charges paid by population; income ratio between the rich and the poor; investment of population in economy; national projects in education and public health; nominal and real incomes of population; minimum of subsistence; money expenditures of population on food; reform of housing and communal services; relative approach to determining the number of the poor; the Gini coefficient; percentage of workers whose monthly wages were at a subsistence level and below it; poverty of large families.

Abstract: The paper studies the socioeconomic status of population in Russian Federation. Incomes and expenditures of different population groups are analyzed.

Approaches to methods of determining the number of the poor are considered. A relative approach to determining the number of the poor, applied in OECD countries, is suggested.

Transition of Russia to a market economy has changed the living standard of the population, thus the need to pay much more attention to the human factor, as the major source of economic growth, has appeared. Therefore the object of study is living standard of the population. The standard of living is a complex socio-economic category, characterized by a certain system of indicators. Quantitative and qualitative assessments of the population income, including income and expenses, income ratio of the rich and the poor, the Gini coefficient, the structure of consumer expenditure and distribution of population according to income have a special place in it.

Therefore, the following indicators of living standards, which may vary in accordance with scientific advances, public opinion, and other causes, can be proposed:

- gross domestic product per capita;
- production volume of essential goods;

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- inflation rate;
- unemployment rate;
- real income per capita;
- average monthly wage actually paid to a worker;
- proportion of living wage and minimum wage;
- number of citizens with incomes below the subsistence level;
- share of public expenditure on education, health, culture and social welfare;
- income ratio of 10 % of the most and least secure population,
- ratio of average pension to the subsistence minimum;
- life interval (expected at birth and factual);
- ratio of fertility to mortality of population;
- share of housing services in the expenses of the population;
- volume of retail turnover.

Based on the available statistical data, indicators of the budget, government reports, findings and conclusions of experts, financial assessment of living standards in Russia has been made.

Admittedly, the main part of income is the indicator of “cash income”. During the period of 2005–2008, a steady growth of total nominal cash income, per capita cash income, real and real disposable cash income can be traced. The total nominal cash income of population and per capita cash income doubled in 2008 in comparison with 2005, but because of high inflation during all these years the average annual growth of real incomes over the period of 2005–2008, amounted to slightly more than 113 %. It seems not bad, when authorities of all levels report about the reducing number of poor people that almost doubled over the years, but in fact a radical change in income inequality has not happened. It is evidenced by the analysis and public polls which have shown that 50 % of people consider themselves the poor, it was even more vividly confirmed by the economic recession of 2009. Low incomes of population and hence low purchasing power have led to a drop in GDP by nearly 9 %, while countries with similar economies have suffered losses of 1–2 %, where the export of energy resource has also decreased. If we divide the entire population of Russia into ten groups according to the social position, relation to ownership, occupation, age, etc., nine groups need the increase of income, and that is 80–85 % of the population. Only 15–20 % of people have sufficient security, and the gap is widening every year. Today, there is twentyfold difference in income of 10 % of the richest and 10 % of the poorest, in metropolises such as Moscow – fiftyfold difference.

Wealthy population spends its money “left and right”, buying luxuries (yachts, luxury cars, real estate, foreign football clubs, etc.). Social disparity is frightening, taking into account that in Russia 90 % of income belong to 15 % of rich people, and the remaining 85 % of people have 10 % of income. At the same time those who receive high incomes in Russia do not create high-tech, high-productivity manufacturing. They produce and sell raw materials. When some allude to the fact that inflation is stimulated by the growth of salaries of teachers and doctors, pension increase, funding of some social programs, it is unclear how this is possible, as their incomes constitute 10 % of the total revenue. Unless the state, represented by the legislative and executive

authorities, realizes that the country needs a middle class, in word and deed, that should comprise 60 % of the population, and highly skilled specialists in the leading industry sectors get wages and salaries on the European level, the population will continue to live in poverty.

Today in Russia an average wage in industry is 9000 rubles or 220 euros that is ten times lower than in the EU countries. There is a vicious circle: low wage, low pension as a result, and the same poverty in the end. You can hear from some politicians, economists, journalists the statements that it is normal when owners and managers have tens of times higher incomes than a highly skilled worker of the same company; if the worker does not like this situation, let him go and open his own production. It must be said that these politicians and owners saw the branch they are sitting on: firstly, the production can not exist without the workers' trades, and secondly, if people have no money, who will buy what the economy produces?

Among the main indicators of the population cash income are indicators of the expenditure structure. Statistics shows that the population spends money mainly to buy goods and services (consumer spending). This item of the total cash income ranges by region from 65 to 75 %, and there was its growth in 2008–2009. The most significant indicator in the consumption expenditures structure is foodstuff expenditures; this indicator shows a consistent regularity: the smaller share of cash expenditures of the population is spent on food, the higher is the welfare level. For developed countries it is about 15 %, in Russia the share of food expenditures in the structure of consumer expenditure ranges by region from 35 to 50 %, and the growth has been traced in recent years.

Worldwide income of population is the most reliable investment means. The increase of investment resources at the expense of the population is the stabilizing factor for the economy of the country. The amount of investment resources is in direct dependence on the prevailing level of income and savings, which depends on this income. If we continue to consider other indicators of income expenditure structure, which may be directed to the economy investing, their share is minor. For example, savings in deposits and securities are about 1,5 %, expenditures on purchasing real estate – 1,6–2 %, the purchase of foreign currency – 2,1–2,5 % of the population expenses. This indicates that the bulk of the population is unable to participate in the economy investment, and continues “to survive”.

The subsistence minimum, which determines the living standard of the population, in this situation does not reflect all expenses the population bears. The consumer basket law was adopted in 1999; according to it the consumer basket is determined at least once every five years. In 2004 the consumer basket law practically ceased to exist; its term of validity was extended for another year, but consumption rates were not reviewed, and the country has been living under this law for more than 10 years.

Consumption rates of basic goods and services, used for determining the minimum of subsistence, are extremely interesting. For example, an average rate of meat and fish consumption for one able-bodied person is only half of the science-based standards, and the expenses on manufactured goods and services, taxes and compulsory payments are calculated on the bases of low-income household expenditures for these purposes. In the last four years the cost of housing and communal services has doubled, it comprises about 20 % of

expenditures of population, in 2010 the cost of housing and communal services has increased by 18 % in Russia. Reform of housing and communal services has not given positive results, tariff policy failed to be transparent, nobody knows how much housing and communal services should cost to operate profitably. Monopolists (energy suppliers, housing and communal services, transportation, etc.) do not care about grassroots. They have other things to think about, which require investments – restaurants, saunas, luxury cars and other non-core assets. In this situation the state must not be “led by the nose” by the interests of owners of natural monopolies, it must restrain prices. For example, in the U.S. housing and communal services account for 5–6 % of expenditures, that has not been changed for 42 years, in EEC countries – 8–10 %.

In September 2009 Russian consumers paid for the consumed gas just as much as Europeans. In Russia tariffs have increased again on average by 10 % since January 1, 2010. Russian energy companies exported electricity cheaper than they sold it to Russian consumers in 2009. The production cost of one kilowatt-hour at hydroelectric power stations varies from 5 to 10 copecks. Why does the population of Russia have to pay more than two rubles per kilowatt-hour, who receives so huge amount of money? It must be also taken into account that the heating season in Russia lasts for 7–9 months a year. With so high energy costs all products in Russia become energy intensive, in other words, the share of energy carriers in the cost of production is 50 % or more. It should be mentioned that energy prices rose only in Russia in the crisis period in 2009, while the opposite tendency in almost all economically developed countries was observed. Almost every year, the government explains the increase in energy carrier prices as the influence of the world market: prices are rising there, and Russia is an active global market participant. So why didn't the world market work in the opposite direction for Russia in 2009?

State economic policy in relation to the population can not be called socially oriented as there is a purposeful shifting of the social obligations of the state onto the shoulders of the population, this load is increasing more rapidly than incomes and it has been going on for 20 years. There is no state in the world where the population has been under economic pressure for such a long period of time, even after the devastation of wars (Germany, Japan, USSR), and the light at the end of the tunnel is not seen for the Russians.

On the whole, the percentage of workers whose monthly wages were at a subsistence level and below it, accounted for 41,5 % of their total number in 2008, and this situation became even more complicated in 2009. Low-paid sectors of the economy can be combined into two main groups. The first group - organizations and institutions of public payroll of the economy: education, health, culture, art, social security. The second group includes, above all, agriculture and forestry, light industry and some branches of manufacturing and processing industries. It should be admitted that the state failed to develop rules of the game in the interests of the majority of society. Started in the 90-s, the stratification of society is going on even more rapidly. National projects have not solved the problems of education and health for many reasons. The first one – on a national scale the amount of money, allocated to finance national projects, is small and accounts for 5–6 % of total financing in these sectors. Due to the national projects diagnostic equipment for hospitals, educational equipment, computers for schools were purchased, because over the past

15 years both schools and hospitals have tried to survive desperately, stopped the development, legged behind in many positions. If there were no those money infusions, there could be a problem of federal health and education existence. The second one – much has been said about such financing when money follows a patient and a pupil and, accordingly, follows doctors and teachers, so follows those who treat and teach. But the financing of these spheres remains minimal. Much can be said about annual rise of health and educational spending, but the share of each of these sectors does not exceed 2 % in GDP and it is declining almost every year. Federal expenditures on education of one pupil per year are 2,5 times lower in Russia than in EU countries, the same situation is with one treated patient. So parents fork out money for education of their children, and patients – for a rendered medical service.

In agriculture, the situation is more complicated. It should be admitted, that mass unemployment has developed in this sphere. It makes no sense to be engaged in household plot, because it is almost impossible to sell these products. The roads to rural settlements, built 30–40 years ago, became unfit for use, buses, in most cases, do not arrive to settlements, markets and supermarkets do not wait villagers with these products. Much was said about purchasing cooperatives, which had to buy products from the villagers, these were words but not deeds. Today large grain production enterprises with 50–100 hectares of cultivation area have appeared in the countryside. There are examples, when in the administrative rural area there is one agricultural enterprise – monopoly with the cultivation area of 100 hectares or more, with profit as the main objective, and with not much interest in the problems of the village. The rural population has been surviving due to subsistence farming for 20 years, and this happens in Europe in the 21st century. Russia is a European state. Only officials, whose number doubles every decade, live perfectly well in this country. Their salaries, incomes, and pensions do not depend on wages, incomes, and pensions of the population. It can be often heard that the governor is an eminent manager and it is normal when his salary is 300000–400000 rubles a month. An average salary in the region, which he governs, is 12000–15000 rubles. There is twentyfold difference in income; it is a bit less in income of his deputies and heads of organization departments. The state pension of state officials, when they are retired, is 75 % of this large salary. Why not to put closer the governor's salary to an average salary in the region. Let it be ten times higher, but not 25 times higher than an average salary, and state official's pensions should be abolished. In this case, any government official would be interested in the growth of incomes. It turns out, that officials and a small group of people live in a wealthy country, but the bulk of the population – in a poor one.

Is increase in rates, duties, fees for various services really necessary in difficult crisis time, when unemployment, according to the official data, is about 9 % of the total working population, and wages and salaries of those who are lucky enough have remained at the same level? Today it is premature to say that Russian economy has completely come out of a recession; there is only certain stabilization in the banking sector. Banks have begun to credit businesses, business has got an opportunity to provide the production with working capital and organize the product release. Economic recovery has been indicated since the fourth quarter of 2009. But in spite of the reduction of the refinancing rate

by the Central Bank of Russia to 8,25 %, credits are still expensive. In most cases, the interest rate on loans in commercial banks is two or more times higher than a refinancing rate. It should be mentioned, that today products are manufactured and mainly kept in stock, as the purchasing power of the population remains low because of low incomes. If the country has come out of an economic recession, and if the economy even starts to boom, salaries and incomes will not rise immediately, this will take time – a year, maybe more. So was it necessary to increase rates? And as a result of it – the increase in rates is almost 3 times faster than the increase of pensions in Russia. It turns out that the policy of pensioner support is practically brought to naught. Rates, state fees and taxes mustn't be increased, when most people, even working ones, can not provide themselves a decent life.

Fee increase is also difficult to explain. The state announces that it has started the struggle against intermediate firms in the state and municipal structures to reduce prices of state services, and, at the same time, has doubled them. It would seem, if all the middlemen are removed, the cost of issuing certificates should be reduced.

Expense items on treatment and education do not take into consideration the subsistence minimum of population, but their cost has grown by several times in the last decade. Medical treatment became a heavy burden for the population: expensive medicines, paid diagnostics, extortion, practiced by doctors. In these conditions, the subsistence minimum of a pensioner is not enough for one visit to a medical institution. Depending on the region, education of schoolchildren today costs parents from five to ten thousand rubles a month (donations of parents for school and classroom maintenance, school repairs, private tutor payment, etc.).

Poverty of large families directly depends on the number of children in the family in Russia. If you focus on the observable income, almost all large families (three children or more) fall into the category of the poor. An average income deficit of this group of families was 61,2 % of the subsistence minimum. Most families have income that is lower than the half of minimum consumer basket. An objection can be made that they are supported by various state benefits, but this support is only 8,2 % (according to statistics) of large family income. As before, in these families the main public child benefit until the age of sixteen is a benefit from the regional budget, it is from 100 to 300 rubles per child, depending on the region, and to get other support, you have to collect a lot of references and certificates, to go to various offices and this is usually for one-time assistance (support). For example, in EEC countries, child benefits constitute 60–80 % of the average wage and are paid up to the age of 18–19, i.e. until graduation from the secondary school. In France, for example, this benefit is about 800 euros per month for each child and is paid up to the age of 19. There is only one condition to get it – to have a child in the family and the benefit does not depend on family income 75 % of French women, who have children, do not work and are engaged in children upbringing. France has no such energy resources as Russia has.

While determining the number of the poor according to the subsistence minimum, an interesting picture can be seen. Let's take, for example, three regions of the Central Federal District: the Moscow, the Belgorod and the Tambov regions. In 2008 population with incomes below the subsistence minimum, respectively amounted to 13,4; 11,6; 11,3 % and in the rating of the

Central Federal District regions, Moscow is on the 7th place, the Belgorod region – the 4th place, and the Tambov region – the 3d place. The Tambov region with the lowest: salaries, average pension, per capita income, and fiscal security happened to be among the leaders of the Central Federal District regions – the 3d place, and Moscow is only on the 7th place in the struggle against poverty. If pensioners in the Tambov region, whose income is 2900 rubles (minimum of subsistence in the region), are not among the poor, in Moscow these limits begin with 5100 rubles (minimum of subsistence in Moscow), in the Belgorod region – 3300 rubles (minimum of subsistence). So it turns out according to the statistics that Tambov citizen whose income is 3000 rubles lives better than Muscovite whose income is 5000 rubles, and Belgorod citizen whose income is 3500 rubles. At the same time in 2009, housing and communal services for the population in the Tambov region were 1,5 times more expensive than in Moscow, and by 20 % more expensive than in the Belgorod region. Manufactured products for the Tambov region residents are brought mostly from Moscow and the Moscow region (the Tambov region practically does not produce them); the main suppliers of milk and dairy products are Lipetsk and Voronezh. In the Tambov region goods and foodstuffs for the population are not cheaper than in the regions of suppliers of these goods, and they are often more expensive as it requires additional transportation costs. Business also has no interest to carry commodities and foodstuffs to the other region to sell them cheaper. Such foodstuffs as bread, sugar, vegetable oil, produced in the Tambov region, are not cheaper than in neighboring regions, and even if they are, the difference is in a few kopecks. So it turns out in the Tambov region that the low subsistence minimum is made up of population poverty.

It can be concluded that the number of the poor in the country can be easily changed according to the norms of the basket of goods. Then there is the question if it is correct to go on calculating how many extra grams of meat a person is supposed to get or how many years he has to wear a sweater or trousers. The issue is quite real, because in the OECD countries a different method of determining the number of the poor was adopted. This is the so-called relative approach.

The meaning of the approach used in OECD countries is the following: the median income is determined as an income level, above and below which 50 % of the population is positioned. In the OECD countries the poor are those whose income does not exceed 50 % of the median income. In EU countries, this level is raised to 60 %. If we estimate the number of the poor in Russia using this method, figures will differ significantly from the current official rates, it will turn out that about 30 % of people lives below the poverty line.

Problems exist, and they are very serious. If it has been really decided to solve the problem of reducing the number of the poor in the country, then this should be done in accordance with well-established standards. This is a relative approach, and more than that it is good for comparisons. Unfortunately, the question of reviewing the method of counting the poor is not put; again the consumer basket will be examined and the regions with the lowest incomes will be among the winners in the struggle with poverty.

This leads to the conclusion that Russia is still going on fighting not with poverty but with the arithmetic that shows the number of poor people. Does the country need such arithmetic?

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Финансовая оценка бедности в России

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Ключевые слова и фразы: бедность многодетных семей; доля работников, зарплата которых на уровне прожиточного минимума и ниже; инвестиции населения в экономику; реформа ЖКХ; коэффициент Джини; медианный доход; нацпроекты образования и здравоохранения; номинальные и реальные доходы населения; соотношение доходов богатого и бедного населения; относительный подход в определении количества бедных; плата населением за потребленный газ и электроэнергию; потребительская корзина; прожиточный минимум; расходы денежных средств населением на питание; средняя зарплата в промышленности.

Аннотация: Рассмотрено социально-экономическое положение населения РФ. Дан анализ доходов и расходов различных групп населения РФ. Рассмотрены подходы методики определения количества бедного населения, используемых в странах ОЭСР.

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