

**SOCIAL INEQUALITY AND POVERTY PROBLEMS OF CONTEMPORARY
RUSSIA IN COMPARISON WITH WESTERN COUNTRIES**

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The article is devoted to the problem of poverty that exists in any society to some extent. For Russia it is one of the most acute social issues today. Poverty doesn't allow society to realize the potential opportunities and consequently, to develop. For this reason, it is connected with regress in social development. Low level of income together with income polarization result in social tension in society, hinder its successful development, cause the crisis phenomena, both in a family, and in the whole state.

Besides, the most important problem of Russia's economy nowadays is a huge inequality between different classes of the Russian society that has been constantly growing for the last twenty years since the collapse of the Soviet Union. The rich get richer and the poor get poorer. This is of course very dangerous, because when the inequality reaches a certain limit, it leads to dissatisfaction among people and as a result to revolts or even revolutions. Growing inequality means the lack of justice and Russian people attach great importance to justice. That is why we have a very tense situation in the Russian society at the moment.

At the end of 2013, Global Wealth Report by Swiss bank Crédit Suisse recorded that 22 years after the collapse of the Soviet Union, the gulf between the broad mass of the population and the super-rich in Russia was greater than in any other major country in the world.

According to the study, Russia has the highest level of wealth inequality in the world, apart from small Caribbean nations with resident billionaires. Worldwide, there is one billionaire for every USD 170 billion in household wealth; Russia has one for every USD 11 billion. Worldwide, billionaires collectively account for 1%–2% of total household wealth; in Russia today 110 billionaires own 35% of all wealth.

Even at the top of the wealth pyramid, Russian wealth is distributed very unequally. According to Crédit Suisse, 5.6 percent of the population possesses between \$10,000 and \$100,000, 0.6 percent between \$100,000 and \$1 million, and 0.1 percent more than \$1 million. The bank estimates that the number of millionaires will increase from the current total of 84,000 to 133,000 in five years.

Even these monstrous figures underestimate the real situation, however. Credit Suisse based its calculations on the list of billionaires published annually by Forbes Magazine. The results of these calculations are flawed for two reasons. First, a large proportion of the assets of the rich in Russia - especially real estate - remain undisclosed. The shadow economy in Russia amounts to about 50 percent of GDP. Secondly, the Forbes list does not include all the super-rich individuals in the country. Those with key positions in government are excluded.

This concentration of social wealth created by the working class in the hands of a few oligarchs, whose fortune is based on criminal activities and the destruction of the Soviet economy, is a damning indictment of the restoration of capitalism in Russia.

The number of billionaires has grown at a staggering rate since 2000. According to the Forbes list, there were no dollar billionaires in Russia in 2000. By 2003 there were already 17, and by 2008 this figure had risen to 87. After the crisis of 2008, another 23 billionaires had joined the list. In its report, Credit Suisse stated that the "survival chances" of billionaires in

Russia are higher than in any other BRIC or G7 country, and the super-rich in Russia apparently enjoy an especially high level of protection from the state.

At the same time, the broad mass of the population lives in varying degrees of poverty. Official figures are alarming: in 2010, 12.6 percent of the population (almost 18 million people) officially lived in extreme poverty. The proportion of those who “had little” was 40.2 percent in the countryside and 59.7 percent in the cities. Figures showing the distribution of wealth reveal the glaring nature of this social polarization. According to government data, the incomes of very rich members of Russian society are 15-20 times those of the poorest - one of the highest levels of social inequality to be found among the world’s leading countries. In Moscow, this difference is 53-fold.

The great majority of Russian families are teetering on the edge of poverty. The majority of the poor in Russia are to be found among working families headed by adults with average technical professional training, and in families with many children. Most of the poor workers are employed in the public sector, including teachers, librarians and low-ranking civil servants. The occupations with the lowest incomes - including those employed in the health services, such as nurses and medics - are of great social importance. The poor living conditions of those employed in these sectors contribute to a decline in the structures upon which a functioning society is based.

Russia’s National Statistics Office officially classifies a total of 31 million people (22 percent of the population) as poor. Other surveys, however, place the poverty rate at 40 percent or higher.

The All-Russian Centre for Living Standards published the following figures for the varying degrees of poverty: the Centre for Living Standards regards the “middle layers” (middle class) as households with a per-capita monthly income of about 15,000 rubles. By Western standards, this level of income would represent poverty. Pensioners and young people constitute the poorest sections of Russian society.

The Social Opinions Fund has found that practically no young people (just 1 percent) are saving for their old age. Two thirds of young people who were asked said they could not afford to buy anything on their own. Young people living in the countryside or in small cities are at greatest risk of being poor. In contrast to Western countries, where poverty is often concentrated in the large cities, the poor are more frequently found in Russia’s villages and towns.

Families with more than one child are exposed to the constant danger of poverty, particularly those with three or more children. Children from families with low incomes have substantially decreased chances of going on to gain an apprenticeship after graduating school. Only 15 percent of children from poor families go to the more specialized technical colleges and universities. A low level of education is an important factor in the persistence of poverty.

The poor are more frequently ill or succumb to alcohol. The incidence of tuberculosis in Russia is 10 times higher than in Europe. Scientists have calculated that since the beginning of the 1990s, some 8 million Russians have died prematurely. The mortality rate has risen one-and-a-half times over the same period.

The average Russian man can presently expect to live only to 58. That means married women, on average, are widowed for 15 years. This is due both to women’s greater life expectancy and to the younger age at which women marry.

Despite the adversities of everyday life in the Soviet Union, for most people the social situation was substantially better than that which exists in contemporary Russia. Today, the minimum wage covers only 27 percent of what is needed to sustain an adult of working age; the child benefit covers just 3 percent of necessary expenditure for a child; and the minimum pension covers only 46 percent of the minimum expenditure of a pensioner.

In the Soviet Union, the minimum wage amounted to one-and-a-half times the minimum required consumption. Russia's minimum wage would have to be tripled to cover the minimum level of consumption.

In the USA, a person earning \$930 or less per month is deemed to fall below the "poverty" level and is considered poor. In Russia, the figure is \$200 per month. So, the poverty income ratio between the USA and Russia is roughly 5:1. An average American earns about \$3,600 per month (about \$22.50/hour). The average Russian earns about \$770 per month (about \$4.80/hour). So, the ordinary income ratio between the USA and Russia is roughly the same as the poverty ratio, 5:1. The average American poor person has about five times more income than the average Russian poor person, and the average American also has about five times more income.

Of course, nobody in their right mind would suggest that the cost of living in Russia is five times lower than in the United States. In fact, the giant Russian city of Moscow, for example, is routinely ranked as one of the most expensive places to live on the entire planet. So, to the extent that the cost of living in the USA isn't five times higher than Russia, the Russian definition of "poverty" is much too miserly compared to that of the USA. Of course, by defining poverty in a miserly way, the Russian government gets to claim that fewer Russians are living in poverty than there actually are, making itself look better.

Social polarization has intensified since the crisis of 2008-2009. As in other countries, the elites in Russia have exploited the crisis to intensify attacks on the working class and the redistribution of social wealth from the bottom to the top. According to Cr dit Suisse, the share of assets held by billionaires increased from 30 to 35 percent in 2012 alone.

At the same time, the average wealth of the broad majority of the population has declined significantly since 2007, including changes in exchange rates. In 2007 an average adult in Russia had assets of \$14,000; by 2013, this sum had declined to \$11,900.

The figures on wealth and income give only a rough idea of the social disaster caused by the destruction of the Soviet state. The health and education systems were almost completely ruined. There is an acute shortage of professionals in all areas, and infrastructure is in an advanced state of decay. Fires and accidents claim tens of thousands of deaths annually. Natural disasters regularly cause hundreds of deaths and the financial ruin of tens of thousands of people. A serious struggle against poverty is impossible without a real reform of the educational system and health service. Both would have to be made accessible to broad layers of the population. However, the tendency is in the opposite direction.

Finally, taking into consideration all said above, it should be noted that experts from the United Nations Organization strongly believe that Russian government should develop and introduce special measures for eliminating poverty in order to achieve so-called Millennium Development Goals. Millennium Development Goals are eight international development goals that all 192 United Nations member states and at least 23 international organizations have agreed to achieve by the year 2015.

Among these goals one can find eliminating extreme poverty, reducing child mortality rates, fighting disease epidemics, AIDS for instance, and developing a global partnership for development. A report of the UN's Development Program says that increase of salaries and pensions has resulted in excluding working families of poor people and working retired persons (pension holders) from the group of poor Russians. However, existing system of social assistance lacks mechanisms, which can block recovery of eliminated forms of poverty in case, when economic situation gets worse, like it has happened in 2008, when the economic crisis has struck.

The main aim of the mentioned report, compiled by the United Nations, is monitoring of the process of achieving Millennium Development Goals, adapted specially for our country, as well as analysis of how recent social and economic tendencies affect this process.

As for education, according to the report of the UN's Development Program, all goals of its development have been successfully achieved in Russia, however, we should keep in mind how strongly Russian system of education affects elimination of social inequality and growth of population prosperity. This point of view shifts main accent from availability parameters of education to parameters of education quality and equal availability of quality education to all citizens of the country.

In regards of gender equality, UN's Development Program has following evaluations: male population of European part of Russia faces burning problems of a low lifespan, decline of education level, and high amount of workplaces being in uncomfortable working conditions. At the same time, women often experienced discrimination at their employment positions, and unfortunately Russian Federation hasn't got any integral mechanism for protecting women from violence.

Experts from the UN's Development Program also emphasize that Russian legislation lacks regulations, aimed at health maintenance for Russians of active working age. For example, experts point at the fact that no significant change in fighting HIV was detected in our country – mortality values keep growing. Main epidemiological markers of tuberculosis have become stable, experts say, but in case of either tuberculosis, or HIV (AIDS), the Russian government keeps supporting existing public health infrastructure, which often has nothing to do with current epidemiological situation.

In general, UN experts consider the situation in our country to be ambiguous from the point of view of achieving Millenium Development Goals. One of the main challenges is maintaining positive results and development, which our country has successfully achieved to the moment.

To finalize the matter, the problem of a very high income inequality will take a lot of effort to get rid of it. First of all, Russia needs a new tax system. At the moment rich people in our country pay the same taxes as poor people, although they should of course pay a lot more. The land tax and the real estate tax are extremely low in Russia. In the suburbs of Moscow one can find lots of huge luxury mansions that cost hundreds of millions of dollars while the tax rates for them are very low. The money that the state could get from the land tax and the real estate tax could help poor people in our country. The most important thing is to give them an opportunity to find their way in life. Those who live in little towns and villages in Russia do not have any opportunities at all. Many very talented people really do not know where they could express themselves. These opportunities should be created and for this purpose, there is an urgent need for the support of Russia's government.