

Is Economic Growth in Russia Really Pro-poor?

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This study investigates the impact of economic growth on inequality and poverty in Russia over the period 2000-2016 using series from the official Household Budget Survey and unofficial Russian Longitudinal Monitoring Survey – HSE. We examine whether Russian economic growth is pro-poor over that period.

Mass poverty in Russia has declined since year 2000 because of economic growth. Yet, the growth has been highly uneven across sectors and regions in Russia. The official proportion of the poor declined more than twofold from 29 percent in 2000 to 13.3 percent in 2007, but fell only slightly between 2008 and 2013 and started rising in 2014. The decrease in real incomes, high inflation rates pushing up the subsistence minimum, freezing of social transfers and wages in the public sector have been the main reasons behind increasing poverty rates in Russia since 2014. The year 2015 and 2016 marked the largest decline in living standards and increase in poverty since the economic crisis of 1998-1999, largely ending the gains of poverty reduction years. Although the methodology of poverty estimation was changed in 2013 we may discuss the issue of a “lost decade” also with respect to the social dimension of Russia’s development.

The aim of the research is to understand how income, income inequality and poverty have been developing in Russia at national level and what policy measures have been adopted to alleviate poverty and curb inequality. The first research question is, what were the factors behind the change in poverty during the period from 2000 to 2016? To understand this, we decompose the change in poverty by income and inequality components using backstopped poverty line of 2016 (the procedure of subsistence minimum calculation has been updated several times since 1992 and therefore poverty lines are inconsistent over time) and Kolenikov-Shorrocks (2005) imitation model. We also give attention to the choice of poverty line and poverty measure comparing the Russian poverty with the poverty in other post-socialist countries. As poverty rates are of a significant magnitude and vary with the measure used we also apply data from independent authors (Ovcharova, Denisova, Karabchuk, Bogomolova etc.). The comparative analysis of the official and independent data enabled us to conclude that there is ambiguity in the estimates of monetary poverty in Russia.

The second research question is, what led to increases in poverty in 2008-2009 and 2014-2016? What is the transmission channel of the crisis? Is the impact of crisis 2008-2009 and 2014-2016 on people’s well-being different and what are the characteristics of those who would become poor because of the crisis?

We compare either between scenarios with and without crisis for the same year, or between pre-crisis and post-crisis years.

The third research question is, how effective are poverty reduction programs? To answer this question, we calculate pro-poor growth indices for FGT class of poverty measures (headcount, depth and severity) using Kakwani and Pernia (2000) approach. The social welfare programmes inherited from the Soviet Union were inadequately focused on deprivation. A considerable part of social transfers, both regular and one-off payments, has gone to benefits for families without recognition of 'needs'. We address all questions from the empirical perspective through an analysis of official aggregated Rosstat data as well as unofficial household survey data presented in RLMS-HSE. The RLMS covers a wide range of issues and produces an extensive base of socio-economic variables that can describe the structure of income and expenditure, the structure of food consumption, the level of material well-being of the population, education levels, investment, occupations, migration, health, etc. (Murashov and Ratnikova, 2016). We conclude that it is essential to formulate pro-poor policies along with growth-enhancing policies to alleviate both absolute and relative poverty in Russia.