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Poverty Alleviation in the
Course of Transition:
Policy Options for Russia

VLADIMIR MIKHALEV

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ROBERT SCHUMAN CENTRE

**Poverty Alleviation in the Course of Transition:
Policy Options for Russia**

VLADIMIR MIKHALEV

**Institute of World Economy and International Relations (IMEMO),
Russian Academy of Sciences, Moscow
and Jean Monnet Fellow, RSC (1995-7)**

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ABSTRACT

The paper analyzes new data on the incidence of poverty as a most vivid indicator of the social cost of the economic transformation in Russia, with an attempt to evaluate the suitability of available poverty measurements for identifying categories of the poor, and to look for relevant welfare responses to the hardships of the transition. Basing on a review of major trends in real incomes and inequality, relevant poverty thresholds and the incidence of poverty as well as regional variations in its level are discussed. The composition of poverty is also examined, with an aim to identify who the poor are in Russia as well as what are the main causes that bring them into poverty. Finally, analysis of major features of the Russian social security system and gaps in the social safety net highlights policy priorities with regard to poverty alleviation. The major policy options as it appears as a result of the study lie in better targeting of benefits on the needy groups of the population, redistribution of financial resources to programs of poverty relief, as well as considerable improvement in the administrative framework of the social security system.

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1. Introduction

The phenomena of inequality and poverty, to which even the most prosperous Western societies are not immune, have acquired a particular significance in the former centrally-planned economies which are now undergoing an unprecedented transition to a market economic system. Although the existence of poverty was acknowledged in the former Soviet Union and other East European countries as the crisis in their economies intensified by the end of 1980s, the radical transformation initiated in the early 1990s has been associated with an heretofore unknown increase in inequality and poverty. A deterioration in welfare caused by the economic collapse was exacerbated by austerity programmes introduced to achieve macroeconomic stabilisation. At the same time the processes of privatisation, the elimination of price controls and the liberalisation of wage policies speeded up that of incomes differentiation, introducing sharp contrasts between expanding poverty, and concentrating wealth in the hands of only a few.

The severity and scope of problems related to the growth in poverty are possibly greatest in Russia, the largest economy in transition. The crisis of welfare here is complicated by the disintegration of the former Soviet Union associated with enormous economic and social costs. The complexity of these problems is also due to the large size of the country, which has extremely diverse regional economic and social conditions to contend with and a particularly hard situation in a number of large and economically depressed territories. The emergence of substantial poverty and the deterioration of social welfare present a serious challenge to the economic reforms and the process of democratisation. To date there has been an insufficient policy response in this regard.

It has proved extremely difficult to combine measures of financial stabilisation and structural reforms with the development of new welfare institutions. The old social security system has been eroding at too fast a rate for it to be replaced by a new one. Severe budget constraints and a high rate of inflation determined the priorities of monetary stabilisation over social protection, and therefore did not allow sufficient resources to be allocated to restore adequate levels of welfare. Adequate social policy responses are absolutely necessary to ensure the continuity of transition. In addition, a considerable amount of inconsistency in Russian policy-making - rendered even more complex by the confused relationship between the federal and local governments - has frequently disrupted the implementation of social policies. The lack of an effective safety net capable of alleviating the social hardships of the transition has been an important cause of growing popular disappointment, despair and even giving rise to the danger of social unrest. The results of the December 1995 parliamentary elections in Russia

(where the communists won a majority of votes) and the collisions in the course of the presidential election campaign in 1996 provided a vivid evidence of the gravity of political backlashes against the reforms.

Research on poverty in Russia has recently attracted considerable attention from Russian governmental and academic institutions, and international organisations, primarily the World Bank [World Bank, 1995; Milanovic, 1995]. However, various poverty assessments demonstrate substantial differences in approaches and findings. In addition, new evidence being constantly introduced by rapid social changes, along with the appearance of new social surveys data require further in-depth study. This paper analyses new available evidence with an aim aims to provide additional input for the understanding of the nature and dimensions of poverty in Russia as well as to the discussion on the available social policy solutions.

To consider policy options one needs to depart from a particular concept of poverty and, correspondingly, from a specific poverty line definition. This paper will not attempt to propose an alternative concept of poverty or to define a poverty line other than those currently applied in Russia. There are generally three alternative concepts of poverty which bear directly on practical-policy making. The first is that of "absolute income poverty", that is, the objective shortage of income in relation to a given normative threshold (the absolute poverty line) which generally allows only the satisfaction of basic physiological and social needs. This concept - dating as far back as Rowntree's surveys of poverty in York in the end of XIX century - has been extensively developed by Amarithya Sen [Sen, 1985]. The practical application of the absolute poverty line definition was developed by Mollie Orshansky and is used by the USA Department of Social Security [Orshansky, 1965; 1969]. The same concept has a practical application in Germany and Austria.

Objections to the absolute concept of poverty - most systematically expressed by Atkinson - point to the inadequacy of the purely biological content of the cost of subsistence, emphasising the role of customs and traditions in consumption patterns and, hence, suggesting that it is only possible to conceive of poverty as deprivation relative to the standards acceptable in a given society [Atkinson, 1975]. Thus the second concept, i.e. "relative income poverty", takes as its starting point the gap between an individual's income and the prevailing income and consumption standards in the society, regardless of the person's absolute level of income. This approach derives from the work of Peter Townsend who developed this concept of relative deprivation for the United Kingdom [Townsend, 1979]. The relative poverty measurement is practised in several European countries, for instance in Italy, and where it is normally set at 40 to 50 per cent of the average per capita income. An alternative approach to overcome the shortcomings of the absolute poverty measurement is that of subjective concept of poverty, developed by the Leiden

School. This method of poverty definition is based on the self-evaluated inadequacy of a person's income [Haagenars and Van Praag, 1985].

Poverty research on Russia is still recent, especially that done by Russian scholars, and is based on whatever limited empirical evidence is available. It is fairly uninfluenced by theoretical approaches and is more policy-oriented. The absolute concept of poverty dominates efforts at empirical poverty measurement. There are no studies of relative deprivation in Townsend's sense in Russia, but the relativity approach can be seen in attempts to define regionally specific poverty lines based on the account of varying territorial economic and social conditions. The subjective approach, aiming to ascertain the incidence of poverty, basing on people's opinion about their standard of living, is also used in Russia for public opinion surveys, particularly by the Russian Centre for Public Opinion Research.

Poverty assessment for Russia is an enormous task, impossible to implement within the scope of an individual project. For the purposes of this study, official statistics and a number of independent surveys have been utilised. These include regular publications by the Russian State Committee on Statistics (Goscomstat), surveys by Russian Governmental institutions - the Ministry of Social Protection (MOSP) and the Ministry of Labour (MOL), international organisations - the World Bank, UNICEF and the OECD, academic research institutions, particularly the Moscow Institute for Economic and Social Studies of the Population (abbreviated in Russian as ISEPN) and the Russian Centre for Public Opinion Research (VCIOM). In addition to these sources of information, data collected by the author during a field research visit to the city of Krasnoyarsk (in Siberia) have been used for the assessment of regional programs of social assistance.

The analysis begins by Section 2 which considers poverty thresholds applied as instruments of poverty measurement in Russia. Section 3 analyses evidence on the incidence of poverty and regional variations in its level. The focus of Section 4 is on the composition of poverty, with an attempt to identify who the poor are in Russia as well as what the main causes are that bring them into poverty. Section 5 discusses gaps in the social safety net and social policy priorities with regard to poverty alleviation. Finally, Section 6 analyses local programs of social assistance using information from the city of Krasnoyarsk as a case study, and is followed by an overall conclusion.

2. The Poverty Line Definition

The need for adequate policy responses has stimulated considerable activity on poverty research in Russia. Due to the sharp fall in income and the severity of extreme poverty this research as well as practical policy making were mainly based on an approach focusing on the absolute concept of poverty rather than the concept of deprivation relative to the average standard of living. One of the first results of those efforts has been the introduction of a new poverty line - the subsistence minimum, which has replaced the old minimum consumption budget of pre-reform times. In 1991-1992 technical assistance was provided to the Russian government to refine the food portion of the minimal consumer basket [Popkin, Mozhina and Baturin, 1994]. A revised food basket corresponding to the WHO and the FAO nutritional recommendations was subsequently adopted by the Russian Ministry of Labour. This basket differs for children, the able-bodied and pensioners. On average the subsistence minimum provided for 68.3% of individual income to be spent on food, which is much higher as compared to poverty lines applied in other countries. For pensioners this proportion was 83% of their income.

The official subsistence minimum has a number of advantages as an instrument for empirical poverty research. It is regularly published by the State Committee of Statistics (Goscomstat) with a monthly adjustment to the rate of inflation (Table 1). Thus it is the most easily available and convenient indicator for calculating the headcount poverty index, i.e. the proportion of the population below the poverty line. The latter is also regularly published by Goscomstat and is based on their monitoring of household incomes.¹

It is important to bear in mind that poverty lines and measurement can never be entirely objective and value-free. The official poverty line in Russia is criticised as inadequate from several points of view: for instance, for being too low (with the share of income spent on food too high), or, on the contrary, too generous. The subsistence minimum was calculated as a temporary definition designed for the conditions of acute economic crisis. It was expected to be used for about one year to help to overcome the initial most difficult stage of transition. As the economic situation did not radically improve, the subsistence minimum remained as both a statistical and a political instrument for much longer. Meanwhile, the subsistence minimum allowed only one third of personal income to be spent on clothes, footwear, medicines and services, and virtually nothing on consumer durables. Of course it was absolutely inadequate, especially in a situation when prices for these goods were soaring. People affected by poverty were forced to refrain from purchases of most non-food consumer items. If they were able to survive through the first reform year of 1992, the perpetuation of such a situation through 1993-95 has made their position much worse, and the need for warm clothes and other essential goods has become more

acute. Moreover, the marketisation of housing and public utilities has raised the share of rent as well as that of bills for water, electricity and the telephone from the earlier 3-5 to 15-20 per cent in an average family budget, with particularly adverse effects on the poor. The Government's plan is to eliminate completely housing and utility subsidies by 1998. The population will then have to pay the full market cost of housing rent and utilities.

The change in the structure of consumer prices that follows the elimination of state price controls necessitates a revision of the food share in the subsistence minimum consumer basket. The higher relative price increases for clothes, consumer durables, housing, utilities, transportation and services clearly reduce the share of foodstuffs in real consumer spending. Thus in 1995 the Ministry of Labour had to revise the share of food in the minimal consumer basket. The new food share has been set at 57 % instead of the earlier 68.3 %. This has automatically increased the current cost of the subsistence minimum, and, consequently the proportion of the population below the poverty line. Even with this, by any standard, modest minimum of subsistence, the population below it numbers 30 million people, making the realisation of necessary safety nets problematic. Therefore a group of very poor people with incomes equal to half of that minimum, has been identified in order to give them the most urgent assistance.

Another government agency, the Centre for Economic Analysis and Forecasting (TsEK), introduced two-level poverty lines: the physiological subsistence minimum (the lower limit of poverty) and the TsEK subsistence minimum (the higher limit). In 1992-93 the physiological minimum was equal to 60-70 % of the Ministry of Labour subsistence minimum while the higher limit exceeded it by 10-30 %, gradually approaching the MOL standard. The TsEK estimates therefore do not offer any substantial differences or advantages for analytical or political purposes over the Goscomstat numbers.

An alternative approach suggested setting the food share in minimal consumer spending at 80 % [Mozhina et al., 1995]. For the reference group this would imply excluding the possibility of buying clothes, furniture or other consumer durables. Obviously, reaching the income level of such a poverty line by an individual or a family would not at all mean an end to severe deprivation for them. Nevertheless, it was regarded as an appropriate guideline for the conditions of acute crisis. However, since the economic and social situation has not radically improved for over four years, this poverty line -providing for 80 % of income on food - no longer offers a tolerable level of consumption.

Another limitation on the use of the aggregate official subsistence minimum lies in the wide regional differences in the cost of living. From this perspective research

technique is facilitated by regionally adjusted subsistence minima which are estimated by the regional governments. In doing so most regions follow a uniform Ministry of Labour methodology which simplifies interregional comparisons. Nonetheless some regions (oblast), for example, Moscow, have departed from this recommended methodology and adopted standards that are twice as high. In the case of Moscow this is justified by the much higher costs of many essential goods and services. For instance, a monthly ticket for urban transportation (metro, buses, trams, etc.) costs 180,000 rubles, or 37 % of the January 1996 country-wide monthly subsistence minimum of 485,000 rubles). Thus for certain regions not only should the cost of the uniform minimal consumer basket be adjusted to local price levels; its composition should also be revised in accordance with specific territorial conditions. Another objection to the use of the subsistence minimum as an instrument of poverty measurement relates to the role of household assets in real consumption. It is understood that in the particular case of Russia money income does not give a complete measure of real consumption. While it is true that the majority of households, even those affected by poverty, have some accumulated assets which help them to survive, money income still seems to be an adequate indicator of current trends in poverty. Household assets have depreciated considerably over the past five years, during which time the poor have been unable to replace them. In addition, markets allowing those assets to be sold or leased, and thus to help a family make ends meet, are still underdeveloped. Savings were also wiped out by inflation unless people kept them at home in foreign hard currency. However until 1992 to keep foreign currency was illegal and also practically difficult to get and exchange, so such cases were relatively rare.

The above consideration is closely related to the issue of economies of scale in household consumption. It is widely believed that it costs less than twice as much to support two individuals as it does to support one. However, since the cost of overhead elements (such as rent, heating and so on) in the budget of poor families in Russia is small, neglecting economies of scale in consumption for the purposes of poverty research may not introduce a great distortion [McAuley, 1994, p. 33].

More important is to take into account various non-money forms of support or incomes from informal activities available to many families. There is good reason to expect that this part of real incomes is not adequately captured by statistics. To overcome this difficulty it would be useful to look at household expenditure as a measure of real consumption. Such data have become available from the Russian Longitudinal Monitoring Survey initiated by the World Bank. According to these reports household expenditure exceeds reported income, so, where possible, it would be useful to compare the RLMS expenditure data with the income statistics. Furthermore, the RLMS has examined the extent of private inter-household transfers as a means of an informal safety net [Cox, Eser and Jimenez, 1995]. Such estimations

may be useful to make adjustments to the incidence of poverty obtained through the Goscomstat incomes statistics.

Dissatisfaction with the official poverty line has also stimulated attempts to design alternative poverty lines, some of which have been based on individuals' subjective measure of poverty, i.e. have been similar to the Leiden School approach [Haagenars and van Praag, 1985]. In Russia the subjective approach is used for surveys of public opinion, particularly those carried out by VCIOM (the Russian Centre for Public Opinion Research). The results of such surveys are heavily influenced by the specific situation of Russia where the average income has fallen sharply against a rapidly growing income disparity and the emergence of wealthy groups of the population. In their individual perception of a sufficient income, people naturally refer to standards typical of their previous rather than their current circumstances as well as to the living standards of the newly prosperous elites. A sensitivity analysis of this type, accounting for individual perception of how much income is needed to provide for a minimum subsistence, yields a subjective poverty line which is 1.5-2 times higher than the official subsistence minimum.

Where the poverty line is drawn is largely a question of policy, and for the design of policy responses an approach based on the official poverty line is appropriate. From a political perspective any decision to move the poverty line up or down, even slightly, would imply including or excluding a significant number of Russians from being poor and, hence, from being the target of social assistance. Meanwhile the proper targeting of the group affected by poverty - as that in most acute need of aid - is a key issue for the design of adequate safety nets. Drawing the poverty line too high, e.g. by embracing over half the population, actually means refusing to implement realistic poverty-relief programs. If the official poverty line is too high from the point of view of feasibility of social assistance, it is useful to look at that group in desperate need whose income is half or less than half the official subsistence minimum.

3. The Incidence of Poverty

Much evidence suggests that the incidence of poverty in Russia has increased since the beginning of the economic transition in 1992. However, the various approaches and poverty lines applied yield different estimates of the number of people affected by poverty. An assessment based on the official Ministry of Labour methodology average subsistence minimum poverty line and published by the Russian State Committee of Statistics (Goscomstat) offer the longest available time series (Table 1). What is particularly interesting is to ascertain how much poverty has expanded in comparison with the pre-reform situation.

The appearance of poverty in Russia is not the immediate result of the rapid transformation or the collapse of the centrally-planned economic system. There was much poverty in the Soviet Union long before this, although only in 1989 was it officially acknowledged by the Soviet Government. At that time 11 per cent of the population (meaning 16.2 million people for the Russian Federation) were reported to have incomes below the quasi-official minimum consumption budget of 89 rubles per capita a month. This measure, however, is regarded by international experts as the upper boundary of poverty as it provided for a relatively generous consumer basket, at least with regard to its food component [Braithwaite, 1994, p. 12; McAuley, 1996]. Thus in terms of money income the incidence of extreme poverty may have been lower than suggested by the above figure. However, money income was not a fully adequate measure of living standard in the pre-reform times, as in the economy of shortage possession of money was not sufficient to ensure access to goods and services. So, taking into account the unavailability of many essential goods, which was particularly aggravated in 1990-91, or the time and effort spent by people standing in queues brought down the real standard of living significantly, particularly for those in the lower segments of the income distribution as they were underprivileged not only in terms of available income.

On the other hand, money income did not include various goods and benefits provided in kind through the pervasive system of social services, many of which were offered by industrial firms, trade unions or local governments. These services ranged from the provision of subsidised housing and utilities, free education, health and child care to very cheap recreational and cultural services. Access to many of these social assets, as well as widespread social security benefits, for example sick pay or maternity allowances, and strictly observed universal guarantees for employment [Mikhalev, 1996], compensated significantly for difficulties encountered by households on low money incomes. Combined with price subsidies for essential goods (although by the end of 1980 s many of them had to be rationed due to shortages and were therefore difficult to procure) the old system of social provision ensured a minimum standard of living for the majority of citizens. Yet for some of them it was clearly very low. Thus it is very difficult to make quantitative assessments of the extent of poverty in Russia before the 1992 reforms, although it is clear that poverty began to expand well before the collapse of the Soviet Union in 1991.

With any possible adjustments of the Goscomstat estimates of poverty prior to 1992 their data demonstrate a marked increase in poverty later in the 1990 s, embracing from one quarter to one third of the population. The headcount poverty index more than doubled in 1992, immediately after the initiation of price liberalisation. The real change may have been even more profound, i.e. the expansion of poverty much greater compared to the pre-reform situation, as the pre-reform estimates were based

on the old minimum consumption budget which in real terms was 2.5 higher than the new official subsistence minimum applied from the beginning of 1992 onwards. According to an estimate based on the old Soviet methodology some 90 % of the population in 1992 had per capita monthly incomes below the poverty line of the old standard [McAuley, 1996]. However, the poverty line based on the old minimum consumption budget became irrelevant as inflation accelerated and the consumer price composition changed dramatically. It lost any meaning for social policy-making, and was soon abandoned even for analytical purposes.

A further trend in the headcount poverty ratio throughout 1992-1995 is more difficult to ascertain due to the considerable variations caused by substantial fluctuations in the monthly rate of inflation. The poverty index was normally higher at the beginning of each year due to sharp price increases usual at this time; these decreased by summer, demonstrating a new increase in autumn caused by a regular autumn wave of inflation (Table 1).² In December the poverty rate usually reached its lowest point reflecting higher incomes in that month when wage arrears, annual bonuses and interest earnings were paid out.

The range of fluctuations in the headcount poverty index has been as wide as 16 % for December 1992 to 35 % (over twice as high) in March 1993; in March 1994 the poverty rate decreased nearly three times (to 11 %) against 31 % in January of the same year. Monthly data are therefore somewhat misleading for an assessment of a longer-term trend. Quarterly aggregates show a still higher number for 1993 as compared to 1992, and a decrease in 1994 with a subsequent sharp rise in early 1995 followed by a downward trend further throughout the year (Table 2). An estimate for the end of 1995 gives roughly 20 per cent of the population or about 30 million with incomes below the official subsistence minimum.³

It is typical of the Russian press as well as of Russian and western academic experts to express scepticism towards the Goscomstat numbers on the incidence of poverty. A common line of argument claims that the Goscomstat statistics underscore the real incidence of poverty at least for two reasons. Firstly, the applied minimum of subsistence is inadequate and needs to be adjusted to changes in consumer price structure. i.e. to the relative increase in the cost of essential non-food consumer goods and services including medicines, housing rent, utilities and transportation among other things, which used to occupy only a small share in a household expenditure.

Secondly, there are doubts about the representativeness of the sample of the family budget survey from which the Goscomstat derives its estimates. It is alleged that the sampling frame and the methods through which the sample was drawn biased the average income upwards. Such a bias originates from a disproportionate inclusion of higher income groups into the sample [Braithwaite, 1994, p. 8]. Indeed, in a situation

where the highest quintile of the income distribution receives half of all income, two thirds of that amount going to the top 10 per cent of income earners, the average per capita income does not correspond to a real living standard of the majority. If the top 20 per cent of incomes were excluded from the sample, the average income of the remaining 80 per cent would be 1.5 times lower. This consideration, however, is only relevant to the ratio of the incomes of the poor to the average per capita income, implying that the real median income groups of the population are poorer than shown by statistics. The absolute number of people on income below a certain fixed amount, in our case the MOL subsistence minimum, is still the same, so the above argument cannot call into question the Goscomstat numbers of the poverty rate.

Another common argument against the subsistence minimum on which the Goscomstat bases its headcount poverty index is that it contrasts sharply with the population's perception of how much income a family needs to live on. Respondents in the Russian Centre for Public Opinion Research (VCIOM) June 1995 survey⁴ suggested an amount of 367.000 rubles a month (US \$ 80.9 at the prevailing exchange rate), i.e. 1.5 times higher than the official poverty line of 277.000 rubles (US \$ 61).⁵ In June 1994 the same difference was more than twice (194.000 rubles against 92.000 rubles) [World Bank, 1995, p. 18]. These subjective estimate-based poverty rates are therefore much higher than the Goscomstat indexes. Basing on nine surveys by VCIOM realised in 1993, Tatyana Zaslavskaya estimated the incidence of poverty in Russia as high as 54 per cent of the population [VCIOM, 1994, 2, p. 5.]. A later study by VCIOM in 1994 revealed 58 per cent of respondents in the sample living in conditions of poverty [VCIOM, 1994, 4, p. 25.]. A 1995 VCIOM survey yielded a number exceeding 80 % of the population.⁶ Although useful for a general assessment of the social situation, such estimations cannot provide a meaningful guide for social policy-making.

An opposite line of criticism against the Goscomstat estimates of the poverty rate maintains that the family budget survey on which those calculations are made do not fully account for the supplementary incomes available to households, or that they underestimate economies of scale in household consumption. Survey data reveal that only about one in five Russian households rely solely upon the wage at the main job or on transfers received from the system of social protection. Over 80 per cent of families undertake additional activities to improve their well-being. A 1994 survey 'Family and Society' carried out by the Research Institute on Family, the Ministry of Social Protection and the Russian Peace Fund revealed that only 17.6 per cent of Russian families do not undertake any additional activities to earn a supplementary income; 12.6 of respondents had a permanent second job, 23.4 per cent took on occasional supplementary jobs, 35.7 per cent sought various forms of self-subsistence, and 53.7 per cent gained incomes in kind from their country plots.⁷

These subsidiary incomes are not properly accounted for by the Goscomstat in the family budget survey.

It is worth mentioning, however, that, as becomes clear from the above data, a stable source of secondary income is still available to a minority. Most activities in the informal sector represent poorly remunerated jobs located mainly in the service sector. Only for 7 % of respondents with a second job in VCIOM survey did it provide more than half of the household income [World Bank, 1995, p. 29], while in 6 % of the poor households the breadwinner worked at two jobs still being unable to raise his family income above the poverty line [VCIOM, 1994, No. 4 p. 25]. For poorer households it is more typical to rely on various forms of self-support in kind, which may alleviate rather than radically improve their position.

According to the Russian Longitudinal Monitoring Survey (RLMS),⁸ even with access to a private plot a household is only 7.3 per cent less likely to be poor, which implies that for an absolute majority home food production cannot offer a way out of poverty [World Bank, 1995, p. 32]. A survey by the Moscow Institute of Socio-Economic Studies of the Population (abbreviated in Russian as ISEPN) conducted in 1992 in four Russian cities found out that for an average household in an urban area, where live three in four Russians, income gained from a country plot in kind forms only 4.3 % of the family income [Mozhina et al., 1994, p. 18]. For the majority these recently acquired tiny plots of 600 square meters require substantial effort and investment rather than generate any significant income. According to the second October 1993 round of the ISEPN survey, the cost of inputs into such country plot production averaged 42.5 % of the total value of the output. The cost of travel (let alone time spent) to a 'dacha' (the Russian word for a summer house), particularly significant in large metropolitan areas due to longer distances (up to 150-200 km), should also be taken into account.

Thus the actual significance of the income gained from a plot becomes at least twice smaller than even the modest proportion shown by the above ISEPN survey figure. It is also worth mentioning that this kind of food production cannot at all be regarded as efficient, nor is it a rational way of adjustment to economic hardships. It looks rather like an archaic means of self-subsistence through naturalisation of consumption, which is hardly consistent with the very essence of market-oriented transition. The above consideration would dispute the bias to overstate the importance of country plots for consumption of Russian households, which is common to publications of many Western experts. Moreover, a commonly available means of self-support would hardly compensate for the loss of income induced by the massive delay in wage payments, the effect of which is not properly accounted for by Goscomstat either.

Private transfers through family networks or from friends and neighbours make up another source of aid available to many poor households. In Russia, as in many other countries, private safety nets act as the most important means of poverty relief. Although such transfers do not go exclusively to lower income families they benefit such vulnerable groups as new households, elderly pensioners, female-headed households with many children, the disabled and those affected by unemployment. According to the RLMS data, private transfers averaged 40 per cent of the recipient households income and brought poverty rates 10 percentage points down as compared to households which were not involved in private safety networks [World Bank, 1995, p. 51]. Intra-family transfers are much more important than assistance based on other than family ties. Although transfer behaviour tended to persist during the difficult reform years despite high inflation, the decline in incomes, and the rise in inequality, its pattern is now undergoing changes. In the pre-reform years transfers were typically received by younger families from their better-off parents. Nowadays it has become more common for elderly pensioners to get support from their children, including especially those engaged in new private businesses. In the latter case particularly, the recipients of such transfers are much less likely to represent a low income or vulnerable group.

In addition to the supplementary incomes, means of self-support and private transfers underscored in Goscomstat statistics, there are possible economies of scale in household consumption which are not captured in the MOL subsistence minimum used as a poverty line. Substantial economies in consumption may occur as the size of the household increases. For poorer households, however, significant economies of scale are less likely because their consumer pattern is largely dominated by foodstuffs, but this factor may become more meaningful with a further increase in housing and utility prices.

To make up for the above deficiencies the RLMS approach suggested using household expenditure as a better measure of living standard rather than reported nominal income. However, the RLMS expenditure-based headcount poverty index for individuals does not prove to be too different from the pattern emerging from Goscomstat estimates. Moreover, the RLMS expenditure data yields an incidence of poverty which is even higher than Goscomstat numbers: 26.2 % for July-September 1992, 36.9 % for June-September 1993 and 30.9 % for October 1993 - February 1994. Hence this evidence does not confirm the hypothesis that Goscomstat overstates the rate of poverty or that the real consumption of the poor is higher than shown by incomes statistics. For all this, the Goscomstat per capita income data may be regarded as an acceptable approximation for the purpose of poverty rates estimation.

The Goscomstat poverty rates can also be compared with those given by Milanovic, who sets the poverty line used for international comparisons at US \$ 120 a month multiplied by the 1990 local currency purchasing power parity (PPP). This method is used to obtain the local currency poverty line equivalent for 1990. That number is then adjusted to the country's cost of living to get poverty lines for the subsequent years. The poverty line acquired by such a method for Russia is slightly higher than the Russian MOL subsistence minimum. According to this PPP methodology, the poverty rate in 1993 was 21 %, or well below the Goscomstat number (31%) [Milanovic, 1995, p. 15-16]. A similar estimate for the pre-reform period of 1987-88 reveals only 2 % of the population in poverty. Thus the PPP poverty rate estimates offer a much more optimistic picture differing from all other estimations based on different methodology. It is also worth mentioning that the same approach yielded surprisingly low poverty rates for several other countries in transition (data for 1992-93): 17 % in Romania, 16 % in Poland, 12 % in Ukraine (to compare with 41 % in Belarus where conditions in the same period were not too different), 2% in Hungary, 1 % in Slovakia, less than 1 % in the Czech Republic and 0 % in Slovenia (the latter known by a high level of unemployment). [Milanovic, 1995, p. 16]. Discrepancies of the above figures with the other available evidence may thus call into question the validity of the PPP methodology for poverty rates estimates.

As has been mentioned in Section 2, living standards differ widely in the geographically extensive and diverse Russian regions. This differentiation becomes more evident in the course of the transition due to the growing disparity in regional economic and social conditions. Differentials in major welfare indicators are reflected in broad variations of poverty rates across the 89 regions constituting the Russian Federation. There are no complete data which make possible estimates of poverty for each region. A number of recent surveys nevertheless allow us to outline general trends on a regional basis by analysing situations in selected regions. A sample survey by the Ministry of Social Protection (MOSP) undertaken in October 1994 - February 1995 covered nine different regions. Another survey was conducted in February - March 1994 by the Centre for the Study of Living Standards under the Ministry of Labour (MOL) in two regions: Republic of Adygeya and Republic of Yakutiya (Sakha). These two surveys provide the most recent and comprehensive source of information on the incidence of poverty by region.

The regions included in the two surveys represent four types of territories differing by economic specialisation and level of industrial development:

- 1) Three relatively affluent territories, rich in natural resources and specialising in mining and energy industry: the oil and gas producing Khanty-Mansiysky Autonomous District in North-Western Siberia; the city of Magnitogorsk in the Urals area, an important centre of iron ore mining and steel industry; the Republic of

Yakutiya (Sakha) occupying a vast territory in the far Northeast with abundant resources, including the largest gold and diamond reserves. The same type of economic specialisation also exists, though does not fully determine the economic structure of another region surveyed - Krasnoyarsky krai, the largest region of Russia in Central Siberia;

2) Two of the traditionally poor regions - the Chuvash Republic in the Volga river region, specialising in industries suffering from massive decline in output, i.e. light manufacturing, engineering and unproductive agriculture, and the small Republic of Adygeya in the Northern Caucasus, a region characterised as a whole by a low level of industrial development, poor economic and social infrastructure, substantial labour surplus and land shortage;

3) Territories dominated by machine-building industries and the military-industrial complex: Moscow oblast (excluding the city of Moscow) and Tver oblast in Central European Russia, with a similar industrial structure also largely characteristic of Krasnoyarsky krai and to a certain extent of the city of Voronezh;

4) Regions specialised in intensive agriculture and food industry: Astrakhan oblast on the lower Volga, Oryol and Voronezh oblasts in the fertile Black Soil area of the European part of Russia.

The national average poverty line calculated according to the MOL methodology was adjusted in the two surveys to the local price levels prevailing in the regions surveyed, thus allowing regionally specific poverty lines and the share of the population with incomes below that level to be obtained. In addition, the group of very poor was identified as those whose income was insufficient to cover the cost of the food component of the subsistence minimum consumer basket.

The survey revealed drastic variations in the incidence of poverty, ranging from 72 % for Astrakhan oblast to 17 % for Magnitogorsk city (Table 3). This difference can be partially explained by the monthly fluctuation in the poverty rate during the survey period, as this was not carried out simultaneously in all the regions. However, even when the data obtained relates to the same period (November 1994) a gap which is twice as big exists between the wealthy city of Magnitogorsk (as it is by Russian standards) and the poor Republic of Chuvashiya. This evidence corresponds to the overall regional breakdown of real wage and income levels. The poverty rates are highest in the mainly agricultural regions of Astrakhan, Oryol, Adygeya followed by regions dominated by light manufacturing, machine building and armaments industries like Chuvashiya, Moscow oblast and Tver oblast. Poverty is much less acute in regions rich in natural resources, particularly in those producing oil and gas.⁹

The poverty rate in Voronezh oblast was lower than in other regions with a similar economic structure: mainly agricultural specialisation for most of the area with heavy concentration of machine building in the oblast centre. This may be partially explained by the fact that the survey was carried out there in October 1994 when the situation was significantly better than in the following months when the MOSP conducted the survey in the other regions. In addition, it may also be an effect of the social policy pursued by the local government which continued to subsidise prices for basic foodstuffs on a larger scale than in other regions while many regions no longer provide such price subsidies.

Apart from the very high general incidence of poverty, particularly in the economically depressed regions, a stunning result of the two surveys is the extremely high proportion of the very poor who are likely to experience real famine and thus face a problem of physical survival. According to the MOL Adygeya and Yakutiya survey, the real food consumption of the very poor (on average for the group) amounted in Yakutiya to only 36 %, in Adygeya to 58 % of the norm suggested by the subsistence minimum food basket [Volkova and Migranova, 1994, p. 32].

Sharp contrasts in living standards and poverty rates exist not only between large regions but are essentially associated with types of residence: large cities, small towns or rural areas. The incidence of poverty in smaller towns was higher than in the regional centres in five out of the nine regions in the MOSP survey. Higher incomes increasingly concentrate in the largest cities which become major centres for the development of new private businesses, the commercial and banking sectors, while the transformation of the economic structures in smaller settlements is impeded by the underdevelopment of a necessary infrastructure. Smaller towns suffer more from the decline of local industrial enterprises which are unable to adjust to new economic conditions as there are much less opportunities in the regional labour markets compared to large metropolitan areas, while labour mobility is hindered by many economic and social factors, not least by the lack of available housing and the housing market. The ISEPN 1993 survey of four Russian cities revealed that in a small town of Vyazniki a second job was available to 5 % of local labour force, while in the metropolis of St. Petersburg and the medium-sized regional centres of Petrozavodsk and Astrakhan secondary employment extended to 20 % of workers [Mozhina et al., 1995, p. 43].

In three of the MOSP surveyed regions rural poverty was markedly higher than in urban areas. Rural residents in general found themselves considerably disadvantaged in the new economic situation. The cuts in subsidies to the agricultural sector combined with the strongly negative effect of price liberalisation on inefficient farming led most farmers to particularly difficult financial straits. Price increases for energy, agricultural machinery and industrial inputs considerably raised the cost of

agricultural products and undermined their competitiveness. The terms of trade changed dramatically in favour of urban residents. Agricultural producers faced demand constraints and intense competition from imports on the product markets. The incomes of farmers and farm employees fell more sharply in comparison with industrial workers. Economic hardships do not allow outdated machinery and farm equipment to be replaced. For all these reasons many regions experienced a profound decline in farm production. Some regions have considerable hidden unemployment in agriculture, resulting in a loss of wage income for the affected farm workers. Rural areas are also disadvantaged in possibilities for alternative employment and hence sources for additional incomes. Thus opportunities for the rural population to improve their well-being are extremely limited. In addition, there is a widespread collapse of infrastructure and social services in rural areas, which has always been far inferior to those of the cities. Rural poverty, however, is less acute in fertile regions which are used for intensive farming, allowing household food production to provide adequate food products for rural families. This is a case evident from the survey data on Oryol oblast (located in the fertile Black Soil area) where the incidence of rural poverty was nearly twice as low than in the oblast centre city of Oryol. Such self-subsistence virtually does not produce any cash income, so the livelihood of households in such regions may consist entirely of consumption of the harvest collected from private plots.

The headcount incidence of poverty, although extremely high in a number of regions, does not give a full picture of the severity of the problem as it does not say anything about the depth of poverty. Russian statistics also offer estimates of the poverty gap ratio with the intention of showing how deep poverty runs. The poverty gap is defined as an aggregate deficit of the income of the poor, needed to bring them up to the poverty line. It is expressed as a percentage of total income. There are also estimates of poverty shortfall as a percentage of GDP (Table 4). The country-wide poverty gap more than doubled in 1992 and nearly doubled again in 1993. The intensity of poverty fell markedly in 1994 but this improvement was not maintained as in 1995 the poverty gap grew again. The end of 1995 and the beginning of 1996 demonstrated new signs of improvement, showing an overall decline in the gap.

It is reasonable to expect that regional variations in the poverty gap ratio are no less significant than they are for the headcount poverty index. The MOSP survey data (Table 3) provides quantitative per capita monetary estimates of the poverty shortfall calculated for an average poor individual at February 1995 prices. The picture does not fully match the regional breakdown for the headcount poverty index. For example, the intensity of poverty proved highest in the Khanty-Mansiysky District, which has the lowest headcount poverty ratio while in the poor Chuvash Republic the poverty gap does not look so dramatic. Taking into account both indexes, Voronezh oblast appears to be in a notably more favourable situation compared to the other

regions in the sample. In each region, however, an aggregate poverty gap counts tens to hundreds of billion rubles - amounts which question the feasibility of poverty relief programs on such a scale. In most regions such sums of money are clearly unavailable for social assistance needs.

The above estimates of the poverty gap may question the view suggested by Milanovic that poverty in Russia is 'shallow'. Milanovic asserts that despite the high numbers, the poor in Russia, as in other East European countries, do not represent a clear "underclass" as, for instance in Latin America [Milanovic, 1995, p. 27-28]. The income of an average poor person in the transition economies is some 20 per cent below the poverty line, while in Latin America it is 40 per cent below the poverty line. Milanovic rightly points out that the poor still possess substantially high educational levels, reasonable dwellings and household assets and enjoy access to major social services, including schooling for children and health care, all of which does not differ them too much from the rest of the population. The decline in their income is still recent and looks as though it is a transitory shock.

There are doubts, however, that economic growth may easily provide "trickle down" effects to pull large numbers of the poor up above the poverty line. Growth may not necessarily yield a desirable effect, allowing adequate levels of welfare to be restored. In Poland - which has had growth for three years - the poverty rate has remained the same and levels of inequality have increased. Poland's experience may be particularly instructive for Russia. Milanovic has made an attempt to distinguish factors that have contributed to the increase in poverty, specifying an overall decline in output and income, a rise in inequality and demographic change [Milanovic, 1995, p. 20]. It appears that for Russia the major cause of the increase in poverty has been the rise in inequality, which has proved to be more than twice as significant as the fall in income.

Although a certain amount of inequality was not unknown in Russia under the Soviet regime, the economic transition has seen incomes differentiation accelerate at a speed which is unprecedented, not only in Russia but in most developed market economies. The structure of incomes distribution stabilised only in 1995 when it had already acquired a very unequal configuration. Evidence available on the extent of inequality differs but all the sources show a steep rise throughout 1992-1994. Gini coefficients calculated from Goscomstat data are 0.35 for 1992, 0.40 for 1993, 0.41 for 1994 and 0.39 for 1995 showing a dramatic increase up from 0.26 for 1990.¹⁰ Although measurements based on the Goscomstat data may have well-known drawbacks, including an incomplete account of certain forms of incomes, e.g. from various informal economic activities, they underestimate rather than overstate the extent of inequality. It is primarily the highest incomes that statistics are unable to monitor properly.

Thus, although the measures of inequality for the pre-reform period may well have been understated, it quite likely applies to the current situation even more as sources for unreported high earnings have multiplied. This assumption is confirmed by alternative calculations, for example by the RLMS and VCIOM survey results which show higher rates of income inequality than those given by Goscomstat. RLMS data yielded the Gini coefficient of 0.49 as of the end of 1993 while in the VCIOM sample it was 0.46 for March 1994 [World Bank, 1995, p. 30]. These measures of income inequality fall within the range of countries characterised by a strongly unequal income distribution, such as Argentina or the Philippines, and are much higher than levels in Western Europe. This analysis suggests that economic growth alone in Russia will not be sufficient to achieve a reverse trend in the incidence and intensity of poverty.

If it takes too long for output to recover or growth is not accompanied by a decrease in inequality, the welfare of the poor is unlikely to improve. When poverty persists over a longer time span the poor may lose their human capital and gradually acquire characteristics which differ from the rest of the population and which will make their path out of poverty still more difficult. The likelihood of such a prospect presents a particularly serious challenge to social policy-makers. Appropriate income distribution policies and social safety nets are vitally necessary. The success of their design and implementation largely depends on how they address the major determinants of poverty and take into account the social and demographic composition of the population affected by it; this is the subject to which we will turn in the next section.

4. The Composition and Determinants of Poverty

The expansion of massive poverty in Russia has been largely induced by new factors which were unknown in the times of Soviet rule. Poverty - which in the pre-reform period was limited to certain vulnerable categories of the population - has extended to social groups which used to be securely protected against the principal social risks. At the same time poverty among the traditionally poor groups has also intensified.

During the Soviet period for a household with two working family members there was virtually no risk of poverty. However, the income of only one working adult was often inadequate to support a family due to low wage levels and the official income levelling policy. This situation put at particular risk single-parent families or large families with more than three children or with other dependants (for instance, a disabled family member) as well as mainly young families where one of the parents was temporarily not working (often on maternity leave). Social benefits designed for these disadvantaged categories of the population, including maternity and child care

allowances, disability pensions and certain forms of assistance provided to single-parent and large families, were barely sufficient to raise living standards up to the level of subsistence. Of these categories young families with small children normally found themselves only in temporary difficulty and they frequently received support from their parents. These difficulties were usually overcome with the resumption of regular employment, which was facilitated by the widespread provision of pre-school child care.

Pensioners on a low pension living alone were another high risk category as such pensions were unable to provide for a minimal level of subsistence. This risk was also high for people on disability pensions as in most cases those were relatively low. This group, however, represented a smaller number among pensioners since the majority had either a larger pension, or lived together with their children, being supported by them, or remaining employed and receiving both a pension and a salary.

Some families were also comprised of wage earners in poorly-paid occupations, including employees in the retail trade, primary education, some branches of light industry as well as lower-skilled medical staff and cultural (for instance, library and social club) workers. These branches of the economy were mainly occupied by women, so the low pay level did not necessarily cause poverty in dual-parent families with a male-household head earning a sufficient income. However, there was a higher risk of poverty for female-headed single-parent households. Finally, there has always been a small group of homeless and recently institutionalised population with the highest risk of poverty due to significant disadvantages for them in finding jobs which would provide them with housing.

The above groups of the so-called 'old poor' have found themselves in an even more disadvantaged situation under the new circumstances. They constitute a substantial part of those affected by poverty, as can be seen from evidence on the demographic and social composition of the poor, for both individuals and households (Table 5). In October 1993 the total amount of the poor were formed by children (28.2 % per cent), working age adults - 52.1 % (17.3 % of whom women aged 30 to 55, 17.5 %, young adults aged 16 to 30 - and 17.4 %, men aged 30 to 60) and 19.7 %, individuals of pensionable age. According to the 1995 MOPS regional survey data, 60 to 90 per cent of the poor by household were represented by families with children, while the share families comprised of pensioners varied by region between 7 to 32 per cent, the remaining 5-10 % belonging mainly to working age singles or childless families. These data show that although the share of pensioners representing a group of the old poor is substantial, children and working-age adults form the bulk of the poor, rather than pensioners.

Understanding that apart from family breakdown child poverty is mainly related to the low income of their working-age parents implies that massive poverty is caused by economic problems encountered by the economically active population. This is confirmed by evidence on the composition of the poor by the labour force status of the household head. In the 1993 RLMS data, 67 % of the poor were employed and only 5 % unemployed, 21 % per cent were represented by pensioners, 5 % by disabled persons, 1 % by students and 1 % by mothers on maternity leave [World Bank, 1995, p. 19]. The prevailing number of the working poor and the appearance of the unemployed in poverty are clearly new phenomena associated with the difficulties of the transition. These groups of the 'new poor' outnumber the old. The change in the social composition of the poor indicates new determinants of poverty working in combination with traditional factors. Their significance can be revealed by the evaluation of the poverty risk in different demographic, social and occupational groups.

As wage earnings failed to keep up with inflation, the fall in real incomes appeared to be the most important new determinant of poverty. A normal family with one or two children and with both spouses employed which was very unlikely to be poor in the pre-reform period, formed the most numerous category of the new poor, occupying a 40 per cent share of the total population below the poverty line [Mozhina et al. 1994, p. 23]. In addition to traditionally low-paid occupations, a substantial number of earlier higher paid employees fell into poverty. A most striking new development has been the very low wage levels in the state budgetary sector, notably in education, research, social, cultural and health care services. In 1995 earnings in these sectors amounted to no more than 60 per cent of those in industry.¹¹ Wages in the troubled agricultural sector and engineering and textile industries are only half of the average in industry and are as low as those in the budgetary sector. Unable to cope with massive inefficiencies and suffering from the drastic fall in demand, the latter three sectors have experienced a profound decline in output. Another striking development of the transition is that professionals and engineers (who were traditionally underpaid in Russia) have suffered even more. Their wages have fallen to levels on average 1.2-1.3 times lower than those of low-skilled workers, due particularly to the very low earnings of teachers and medical staff. The majority of professionals are employed in the budgetary sector, which has the lowest pay levels. However, even in the private sector professionals do not earn much more than blue collar workers, reflecting the tradition of underpayment for high skills. This can be seen from data on the composition of the working poor grouped by professional status obtained from VCIOM surveys (Table 6). Skilled workers and professionals there accounted for the largest shares of respectively 50 % and 16 %. A high incidence of poverty among previously higher paid professionals can be explained by the predominating share of currently low paid budgetary-sector workers among professionals. In early 1995 an estimated 15 million

state budgetary sector employees were paid wages below the level of subsistence minimum.

This situation reflects the grave problems of such sectors of the economy as education, research, health care and cultural services as well as the military industrial complex. Poverty has widely affected the most qualified part of the working class and the so-called former middle-class, which in the Russian context comprises high professionals and intellectuals. It has extended to employees of such sectors as science and higher education, which have never had similar problems in any developed market economy or even in a developing country. As a result, Russia is witnessing a rapid erosion of its highly developed research base and university education that has been built over the years. As for skilled workers affected by poverty, this is largely a result of the steep industrial decline and respective fall in real wages, particularly in such industries as machine building or light manufacturing. August 1995 wage levels averaged only 95 % of the subsistence minimum in the health care sector, 81 % in agriculture, 77 % in education, 76 % in the light manufacturing industry and 74 % in culture and arts.¹² This explains the high concentration of the working poor in the above sectors of the economy.

Apart from the erosion of nominal wages, the situation in large areas of the economic activity is aggravated by widespread wage arrears, contributing greatly to the expansion of poverty among employees of several industrial branches, and the population of whole regions where this problem is particularly acute. Massive delays in wage payments can be regarded as a specific new poverty factor.

The large number of poor children indicates that the weight of dependants continued to be an important determinant of poverty. The risk of an average family's becoming poor significantly increases with the number of dependants in a household. This traditional factor causing poverty in large and single-parent families grew in significance due to the sharp rise in the cost of living and the erosion of social transfers available to such families, primarily child allowances. The incidence of poverty among the RLMS households for the period of October 1993 - February 1994 was 28 % for those with one child, 36 % for those with two children, and 52 % of those with three or more children [World Bank, 1995, p. 17]. Although the average family size in Russia is 3.2 - which is not large - families with three and more children form a significant minority of 8 % (about 2 million families) with a high probability of becoming poor [Mozhina, 1995, p. 89].

Child allowances, in existence in Russia since 1990, have been unable to prevent child poverty due to the fact that they are so low: they have been allowed to devaluate by inflation to a greater extent than the other social transfers. The amount of child benefit was fixed at the level of 60 % of the minimum wage, so that its real

value has shrunk together with the minimum wage due to poor indexation. At the end of 1994 the level of child allowance was equal to only 18 % of the minimum subsistence for a child,¹³ so it contributed no more than 8% to the budget of an average poor household [Mozhina et al., 1995, p. 95]. Such a low level of child benefit may be regarded as an additional cause of poverty in large and single-parent families. Moreover, evidence available suggests that despite formally universal coverage, households having no members with regular jobs tend to be excluded from family support schemes. This situation is created by the bureaucratic problems of their distribution. They are normally paid through the place of employment, so access is more difficult for parents who have become unemployed, as well as, for the self-employed and those engaged in the informal sector. The provision of these benefits at the place of residence, although theoretically a possibility, has often faced difficult practical problems of bureaucratic and financial nature. In addition, as with other social transfers, there may be considerable delays in payment of child allowances. As a result about 20 % of families were either excluded from child benefits or did not receive them regularly [Mozhina et al., 1995, p. 95].

Single-parent households, which are more widespread than a large family, are more likely to be poor than a two-parent family. They form about one third of all families with children and about 36 per cent of them are poor [Mozhina et al., 1995, p. 88]. These are predominantly female-headed households where women bear the burden of being the bread winner for the family. This status extended to 44 per cent of female respondents in the VCIOM survey. Such families have particular difficulties in adjusting to their circumstances and for this reason require high priority social assistance.

Unemployment has become a new and important determinant of poverty. Loss of work is linked to a very high risk of becoming poor. In the RLMS data the presence of an unemployed family member exposes such a household to twice as high a poverty risk (43.2 %) than the average for all the households in the sample (24.3 %) [Braithwaite, 1995, p. 26]. Reductions in employment in Russia have been much lower than output falls. In 1995 registered unemployment was no more than 3 % of the work force. Estimates for total unemployment, including those unregistered, come to 8 %.¹⁴ However, job status has changed for a much larger proportion of workers. Nearly 10 % of these were obliged to take involuntary unpaid leave and over 6 % have been subjected to shorter working hours with a corresponding drop in earnings [OECD, 1995, p. 126]. This is a strategy to which many enterprises resort instead of inflicting mass dismissals. The registered unemployed on unemployment benefit (1,854 thousand of the 2,228 thousand total of registered people, or 83 % as of November 1995) are a one third minority of the total number of unemployed, most of which do not receive any relief in the form of social transfer.¹⁵ But even for people on unemployment benefit this relief is absolutely insufficient, as on average it amounts to

only one tenth of the average wage and to one third of the subsistence level minimum [OECD, 1995, p. 197].

Retirement pensions - which took the largest share of expenditure on social transfers in Russia - were in general better adjusted to inflation compared to other social benefits. This meant that any further expansion of poverty among pensioners was prevented. The average pension in late 1995 was equal to 107 % of the subsistence minimum for pensioners, although the minimum pension was only about half of it, poverty could thus not be avoided unless there was additional support.¹⁶ On the whole, pensioners are at no higher risk of poverty than the population of a working age. The incidence of poverty among them is slightly lower than for the population as a whole. There are, however, wide variations in the positions of different groups of pensioners.

Pensioners who are still employed (about 20 % per cent of their total number) run, virtually no risk of poverty. This risk is also significantly lower for the elderly who live in larger households together with their children. The situation is more difficult for households comprised purely of pensioners; however, two pensioners living together are less likely to be poor even compared with households comprised of two incomes and one child. Pensioners living alone are at the highest risk, and this increases further with age. There is also a gender difference among the elderly. For elderly females the poverty rate is nearly twice as high as that of males (44 % against 22.5 % by RLMS data) [World Bank, 1995, p. 21], the latter representing less than a third of all the pensioners due to the considerably lower male life expectancy in Russia.

The ISEPN survey of the four cities revealed the proportion of high risk categories among pensioners. These include single pensioners (12 to 30 %, varying by city), the elderly over the age of 80 (6 to 12.6 %) and pensioner household-heads having dependants: children continuing education, grandchildren, single or divorced daughters on maternity leave or unemployed (8 to 16 %) [Mozhina, 1995, pp. 114-115]. The position of these categories, comprising in all from 26 to 58 % of pensioners depending on the region, is of particular concern with regard to adequate social assistance. Rural pensioners also have specific problems due to inadequate access to medical facilities and major social infrastructures. Their food consumption could be supplemented by a harvest from a private plot, but to farm a plot may be physically impossible for the elderly women living alone, now representing a major proportion of the residents of Russian villages. Weak health may also become a particularly serious problem for rural pensioners, precluding them from commonly available means of self-subsistence. In addition to caring for food procurement by farming their plot, they also have to keep up the house, provide it with water and fuel,

look after a cow, goats, hens, or whatever animals are in the household. All this is not easy for those of an older age, even when they are in good health.

In certain periods the poverty among pensioners was aggravated by the considerable delays in paying out pensions caused by the financial difficulties of the Pension Fund. More than any other category, pensioners depend on their small current income, so even a short delay in the payment of a pension causes serious hardship. The timely payment of pensions in Astrakhan, Petrozavodsk and Vyazniki in autumn 1993 would have decreased the poverty rate among pensioners by 4-5 % [Mozhina et al., 1995. p. 136]. The low level of pension provision causing poverty among the elderly is also related to the deficiencies in calculating entitled pensions. Universal federal standards are applied to pension entitlement regardless of the difference in the cost of living and social conditions of each region. Thus pensioners living in regions with a higher cost of living find themselves considerably disadvantaged and may have much higher poverty rates. This consideration highlights the need for adjustment within the pension system, to take into account inter-regional diversity. Although poor pensioners are in general fewer in number compared to the working age categories of the poor, there is much more limited means of adjustment and self-support available to them. For working age adults poverty is more likely to be a temporary phenomenon, while for pensioners in poverty this status is very likely to become permanent. In this perspective poor pensioners represent a long-term priority target of social policy.

Disability is another determinant of poverty not only for a handicapped person but also for the household where he (she) lives. Disability pensions range from the level of the minimum pension to two thirds of it (depending on the invalidity category), and so are in all cases well below the subsistence minimum. The presence of a disabled family member significantly raises the chance for such a family to be poor (from 25.2 to 35.4 % according to the RLMS Oct. 1993 - Feb. 1994 data) [World Bank, 1995, p. 17].

Student scholarships have devaluated in real terms probably more dramatically than any other benefit, currently amounting to 10-12 % of the subsistence level minimum, hence creating difficulties for young people in higher education. It is indeed an important cause of poverty among the young. In addition, youth unemployment is aggravated by the considerable disadvantages in finding a job for new labour force entrants, particularly in economically depressed regions. Also the difficulties for young families with small children, often associated with poverty, increase due to a loss of wage income of one of the spouses while caring for a child.

Some specific categories of the poor such as the homeless and the deinstitutionalised population, have increased in number only as the hardships of the transition have

become more acute. 60.000 homeless children in Moscow have been reported [UNICEF, 1995, p. 76]. This group of homeless has been augmented by the inflow of about four million (since 1992) migrants and refugees caused by the disintegration of the Soviet Union and the armed conflicts in Chechnya and the 'near abroad'. This migration is likely to continue on a substantial scale in the coming years. The number of new migrants was over 800,000 in 1994, over 650,000 in 1995.¹⁷ Many of them need shelter and emergency social assistance. They have also joined the pool of those seeking jobs.

Another specifically poor group is composed of people with devious behaviour. In the Russian context, poverty in some cases may be related to poor life-style choices (in particular, alcoholism) which also contribute to the deterioration of such welfare indicators as health, and male life expectancy (declined from 65 years in 1987 to 59 in 1995). The heavy drinking of a household head maybe a major reason for the poverty for his whole family, in which case it probably renders ineffective the provision of a cash benefit as a means of assistance.

The above analysis of the composition and determinants of poverty has far-reaching implications for the social policy-making. The large numbers of the 'new poor' comprised mainly of wage-earners and the unemployed - have radically changed the nature of poverty and thus require a substantial modification of the system of social assistance. The distinction between the 'old poor' and the 'new poor' corresponds by and large to the difference between the poverty of the 'weak' and that of the 'strong' [Gordon, 1995, pp. 132-141]. The traditionally socially vulnerable groups (the 'weak'), comprising about 10 % of the population, which within the size of Russia yields a vast number of people, remain the primary target of social assistance. The safety net caring for 'the weak' obviously needs to become more effective targeted and specific to particular categories of the poor. The way to improve the well-being of the working-age majority of the poor, among which a part of most active and qualified workers and intellectuals (the 'strong'), lies rather in a general economic recovery, industrial restructuring, active labour market policies, the promotion of private initiative, particularly in small business development, as well as in a more vigorous income distribution policy.

5. Social Policy Assessment: Gaps in the Social Safety Net

The incidence and social composition of poverty clearly indicate the inadequacies of the social safety net. The system of poverty-relief in Russia is still underdeveloped and is negligible in scope and impact as compared to well-established forms of social benefits, i.e. pensions, sick pay, child allowances, unemployment benefits, maternity benefits and subsidised or free social services (notably health care, child care,

housing and utility subsidies). Virtually none of the above benefits are targeted towards the poor. About three in ten very poor households (with an income of half or less than half of the subsistence level minimum) do not currently receive any public transfers [World Bank, 1995, p. 36].

The general concept which has prevailed in the Russian social policy institutions presumes that adults of a working age should provide for themselves by means of employment. Where appropriate they are entitled to unemployment benefit, sick pay and maternity benefit, which are universal with no restrictions. As regards family support, to alleviate the adverse effects of income inequality, particularly on children, child allowances are provided. However, as has been shown, the levels of most cash benefits are very low. For example, the level of child benefit is clearly insufficient even for low income households: 59 per cent of the poorest 20 per cent of families consider the level of child support to be insignificant [VCIOM, 1994, N 5, p. 45].

Child allowances have been designed with a broader objective than poverty relief, i.e. to provide income support to all families with children. From their introduction in 1990 until December 1994 there were a number of different family benefits, including several small allowances for children's clothing, food for newly-born babies etc. The core of the system, however, formed a universal child allowance which differed for children under 6 and between 6 and 16. Children under six years old were eligible for a benefit at the rate of 70 % of the minimum wage. For children of single mothers or divorced mothers who were unable to get alimony this benefit was 1.5 times higher, i.e. 105 % of the minimum wage. Children aged 6 to 16 received a benefit of 60 % of the minimum wage or 90 % if in a single parent family.¹⁸ This variation in the level of child benefit depending on age was criticised on the grounds that it costs more to support a child aged 6 to 16 than under 6. The justification, however, was that a family's income tended to increase with a more mature age, while for younger families with small children the need for income support was more acute.

In December 1994 the Presidential Decree introduced a universal child benefit regardless of age instead of various child allowances. This change was later confirmed by the March 1995 Federal Law "On State Support for Families with Children". Family allowances are still available to all families with children up to the age of 16 (up to 18 in the case of full-time students) irrespective of need. The concept is that each child, no matter in which family he (she) lives, has a right to government support, and it would be unfair to introduce any kind of discrimination. Such an approach could be reasonable in an economically stable society and in cases when such support is significant for a household. However, it is of little sense when the level of benefit is so small that it cannot prevent child poverty. The child allowance is a flat-rate, set up at the level of 60 % of the minimum wage and only 1.5 times higher in case of single parent families. This level has become negligible due to the dramatic

erosion of the minimum wage by inflation. In late 1995 the monthly amount of the child benefit ranged from 7 to 11 US \$, which was worth of about two kilos of meat, or twenty kilos of potatoes.

Until December 1994 family allowances were funded from the federal budget, but since 1995 the financing responsibility has been devolved to regions, which has created new problems. Since three-quarters of the oblast budgets are in deficit, thus depending on federal transfers, there is regular underfunding, delayed indexation, and arrears in payment of those benefits.

To address the issue of child poverty these benefits should either substantially increase in volume - which does not seem realistic, or become targeted and income-tested. In the latter case, individual child support could increase in volume and become realistically significant for the needy. However, principles and the mechanism of targeting family support is still an unresolved issue, and a suggestion by the World Bank to restrict the child benefit to households with more than two children does not seem acceptable as this would exclude the majority of poor children in typically smaller families.

The family allowances discussed above should not be mixed up with maternity and child care benefits which existed in Russia long before the introduction of family allowances. All mothers are paid a maternity grant which is a single payment equal to five times the minimum wage. In addition, mothers who have been working receive a maternity allowance on the same terms as the sick pay. This is 100 % of the mother's wage, irrespective of length of service, payable through the whole period of maternity leave, that is, up to 126 days. After that time mothers are eligible for a child care allowance for a one and a half year period, equal to the minimum wage.¹⁹ This type of benefit has not been affected by the above changes in the system family allowances. The child-care benefit which serves to compensate for a former wage income of a mother caring for a child does not replace universal child allowance, to which she is also eligible. Maternity and child-care benefits are administered and paid out by enterprises to their employees on maternity leave, but financing is provided through the Social Insurance Fund, which is one of the four off-budgetary social funds deriving revenues through employers' insurance contributions (the other three being the Pension Fund, the Employment Fund and the Fund for Compulsory Medical Insurance, each having federal and regional branches) [Mikhalev, 1996, pp. 11-12].

Levels of maternity benefit are generally substantially higher than those of family allowances, so may provide a reasonable amount of support (although this depends on the recipient's previous wage, which may be low). However, the maternity benefit, fully substituting the wage income, is available for only two months after the

birth of a child. From then on and till the child reaches the age of 1.5 years the only income available to a mother (if she has been in work) consists of the child-care benefit (equal to the minimum wage) and the family allowance (60 % of the minimum wage, or 90 % for a single mother), making the total amount of income equal to 1.6 times the minimum wage (1.9 times in case of a single mother). This income can not replace the foregone wage income, as it makes up only about 11 % of the average wage (13 % for a single mother, which is equal to US \$ 17). This is clearly insufficient since it covers only one third of the per capita subsistence minimum in a situation when the needs of the family with the birth of a child increase substantially. The end of the child-care benefit after 1.5 years makes the position of the family still harder. Such a difficult situation provides at least one explanation of the dramatic decline in the birth rate in Russia from 16.7 births per one thousand of population in 1985 to 9.5 in 1995.²⁰

Gaps in the social security system have widened in Russia with new developments in the labour market. Essential benefits including child allowances, sick pay, child care and maternity benefits are generally attached to the formal sector of employment, and are paid out at the place of work. The self-employed or employees of small businesses, as well as the unemployed, have virtually no access to these benefits due to the poor arrangements for their payment at the place of residence. Child-care benefits are not available to mothers who have not been in employment prior to the birth and child-care period. This excludes from this kind of support the self-employed, students or housewives who have never worked (often the case with young families) and - which requires special attention - with young single mothers. So despite the fact that the myth of full coverage is still current, administrative records suggest that the ratio of the population covered by child and maternity benefits has shrunk and even that take-up rates may have fallen among eligible families [Faith, 1995, p. 32].

As already mentioned, support provided to the unemployed through unemployment benefits is also very low and covers only a small minority of people without job. These benefits are administered by local employment services and paid from the Employment Fund. New entrants to the job market receive a benefit equal to the minimum wage. Those who have been laid off, regardless of circumstances, receive 75 % of their previous wage for the first three months without job, 60 % for the following four months and 45 % thereafter.²¹ The benefit is normally payable for up to 12 months. The unemployed of pre-retirement age (53 years for women and 58 for men) can receive the benefit for up to two years. The level of benefits is generally very low because they are tied to the last paid wage with no indexation, and thus rapidly devaluate by inflation. In addition, in many cases the last paid wage is very low due to short-time working hours, which typically apply to workers who are later laid off or forced to quit.

Surveys show that given this meagre level, the unemployment benefit is not attractive to people looking for jobs, and so does not stimulate them to register with the employment service. The large majority of the unemployed need active rather than passive forms of support, primarily help in job placement and retraining, or assistance in starting a small business. These forms of assistance are still very underdeveloped and are not very efficient.

The pension system also fails to provide adequate protection for about the one quarter of retired pensioners whose pension does not cover the required minimum of subsistence. The position regarding invalids on disability pensions is even more serious. Measures of income support prevail in social policy towards invalids, although for a quarter to a third of them (depending on the region) are group 3 invalids who have a limited capacity to work. The disabled members of this group generally prefer to have a paid job, but only 37 % of them in the large city of Krasnoyarsk actually work. Assistance provided to those of them seeking jobs by the local employment service is also very limited [Gimpelson et al., 1996].

The amount of income support available to the disabled depends on the degree to which the ability to work has been lost, but in any case is significantly lower than retirement pensions. Invalidity pensions to the group 2 disabled (who are unable to work but do not require permanent medical care) can be equal to 75 % of the average wage, but cannot exceed the level of three times the minimum old-age pension. The pension level for group 3 invalids with a limited work capacity comes within two thirds of the full amount of the statutory minimum pension. Group 1 invalids require additional care and receive additional benefits for this, equal to two thirds of the minimum pension.

The fact that poverty status extends to two third of invalids in Russia highlights the inadequacy of the income support provided. Of particular concern is the most unprotected group of half a million lone invalids who cannot survive without extensive assistance and regular care [Golodenko, 1994, pp. 263-270]. The hardships of invalids are not caused by their low income alone, while necessary services and care for them is generally even less adequate than income support.

All the forms of social protection discussed above are minimal state guarantees, the amount of which is legislatively determined at the federal level. Although the financial sources are divided between the off-budgetary social funds, the federal budget and regional budgets, the level of all major benefits is guaranteed by the Federal Government. In the case where sufficient funds are unavailable in a local budget (as may well be the case with family allowances) the region receives transfers from the special Fund for the Support of the Regions created within the Ministry of Finance. However, public resource mobilisation and expenditure has been

considerably decentralised, which exacerbated regional disparities, including the available levels of social protection. The Federal Government currently has little responsibility with regard to poverty reduction above the minimal levels provided by major universal benefits, which - as we have seen - are in many cases insufficient to prevent poverty.

A federal system of means-tested benefits that would provide a poverty relief has never existed in Russia. At present, all programs of additional social assistance are left entirely to the responsibility of regional authorities, for which the Federal Government provides only the major guidelines. Given the information problems associated with the provision of social assistance, local authorities are best placed to identify who the poor are and how much assistance they need. Considerable effort is being devoted in many regions to provide social assistance. This will be considered in more detail in the last section, presenting the case study of the Krasnoyarsk city. Existing local programs of social assistance are extensive and have the potential to play an important role in alleviating poverty. However, the poor financial conditions of most regions render the majority of such programs ineffective, while increasing budget disparities contribute to inter-regional inequality in income levels and poverty rates. Thus the Federal Government commitment to poverty alleviation needs to be enhanced.

There are three core issues regarding the reform of social assistance in Russia: firstly, the need to provide adequate income support to the poor, secondly, the availability of funds, and, thirdly, the proper targeting of social assistance. One possible approach is to move to the model of West European social assistance systems. The key features of these models are: (i) an official poverty line; (ii) that having an income below the poverty line and assets below a certain minimum is a sufficient condition for eligibility; and (iii) that social assistance aims to cover the entire gap between the poverty line and the actual income. No East European country has any such system, although the Czech system apparently comes closest to it. [Milanovic, 1995, p. 42].

The relevance of the traditional means of social assistance, i.e. means-tested safety net benefits, to the Russian situation, with the appearance of large numbers of the 'new' working poor, is a matter of continuous academic and political debate. A common argument is that poverty-relief cash benefits cannot be offered to those who are working and whose poverty is caused by low wages rather than the existence of dependants or disability. Obviously a way out for the majority lies in more productive employment and adequate pay levels. Surveys of public opinion also show that an overwhelming majority (over 70 %) in all income categories including the poorest prefer to solve their problems themselves rather than to request any support from the government. Thus a targeted means-tested form of assistance which does not yet exist in Russia would apply to those who cannot survive without government protection, in the first instance pensioners and the unemployed who have incomes of

less than half the subsistence minimum. According to VCIOM estimates these are 11 per cent of pensioners and 14 per cent of the unemployed [VCIOM, 1994, N 4, p. 29].

Nevertheless, the idea of introducing a federal means-tested poverty relief benefit which would be granted by application has not been abandoned and forms the core of the draft federal law "On Subsistence Minimum" worked out by the Russian Duma. It has not been adopted as yet but may be further advanced by the new Duma. One of the suggestions is to set up an income level equal to less than 50 % of the subsistence minimum as the eligibility requirement. However, its possible implementation entails a number of problems. Firstly, the practice and administrative framework for income testing is non-existent, so its introduction would be costly and organisationally difficult. Secondly, it is impossible to monitor full household incomes due to widespread informal activities and forms of support. Thirdly, social security budgets are unable to provide adequate funding to fully fill the poverty gap (although with the half of the subsistence minimum target the task would be easier). Fourthly, as the experience of other countries (e.g. Poland) shows, benefits are also likely to be claimed by income groups slightly above the adopted poverty line, so social assistance offices may be overwhelmed by the number of claimants, which will result in high "excess" error (both in terms of people and money spent).

The World Bank report on poverty assessment in Russia has also expressed concern about possible adverse work incentive effect, which may be created by the provision of the poverty benefit, particularly for those whose income is close to the minimum of subsistence [World Bank, 1995, p. 57]. If the poverty benefit provides the same level of income which can be earned through paid employment, people may be discouraged from looking for a job, or may lose the incentive to work harder, improve their skills, or seek a more productive job. However, the risk of adverse work incentives associated with poverty relief benefits in Russia does not appear significant. Firstly, as has been shown, the official minimum of subsistence is too low to make most people satisfied with such a living standard. Secondly, the amount of the poverty benefit is unlikely to be so generous as to attract a large number of claimants. It is even more probable to expect that the take-up of such benefits will be rather low. The majority of poor people are not yet used to their poverty status; an official acknowledgement of their poverty as a precondition to be entitled to the benefit implies a certain stigmatisation which may become a serious obstacle. Most poor people, particularly the 'new' working poor, would find it humiliating to apply for a poverty benefit especially if it is associated with means-testing; this has clearly been shown with the experience with unemployment benefits. Surveys show that the majority of unemployed males feel it shameful to acknowledge their inability to find a job and to ask for the dole [Mozhina, 1994, p. 67]. This is another reason why most unemployed household heads refuse to register with the employment service.

It is nevertheless clear that due to severe resource constraints the introduction of poverty benefit can only be effective when the number of claimants is relatively low. This would be possible when the key economic variables including the minimum wage, the minimum pension, minimum unemployment benefit, family allowances, maternity and child-care benefits are set up at adequate levels, so that most of their recipients cannot be candidates for social assistance. (The question of targeting family allowances is still valid in this respect.) The number of potential claimants for social assistance would then be less and inclusion or exclusion errors less frequent.

The above option, however, is not without its problems as it is not clear whether sufficient resources are available to raise the level of major social benefits up to adequate levels. Obviously, a significant redistribution of resources allocated to social purposes would be necessary. It would entail a certain change in the pension system and the other forms of social security provision (e.g. sick pay). The question to investigate is where possible savings can be made to redirect resources to targeted social assistance. One of the possible sources is the continued reduction of general subsidies for housing and utilities and through pension reforms, as suggested by the World Bank in its report on poverty assessment for Russia [World Bank, 1995, pp. 63-64]. Such reform proposals are still far from ready solutions. Cuts in pension expenditures and housing subsidies affect large groups of the population who are for the most part not sufficiently well-off. Regarding possible cuts in pension expenditure there seem to be few options available. The pension regime in Russia cannot be considered as excessively generous as can be seen from the living standard of pensioners. The idea of a higher retirement age - which is often recommended by international experts - is very unpopular in Russia owing to low life expectancy. Over the past seven years life expectancy has been steadily declining: for men it is now 59 which is below the pensionable age. With regard to life expectancy Russia is now 5-10 years behind developed industrial countries, and the public opinion is firmly opposed to any increase in pensionable age because many do not even reach their retirement. The problem is exacerbated by unfavourable health situation of the elderly population. An increase in the retirement age would also complicate the employment situation. Therefore this option is not currently acceptable for several economic, social and demographic reasons.

The only possible cut in pension spending could be achieved through the withdrawal of the right to combine full pensions with full-time work. The provision allowing pensioners to receive a full pension while continuing in full-time work may really seem generous and there are some good reasons for changing it. A pensioner deciding to stay in service after being entitled to a pension receives considerably higher total income compared to the pre-pension period. This is naturally a strong incentive to delay retirement. Working pensioners form a higher income group

compared to an average able-bodied employee. This is hardly justifiable given the general resource constraints and comparing the higher overall remuneration for working pensioners with their real labour input.

Resource constraints and the limited possibilities of redistribution for welfare expenditure may not allow a federal poverty benefit to be introduced in all regions of the country at the same time. Thus it could be useful to follow a geographical targeting approach. Support could first be directed through federal transfers to selected regions that are especially poor, either due to economic dislocations caused by the transition or to high chronic unemployment [World Bank, 1995, p. 60]. Possible selective criteria could be higher regional poverty rates as well as higher than country-wide average cost of living (as major social benefits are rated according to federal standards regardless of regional disparity in the cost of living). The same approach may be useful with regard to the gradual uprating of the minimum wage, the minimum pension, family allowances, unemployment and other benefits to the poverty line (subsistence minimum) level.

It is clear, however, that improvements in transfer payments, if successful, can only make possible a redistribution of resources in favour of the very poor and help to alleviate (or eliminate) extreme poverty. The achievement of such a goal would not mean an end to the hardships of the wider group of the population (up to 50 % or more) who also consider themselves poor. Moreover, the redistribution of resources through e.g. housing subsidy cuts, could make their position even worse. Meanwhile, due to their number and political influence - which is much higher than that of the poorest groups - they largely determine the outcome of parliamentary and presidential elections and hence the country's further economic and political course. Obviously, a properly focused poverty alleviation strategy would be effective in a wider policy framework comprising the promotion of employment, active labour-market policies (for retraining, wage subsidies, and public work schemes), income policies (raising minimum and social-sector wages in relation to the average wage) and which would work for the well-being of the majority.

6. Regional Programs of Social Assistance: A Case Study of the Krasnoyarsk City

Given the problems associated with the introduction of a universal poverty benefit in Russia, there is a case for retaining the currently existing system of social assistance while reinforcing indicator targeting (both low income and the other vulnerability criteria such as the number of children, single mother status, age of the household head, disability, unemployment and so on). This consideration is also relevant because various services and in-kind support for some low-income and vulnerable

groups are needed no less than cash forms of assistance. In order to provide social assistance for the most vulnerable groups, the Ministry of Social Protection has developed and, and since 1994 adopted, the Standard Regional Program for Social Protection with the principle objective of mitigating the impact of transition on the most vulnerable. The major target group of assistance are people living below the regional subsistence level minimum. The design and implementation of the program takes place at local levels and is regionally specific. It comprises various cash and in-kind benefits and services oriented to individual recipients. Their scope and volume depends on assessed needs and available resources. The major features of these programs include: (i) some form of income test to identify those in need or other obvious criteria like single pensioners or people with the minimum pension or less; (ii) in-kind transfers largely dominating over cash forms of support; (iii) funding mainly from local resources with some limited central government transfers.

Available information on local programs of social assistance is still very scarce, and statistics or published surveys are virtually non-existent. For this reason further analysis in this section is mainly based on data collected by the author during a field research visit to the city of Krasnoyarsk in May 1995. This city in Central Siberia has a 915,500 strong population and is an administrative centre of Krasnoyarsky krai. The information for this research has been mainly obtained by interviews with the officials of the Departments of Social Protection within the krai and city administrations. In addition, the heads of the departments provided valuable documentation, including annual departmental reports and local social monitoring data.

A considerable part of the activities of the regional departments of social protection consists in the administration and delivery of mandatory universal benefits and social services, including keeping records of pensioners and calculation of pension entitlements; paying out all kinds of pensions; monitoring people with disabilities, defining invalidity categories, entitlement and payment of disability pensions; payment of family allowances. These expenses are financed from the Pension Fund, the local budget and federal transfers.

Another important area of activities is the additional local level social assistance, provided in cash and in-kind, arrangements for discounts and subsidies to citizens eligible for housing, utilities, telephone and transportation expenses, and the provision of various social services to vulnerable groups among the local residents. Funds for this type of activities are mainly provided from local sources accumulated in the City Fund for Social Protection and district funds for social protection. They mostly originate from contributions by the regional and local budgets, the Pension Fund and the Social Insurance Fund and a portion of revenues obtained through the privatisation of state property and other sources.

The organisational framework for the delivery of social assistance and services in Krasnoyarsk has been developing so as to move it closer to the localities, i.e. city districts and individual neighbourhoods. In the decree of the city mayor of 25 June 1992 six territorial centres “Socialnoye zdorovie” (Social Well-being) in different city districts were established with a total staff of about 200 social workers (which is not a very large number for a city with a population of nearly one million), including qualified sociologists, pedagogues, psychologists, lawyers and a number of medical specialists. An investment of about 300,000 US \$ (over the three years from 1992-94) has been made to equip these centres (not a very impressive sum for the size of the city). However, as was acknowledged in a report by the krai Department of Social Protection, the capacity of the existing infrastructure for social assistance is still very inadequate compared to the need. It does not cover yet the whole territory of the region; the funding, equipment, and the number and skills of the personnel are insufficient to meet the acute demand. The judicial and methodological base for the operation of district centres for social assistance is also underdeveloped.

The successful performance of local centres providing social assistance largely depends on available information allowing needs to be monitored. The complete records of retired pensioners, invalids and other categories on welfare have been kept accurately by local departments of social protection for many years [Gimpelson et al., 1996]. Such data has recently been extended to include large and single parent families. Apart from aggregate figures, it is detailed by groups and territorial units. This information, however, does not offer complete data on incomes, assets, housing conditions and is generally inadequate to evaluate the extent of poverty and particular needs of various social groups. The services of social assistance in Krasnoyarsk resort to the help of the local statistical office, while the city’s academic institutions doing sociological research and also try to conduct their own surveys. Their estimates suggest that 80 % of families in the Krasnoyarsk city need some form of assistance or services from the Department of Social Protection. The district centres have been equipped with computer facilities allowing a local database to be developed containing the so-called ‘passports’ of families in need. These passports, however, are compiled only on individuals and families that have already been clients of these services. Despite all these efforts, reliable information on household incomes is still lacking, creating major difficulties in the evaluation of the need.

In addition to monitoring these needs, the dissemination of information to potential recipients on assistance and services available is no less important. Among others, the purpose of such information is to address the problem of stigma associated with becoming a client of the welfare services, i.e. to help people overcome psychological barriers to applying for aid. This problem is mainly dealt with by the help of the local

press, by the distribution of booklets and leaflets as well as posters in the streets and local transport.

Targeting is a key issue in the delivery of social assistance as well as in determining in which form the assistance should be provided. As becomes clear from the analysis of the composition of poverty in Section 5, working out the obvious categorical criteria of the need in Russia presents specific problems. A monitoring of incomes that would extend to an actual individual or household is inadequate, while certain readily attributes, such as demographic indicators and family composition, do not show significant correlation with poverty status. For example, single parent households are less than 8 % among the poor and only 9 % of the poor have three or more children [World Bank, 1995, p. 59]. With regard to housing conditions and asset ownership there is little distinction made between the poor and the non-poor, as the increasing poverty has not yet affected the long-standing asset holding of the population. Dwellings and most consumer durables were acquired by households, including those currently poor, during the years under the Soviet times when the incomes disparity was much less significant.

Coping with these difficulties local centres for social assistance try to rely on three major principles: (i) self-targeting, meaning that assistance is granted by application; (ii) declaration, and in some cases verification, of income details; (iii) use of other criteria in addition to low income, i.e. a limited earning capacity: three or more children in the family, single parent households, the presence of disabled or elderly family members, the alcoholism of a family member, etc. The arrangement of social assistance implies a considerable amount of administrative work, including individual interviews and home visits both to check the details of the needs as well as to deliver assistance. The approach is highly personalised with a risk of subjectivity and arbitrariness. Assistance is awarded on an occasional rather than on an on-going basis, which multiplies administrative routine work.

Administrative work is large and complicated also due to the multiple forms in which the assistance is provided. Cash support is only one, and not the most important, form of relief offered by local offices of social protection. For example, in 1992 this kind of additional cash support formed only 4 % in the total country-wide amount of transfers available to poor families with children, and was decreased to 1 % in 1993. [Mozhina, 1995, p. 95]. Meanwhile, cash forms of support are preferable to most categories of the poor: 50-60 % of them in the MOSP 1995 survey would choose assistance in cash, allowing a free choice how to use the support received. Such preference is also explained by the high inflation which rapidly erodes these small cash sums of money, especially when their payment is delayed. The total amount of cash relief provided by the Krasnoyarsk City Department of Social Protection in 1994 was 356,063 thousand rubles (US \$ 161,661) and covered 27,720 people. It

attended to only 27 % of the estimated needy families with three or more children and to only 6.5 % of single mothers in need. The amount of support for an individual made thus a symbolic sum of 12,300 rubles (US \$ 6) which was roughly equal to 14 % of the monthly average and 1 % of the annual subsistence minimum. It was only slightly higher for single pensioners but five times as much for a small number of 59 orphan children and 22 orphans among university and college students.

Local departments of social protection accord a higher priority to in-kind support, subsidies and services, considering these forms of assistance to be better targeted. Aid provided in kind is also preferable, for instance, in the case of drinking of a household head (which is not so rare) when it would better meet the real needs of the family. Compensation for housing, utility and transportation costs is larger in scope and coverage compared to direct cash assistance. Such subsidies had to be made higher due to the significant rise in housing rent, utility prices and transportation fares, which became too high for low income groups of the population. Local transportation subsidies are offered to all pensioners and school-children. Housing, utility and telephone discounts at the rate of 50 % are automatically provided to all war veterans, disabled, and single pensioners, while for all the households with per capita income below the subsistence minimum they can be granted by application.

With regard to housing subsidies it is worth mentioning that the system of social protection cannot offer any improvement in housing conditions, which remain one of the most acute social problems in Russia, where 14 % of families live in overcrowded conditions (with 7 or less square meters of space per capita), 5 % of households have to share accommodation in 'communalky' (common flats) with other families with whom they have no family ties, and where half the dwellings lack some basic amenities such as water, sewers, telephone or central heating. The waiting list for public housing numbered ten million families in 1991. The economic crisis, tight budget constraints and the process of privatisation have virtually eliminated the possibility of getting a publicly provided housing, either from a local government or from an enterprise. Housing prices in the emerging private market go beyond the limits of the average citizen. The market cost of a two-room apartment of 50 square meters in Krasnoyarsk comes to about 30,000 US \$. This deters new entrants to the housing market, such as young families and migrants (forming from 10 to 20 % of households, depending on the region), from becoming home owners. To rent an apartment privately, other than from the municipality or an enterprise, is also possible only for the wealthy groups of the population. In Krasnoyarsk a privately paid monthly rent may be as high as US \$ 100, or close to an average salary (although much lower than in Moscow or St. Petersburg where it may reach \$ 500 and even more). Meanwhile, no subsidies are provided to those who have to rent housing privately, which becomes the only available option to young families, migrants and refugees.

Access to home telephones, which are in acute shortage, also presents a critical social problem, apart from their high cost, and on average only 39 % of households possess one. Meanwhile, for single elderly pensioners or invalids (not necessarily the poorest), who may need, for example, to call an ambulance, this may become a question of life or death. In 1994 the Krasnoyarsk City Department of Social Protection managed to provide 200 private telephones to single pensioners and invalids in the city. It should be mentioned to this regard that in a rural area of the same Krasnoyarsky krai there may be neither telephone available nor an ambulance to call.

A specific area of in-kind support and subsidies embraces assistance provided specially for children. This includes subsidies for kindergartens, school uniform, school meals and child recreation. Children of large and single-parent families have a priority access to such services. Of these forms of assistance school meals take the largest share, covering up to 40 % of all school-children, while municipal discounts for kindergartens were available to less than 10 %, for school clothes - to less than 5 % of children, meaning that a large number of the poor children were excluded from this kind of support.

Special attention is paid by the authorities in Krasnoyarsk to the provision of summer recreation for children. This of kind service is in high demand among the population of Siberia and the Northern regions of Russia. It cannot be regarded as a luxury, given the harsh climatic conditions and the poor ecological situation of many of these regions, including Krasnoyarsk. Summer holidays at "pioneer" country camps were traditionally the most common form of recreation available to practically all schoolchildren. Most of these camps were arranged by enterprises. However, in the last two to three years it has become much more difficult for firms and governmental institutions to continue providing these services. Since the cost has become too high due to price liberalisation and inflation, and is no longer affordable for many enterprises. Firms do not have enough funds either to maintain these facilities, nor to subsidise the cost of holidays for children of their workers. As a result many of such facilities have been closed down, and the number of children receiving these services has steadily decreased. In 1994 only 35 per cent out of 200 thousand schoolchildren in Krasnoyarsky krai had a chance to spend their holidays in country camps or resorts.

Thus the priority for governmental agencies is to provide recreation and health improvement for orphans, children with disabilities, for large, single-parent families, and for refugees. In 1995 the administration of Krasnoyarsky krai managed to allocate 12.3 billion rubles (2.7 million US \$) from the regional budget to subsidise child recreation. 10 billion rubles were also contributed to the program by the regional branch of the Social Insurance Fund, and another 800

million rubles - by the branch the Medical Insurance Fund. In addition, health improvement for children of the unemployed was financed by the krai Employment Fund (of the amount of 3 billion rubles) which also organised jobs for schoolchildren in the summer time.²² As a result, considerable funds were raised to improve the situation regarding child recreation. In 1995 80,000 schoolchildren in the krai received organised recreation, which is 14 per cent more than a year ago.

Poor large families, single parents, the disabled and pensioners are target groups for such in-kind forms of assistance as sales vouchers for food or clothes, and pharmacy subsidies. (Access to health care in Russia has always been universal and free, but drugs generally have to be purchased by the population. Inflationary price increases for drugs have been among the highest). However, both the amount of spending per recipient and the coverage are very modest. In 1994 food sales vouchers were offered to 20,417 people (18.7 % of the estimated population below the poverty line) with a cost of 8,930 rubles per person (hardly enough to buy a kilo of meat). Other consumer goods in kind were provided to 10,319 people (9.5 % of the poor with an equally small amount of 11,415 rubles per person. Drug subsidies were given to an even smaller number of 2,748 people, although the amount of 14,073 per person was substantial at least as a one-time assistance. In addition, free hot meals were offered to 1,653 pensioners. This is also a small number which could be enlarged without considerable additional effort and expenditure, since, according to surveys, this type of care is highly appreciated by old and poor people.

The provision of various services to pensioners living alone, the handicapped and families with children has also received a high priority in the activities of district centres for social assistance in Krasnoyarsk. For single invalids and pensioners over the age of 80, home services and care are of greater importance than cash support. In 1994 11,271 such people (notably higher than the number covered by free meals and drug subsidies) received this kind of service from district centres for social assistance, which means that this most unprotected category of the population is not left without help.

Another recently developing area of activity is that of consultant services (free of charge) by psychologists, pedagogues, lawyers and medical specialists on various issues of family life. The demand for such services, previously not very high, is increasing as the hardships of the new economic and social situation impose greater stresses on family. Such services have not been easily available and the private sector is not ready to offer them, quite apart from the likelihood of very high charges. Finally, the city department and district centres organised and financed cultural events especially for pensioners, the handicapped and children of single-parent and large families.

The example of Krasnoyarsk shows that considerable positive experience in the provision of social assistance and poverty relief in various forms has been acquired in regions at the local level. An impressive infrastructure have been developed and personnel recruited and trained to address the most acute local social needs. In spite of this current social assistance efforts are inadequate in scope and number. The wide range of assistance and services described above require substantial administrative work and expenditure. With the limited funds available, administrative costs tend to dominate over spending on social support itself. The latter share does not exceed 20 % of the total expenditures of the Krasnoyarsk City Department for social protection and its district centres. Limited funding can only allow occasional support to be provided, which cannot of course increase the recipients' incomes to match the level of subsistence. The general opinion of government assistance among low-income households and the elderly is also low, and the number of recipients itself is significantly lower than the number in need. This is a typical situation in other regions as well. According to the Ministry of Social Protection survey in early 1995, only 10-15 % of households with incomes below the subsistence minimum received some kind of locally provided social assistance. This proportion has even decreased from 15-30 % a year earlier. However, a suggestion by the World Bank to shift towards cash rather than in-kind assistance as a means of improvement does not seem fully justified. This could only be reasonable with regard to consumer goods and food sales vouchers. As for drug subsidies, they appear to be more effective and better targeted. Cash support also cannot replace essential services and care which may be of vital importance to specific categories of the population.

Better targeting also remains a serious problem. Assistance is offered to wide groups of the population: pensioners, large families, single mothers, while their individual income situations are judged by a social worker. Cash support from local programs of social assistance was also received by 5 to 20 % of higher income categories in the MOSP 1995 survey, and 5 to 15 % of that group had also access to housing subsidies. Due to these inclusion and exclusion errors such a system fails to support the poorest and swells the social expenditure. However, as the above analysis shows, local services of social assistance have considerable potential to play an important role in poverty evaluation. The problem at the moment, as everywhere, is that the impact of their activities is greatly diminished by the largely insufficient financial resources available to them.

7. Conclusion

The severe welfare crisis encountered by Russia, like by almost all countries in transition, has many dimensions, among which a high incidence of poverty persisting through the fifth year of the market reforms. Evidence from other countries suggests that a radical transformation of economic systems would not be possible without high welfare costs. The crisis of social welfare in Russia does not originate from the dislocations of transition alone, but has deeper roots in economic and welfare losses inherent in the deficiencies of the previous economic system. Underinvestment in industrial and social infrastructures, the depletion of essential resources by wasteful industrial production and high military expenditure, deep structural distortions created by pervasive price controls accompanied by massive shortages and suppressed inflation were among most significant causes of welfare deterioration. The ultimate collapse of the old system and the difficulties of the creation of a new one would only add impetus to the crisis.

The fall in incomes and expansion of poverty in the Russian case, however, have been exacerbated more than elsewhere by the spread of inequality. The formation of large private properties did not come about only as a result of the redistribution of natural resources and productive assets through the privatisation of state property, to which most ordinary people have never had real access. It also occurred as a result of an alienation of part of the population's consumption fund by depressing their wage levels as well as by monopolisation of consumer prices. Hence, the capitalisation of the national wealth has also removed that part of it which used to be at the disposal of the working population. [Gordon, 1995, p. 115]. Such a development pattern in the Russian context is favoured by the weakness of the new democratic institutions, in general, and of labour unions, in particular.

A very unequal new pattern of development has been aggravated by the government's move to carry out reforms by a primarily technocratic approach, where the major hardships deriving from the transition were placed on shoulders of the working population. In spite of frequent declarations on the importance of social policy, in the reality of reforming Russia it has been given a subordinate role to that of monetary stabilisation. Adjustment of the minimum wage and social benefits to the rate of inflation has been regularly delayed, so that social security and social provision bear the main burden of the tight monetary policies. The resulting pattern of development and reform policies largely explains the appearance of great numbers of a new working poor who have dramatically changed the composition and the overall incidence of poverty.

The above analysis has revealed different causes of poverty specific to particular social and demographic groups, and their considerable variation in range and

combination by region and type of settlement. The scope of social assistance provided to socially vulnerable groups in poverty is limited mainly to emergency type relief measures. The analysis shows that this whole system in Russia is far from satisfactory and needs considerable and immediate improvement. It is important not to allow poverty and deprivation to become a permanent condition of a substantial part of the population, thus forming a new underclass within the society. The danger is that the persistence of poverty may be accompanied by fundamental changes in cultural attitudes and behavioural patterns of the affected groups, which will make a way out of poverty for them still more difficult. Further neglect of social policies or the inability to implement them properly can only reinforce the emerging social exclusion. [Procacci, 1996]. Utmost care in this regard should be given to children in poverty - which means an immediate improvement in the system of child allowances, the provision of pre-school education and checks on secondary school attendance since this is undermined by the need to earn money for the family at an early age.

Social policy in a wider context cannot ignore the needs of a wider group of the new poor, comprising a large fraction of economically as well as politically active citizens, among which figure skilled workers, professionals, intellectuals. The political attitudes of these groups largely determine the outcome of elections and the political scene in general. Their support is thus crucial for the continuity of the reform. The utilisation of their skill and intellectual potential through adequate remuneration and employment in accordance with qualification is also essential for the success of the transition and the acceleration of economic development. In other words, they should not be left to survive by taking odd jobs or resorting to whatever means of self-subsistence are available. An adequate living standard for the Russian middle class is equally important to maintain the levels of education, culture, research and technology development, which themselves provide key investments in the human capital and are therefore indispensable for the eradication of poverty. These considerations highlight the importance of coherence in social policies where assistance to the very poor (primarily children and the elderly) is unlikely to be efficient without active labour market policies, sound regulations for a more equitable income distribution (among which the uprating of the budgetary sector wages), and the development of other areas of welfare, most importantly housing, education and health care provision.

TABLES.

Table 1.

The Incidence of Poverty .

Year	Month	Poverty Line (rubles/month)	Headcount Ratio (per cent)	Number (million)
1989*		87.0	11.0	16.2
1991*		190.0	11.4	16.9
1992	Jan.	635	30.2	44.9
	March	1,031	23.4	34.8
	June	1,639	23.1	34.3
	Sep.	2,163	18.9	28.2
	Dec.	4,282	15.7	23.3
1993	March	8,069	34.7	51.5
	June	16,527	24.7	36.6
	Oct.	32,400	28.8	42.8
	Dec.	42,800	22.8	33.8
1994	Jan.	54,100	31.0	46.0
	March	60,388	11.0	16.3
	June	85,700	14.0	20.7
	Sep.	92,304	20.5	30.5
	Dec.	145,397	18.5	27.5
1995	Jan.	179,458	33.3	49.4
	March	218,934	39.6	58.7
	June	277,358	28.0	41.5
	Sep.	286,205	22.1	32.8
	Dec.	327,300	15.5	28.9

* Poverty line applied prior to 1992 (minimum consumption budget) differs from the MOL subsistence minimum in use from 1992 onwards.

Sources: Braithwaite, Jeanine D. *The Old and New Poor in Russia*. Washington, DC: The World Bank, 1994 (mimeo), tab. 1; *Izvestia*, 14 February 1996; *Informatsionniy statisticheskiy bulletin N 13* (Informational Statistical Bulletin N 13). Moscow: Goscomstat, November 1995, p. 30; *Obzor ekonomiki Rossii, III, 1994* (Review of the Russian Economy, Third Quarter 1994). Moscow: Working Centre for Economic Reform under the Government of Russian Federation, 1994, p. 81.

Table 2.

Quarterly Poverty Rates.

Year	Headcount ratio (per cent)				Number (millions)			
	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4
1992	26.8	23.9	18.9	15.7	39.9	35.5	28.1	23.3
1993	33.0	29.0	34.0	28.0	49.0	43.0	50.4	41.6
1994	25.3	25.1	23.1	21.4	37.5	37.2	34.4	31.8
1995	30.4	28.5	24.0	20.3	45.1	42.2	35.6	30.2

Sources: *Izvestia*, 14 February 1996; *Informatsionniy statisticheskiy bulletin N 13* (Informational Statistical Bulletin N 13). Moscow: Goscomstat, November 1995, p. 30; *Obzor ekonomiki Rossii, III, 1994* (Review of the Russian Economy, Third Quarter 1994). Moscow: Working Centre for Economic Reform under the Government of Russian Federation, 1994, p. 81.

Table 3.

The Incidence of Poverty and the Poverty Gap in Selected Regions.

Region	All population in the sample		Residents of the oblast centre		Urban residents other than in the oblast centre		Rural residents in the sample		Poverty gap*
	Share of the poor	Share of the very poor**	Share of the poor	Share of the very poor**	Share of the poor	Share of the very poor**	Share of the poor	Share of the very poor**	
Astrakhan oblast, Jan. 1995	72.4	44.3	...	47.5	57.2	31.7	77.9	45.6	69.8
Voronezh oblast, Oct. 1994	20.4	10.2	21.5	12.0	26.0	14.2	17.8	7.2	37.2
Krasnoyarsky krai, Jan. 1995	43.5	20.1	38.3	16.3	37.4	18.7	52.4	24.2	61.7
Magnitogorsk city, Nov. 1994	17.0	4.8	...	...	...	...	...	...	51.0
Moscow oblast***, Jan. 1995	41.0	19.7	...	...	42.5	21.1	35.6	14.4	56.0
Oryol oblast, Jan. 1995	58.7	32.6	70.9	38.9	69.6	42.2	38.6	20.9	65.0
Tver oblast, Nov. 1994	39.1	18.8	38.4	17.0	39.2	19.4	39.4	19.7	60.0
Khanty-Mansiysky District, Dec. 1994	28.8	13.2	...	...	27.0	12.6	44.7	18.1	116.0
Chuvash Republic, Nov. 1994	42.5	22.7	41.0	22.3	49.0	31.6	42.7	19.8	52.0
Republic of Adygeya, Feb. 1994	51.9	19.4	...	...	...	...	...	...	...
Republic of Yakutiya (Sakha), March 1994	28.4	5.8	...	...	...	...	...	...	...

* As of February 1995, in thousands rubles average per capita. ** The group of very poor was identified as those whose income was insufficient to cover the cost of the food component of the subsistence minimum consumer basket. ***Excluding the city of Moscow.

Sources: The Ministry of Social Protection survey (materials have been kindly shared with the author by Lilia Ovcharova) and the Ministry of Labour survey (Volkova G.N. and L.A. Migranova, 1994, p.28.

Table 4.**The Poverty Gap.**

Year	Poverty gap as per cent of income	Poverty gap as per cent of GDP
1991	2.03	0.53
1992	5.8	1.5
1993	8.4	3.1
1994	3.7	2.5
1995	5.4	3.3
Jan. 1996	4.0	...

Sources: Braithwaite, Jeanine D. *The Old and New Poor in Russia*. Washington, DC: The World Bank, 1994 (mimeo), tab. 1; *Socialno-ekonomicheskoye polozhenie Rossiiskoi Federatsii v yanvare-iyune 1995 goda* (The Economic and Social Situation of the Russian Federation in January-June 1995). Moscow: Goscomstat, 1995, p. 139.

Table 5.**The Composition of the Poor by Demographic Group, as of October 1993.**

	Persons living in families with per capita income less than poverty line		Persons in given demographic group	Share of demographic group in poverty
	million	percent	percent	
Children				
- 6 years	4.5	9.9	7.8	38.7
6-16 years	8.4	18.3	14.3	39.6
Adults				
16-30 years	8.0	17.5	18.5	29.2
Women				
30-55 years	7.9	17.3	19.1	27.9
55+ years	6.9	15.2	15.8	29.5
Men				
30-60 years	7.6	17.3	19.1	27.9
60+ years	2.1	4.6	6.1	23.4
Total population	45.5	100.0	100.0	30.6

Source: McAuley, Alastair (1996), 'Russia and the Baltics: Poverty and Poverty Research in the Changing World', Oyen, E., S.M. Miller and S.A. Samad (eds.), *Poverty: A Global Review. Handbook on International Poverty Research*. Oslo, Copenhagen, Boston: Scandinavian University Press.

Table 6.

The Working Poor by Professional Status, March 1994.

	All population*	The poor*
Managers	9	6
Professionals	23	21
Government officers	15	12
Skilled workers	43	50
Unskilled workers	10	11

* Percentage of the number of respondents by columns.

Source: *Economicheskije i socialniye peremeny: monitoring obshchestvennogo mneniya. VCIOM* (Economic and Social Change: Monitoring of the Public Opinion, The Russian Centre for the Study of the Public Opinion), 1994, No. 4, p. 26.

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NOTES

¹ Since the 1950s the Goscomstat has regularly carried out a family budget survey covering households' income and expenditure. The sample comprised 47,000-49,000 families in late 1980 s and early 1990 s and was claimed to be representative. There are however doubts about the representation of the lower part of the income distribution in the survey.

² Poverty rate estimates for Russia are usually based on current monetary incomes statistics. In the Russian case this is justified by the fact that personal savings were virtually eliminated by inflation. Household assets, as mentioned in Section 2, for several reasons have also very limited impact on current consumption in low income households.

³ *Izvestia*, 14 February 1996.

⁴ The Russian Centre for Public Opinion Research (VCIOM) conducts regular nationally representative surveys on a wide range of social and political issues. VCIOM has also carried out a number of special poverty surveys based on a sample of over 3,000 respondents.

⁵ *Izvestia*, 26 January 1996.

⁶ *Ibidem*.

⁷ *Izvestia*, 23 December 1994.

⁸ The Russian Longitudinal Monitoring Survey was undertaken by the World Bank in collaboration with the Russian Goscomstat. It is a nationally representative survey of approximately 17,000 individuals in 6,500 households.

⁹ This discussion owes much to the input by Lilia Ovcharova.

¹⁰ *Informatsionniy statisticheskiy bulletin N 13* (Informational Statistical Bulletin N 13). Moscow: Goscomstat, November 1995, p. 18; *Obzor ekonomki Rossii, III, 1994* (Review of the Russian Economy, Third Quarter 1994). Moscow: Working Centre for Economic Reform under the Government of Russian Federation, 1994, p. 80.

¹¹ *Informatsionniy statisticheskiy bulletin N 13* (Informational Statistical Bulletin N 13). Moscow: Goscomstat, November 1995, p. 24.

¹² Calculated from *Statisticheskoye obozrenie* (Statistical Review), No. 11, 1995, p. 61.

¹³ *Izvestia*, 10 January 1996.

¹⁴ *Statisticheskoye obozrenie*, No. 11, 1995, p. 64.

¹⁵ *Sotsialno-ekonomicheskoye polozhenie Rossiiskoi Federatsii v yanvare-iyune 1995 goda* (The Economic and Social Situation of the Russian Federation in January-June 1995). Moscow: Goscomstat, 1995, p. 131.

¹⁶ *Statisticheskoye obozrenie*, No. 11, 1995, pp. 62,63; *Russian Economic Trends. Monthly Update. 15 December 1995*. Moscow: Working Centre for Economic Reform under the Government of Russian Federation and Russian European Centre for Economic Policy, 1995, tab. 9.

¹⁷ *Statisticheskoye obozrenie*, No. 11, 1995, p. 8.

¹⁸ *Chelovek I trud* (Man and Labour), 1994, No. 2, p. 61.

¹⁹ *Chelovek I trud*, 1994, No. 2, pp. 60-61.

²⁰ *Statisticheskoye obozrenie*, No. 11, 1995, p. 7; *Poverty, Children, and Policy for a Brighter Future*. Florence: UNICEF, International Child Development Centre, 1995, p. 110.

²¹ *Chelovek I trud*, 1994, No. 2, p. 57.

²² *Krasnoyarsky rabochiy* (The Krasnoyarsk Worker), 18 May 1995.



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