

## COMBATING POVERTY IN RUSSIA

**N. M. Rimashevskaya**

*Institute for Socio-Economic Studies of Population, Russian Academy of Sciences, Russia*

**Keywords:** Poverty; poverty line; poverty index; subsistence minimum budget; income distribution; deprivation; minimum wage; traditional poor; new poor; stable poverty; absolute concept of poverty; relative concept of poverty; subjective concept of poverty; poverty profile; depth of poverty; extent of poverty.

### Contents

1. The notion and definition of poverty
  2. Poverty line definition
  3. Poverty line in Russia
  4. Poverty measure
  5. The extent of poverty
  6. Composition of the poor and factors determining poverty
  7. Fighting poverty
- Glossary  
Bibliography  
Biographical Sketch

### Summary

This article addresses a wide complex of issues relating to poverty dynamics in Russia. The notion and definition of poverty are based on a subsistence minimum budget. The contribution presents a historic background of the changes in the definition of the notion of poverty in Russia, from the late 1950s to the late 1990s. An outline of poverty measurement methods is given—for an absolute concept of poverty, a relative concept, and a subjective concept. Special consideration is given to the deprivation method as the basis for poverty evaluation through individuals' or families' lack of resources for satisfaction of a certain set of needs. The article contains the present methodology of poverty line estimation in Russia, its evaluation and characteristic. A detailed description of indices for measuring poverty is given here: the headcount index, poverty gap index, Foster-Greer-Thorbecke index, as well as the poverty profile. Family income distribution series are used as a basis for estimating poverty. The author considers the problems relating to the quality of statistical data on population income distribution in Russia: poor representativeness of the data, large incomes from black economy, etc. Profile of poverty is a characteristic of poor groups of population. There are two types of poverty in Russia: stable poverty and floating poverty. Alongside traditionally poor categories there have emerged a so-called “new poor”. Main factors affecting poverty are classified in two groups: the first group has a low level of economic development, depressive crisis of economy; the second group is characterized by social polarization, liberalization of distributive relations, and reduction of social assistance. Among the factors acting on the micro-level are: family size and composition, numbers of dependants and children, and presence of unemployed family members. Solving the

problem of poverty is based on implementation of special state programs.

## **1. The notion and definition of poverty**

Poverty has always existed in Russia, as well as in the former USSR and all other countries, including the most developed. But the problem of poverty was officially recognized and comprehended in the Soviet Union only when the state agencies openly renounced the use of average indices of living standards and looked at wages and family incomes through the prism of their differentiation. For ideological reasons, the notion of "poverty" was not used either in practice or in socio-economic theory in Soviet society. Moreover, the corresponding notions of "minimum living standard" and "under-provision level" broke through to official recognition only in the early 1970s, when a program for the support of children in under-provisioned families was developed.

The problem of under-provision was formulated as a social challenge; it was established that the primary factor determining low levels of family incomes was not only and not so much the number of children, as the disastrously low income levels of the elderly population. Meanwhile, the notions of "minimum living standard" and "under-provision level", defined as a certain minimum level permitting biological and social reproduction of an individual, were of great practical significance. Some specialists stress that minimum consumption budget used for setting the under-provision level was more a social than physiological minimum.

The totalitarian state in the former USSR exercised strict centralized regulation of work payment and used minimum living standard as the basis for determining minimum wage.

Thus, in 1957 the minimum wage was set at 27-30 roubles per month; in 1960 at 40 roubles; in 1968 at 60 roubles, and in the late 1970s at 70 roubles (varying by economy sectors). The minimum living standards used for setting the minimum wage were neither fixed by law nor made public, as the issue was considered secret. They were developed by specialists and used by state bodies (the State Committee for Labor). The issues of minimum living level, minimum consumption budget, minimum wage and their correlation were subjects of permanent theoretical discussions. In 1965 the minimum living standard was fixed at 40 roubles per month, in 1975 at 50 roubles, in 1989 at 54 roubles, in 1990 at 61 roubles, and in 1991 at 154 roubles (as estimated by the RF Goskomstat, State Committee on Statistics). People with incomes below the minimum living standard were considered as under-provisioned. Rise in the minimum living standards under the system of relatively stable prices was mainly connected with the improvement in the quality and standards of life of the population.

Our studies showed that in the late 1960s the share of under-provisioned ("poor") made 29.7% of the total population, in the late 1970s 32.1%, and in the late 1980s 38.9%.

The problem of poverty was officially recognized in Russia only in 1988, when data on the distribution of wages and incomes were published for the first time since the 1920s. The "ideological taboo" was finally removed from the formerly forbidden subject of poverty in the Russian population.

The two-fold drop in the Russian population living standards as a result of the 1992 shock therapy, together with the simultaneous growth in income differentiation, dramatically aggravated the problem of poverty.

Poverty, or the state of poverty, means depriving an individual, a family or a household, a population group, of a complex of preconditions for their physical and social survival; poverty is a threshold corresponding to the minimal socially accepted level of people's reproduction; it is a certain well-being limit.

Treating the problem in a more philosophical way, Atkinson differentiates between a "standard of living approach", which would use consumption for measuring well-being and a "minimum rights approach", which would measure well-being by the access of households to resources and incomes.

-  
-  
-

TO ACCESS ALL THE 16 PAGES OF THIS CHAPTER,  
Visit: <http://www.eolss.net/Eolss-sampleAllChapter.aspx>

### **Bibliography**

- Aivazyan S. and Rimashevskaya N. (1978). Typology of Consumption. Moscow: Nauka. (In Russian).
- Atkinson A.B. (1983). The Economics of Inequality. Oxford, UK: Clarendon Press.
- Atkinson A.B. (1989). Poverty and Social Security. Hemel Hempstead, UK: Harvester Wheatsheaf.
- Foley M.C. (1997). Static and dynamic Analyses of Poverty in Russia. In: Poverty in Russia: Public Policy and Private Responses (ed. J. Klugman), 65-90. The World Bank. Washington, D.C.
- Goskomstat of the Russian Federation (2001). Social position and living standards of the Russian population. Statistical yearbook. Moscow. (In Russian).
- Goskomstat of the Russian Federation. (1997). Russian Statistical Yearbook. Moscow. (In Russian).
- Hallerod B. (1994). A New Approach to the Direct Measurement of Consensual Poverty. University of New South Wales.
- Liborakina M. (1998). Targeted social support of population: the level of local self-government. Issue 1. Moscow: Institute of Urban Economics. (In Russian).
- Mack J. and Lansley S. (1985). Poor Britain. London: Allen and Unwin.
- McAuley A. and Mozhina M. (eds) (1998). Poverty: Alternative Approaches to its Definition and Measure. Moscow: Carnegie Endowment. (In Russian)
- Ministry of Labor, Russian Federation. (1992). Methodological Recommendations for Determination of the Subsistence Level in Russia by Regions. Approved on November 10, 1992. (In Russian).
- O'Higgins M. (1980). Poverty in Europe: The Subjective Assessment of Poverty Lines. (Mimeo in two parts). Bath: University of Bath.
- Rimashevskaya N. (1991). Family Well-Being: Trends and Perspectives. Moscow: Nauka. (In Russian).

Rimashevskaya N. (1998). Population Savings and Inner Resources of the Economic Growth in Russia: Research Results. In: *Economics and Mathematical Methods*. Vol. 34, Issue 3. (In Russian).

Rimashevskaya N. and Karapetyan S. (1985). *Family and People's Well-Being in the Developed Socialist Society*. Moscow: Mysl. (In Russian).

Rimashevskaya N. and Onikov L. (ed.) (1977). *Family, Labor, Income, Consumption*. Taganrog studies. Moscow: Nauka. (In Russian).

Rimashevskaya N. and Patsiorkovsky V. (ed.) (1992). *Socio-Economic Studies of Well-Being, Way of Life and Living Standards of the City Residents*. Project "Taganrog-3". Moscow: ISESP RAS. (In Russian).

Rimashevskaya N. (2003). *Person and Reforms. The Secrets of Survival*. Moscow: ISESP RAS. (In Russian)

Sarkisyan G. and Kuznetsova N. (1967). *Family Needs and Incomes*. Moscow: Ekonomika. (In Russian).

Townsend P. (1979). *Poverty in the United Kingdom*. Harmondsworth: Penguin Books.

Van Praag B., Goedhart T., Kapteyn A. (1980). *The Poverty Line: A Pilot Survey in Europe*. In: *Review of Economics and Statistics*, 62, 461-465.

World Bank (2002). *Feminisation of Poverty in Russia*. Moscow. (In Russian).

### **Biographical Sketch**

**Natalia Mikhailovna Rimashevskaya** was born in Moscow in March 1932. She graduated from the Moscow State University, Law Department (1956) and the Moscow Finance Institute (1958). She holds scientific degrees of Candidate of Economics (1962) and Doctor of Economics (1972). Corresponding Member of the Russian Academy of Sciences (2003). Professional career: 1958-1960 Researcher, 1960-1967 Head of Laboratory at the Institute for Labor Research; 1967-1988 Head of Department at the Central Economic Mathematics Institute, USSR Academy of Sciences. Since 1988, Director of the Institute for Socio-Economic Studies of Population, Russian Academy of Sciences. Professor at the High School of Economics. Editor in Chief of the quarterly journal *Population and Yearbook Russia, Socio-Demographic Situation*. Member of the Russian Academy of Natural Sciences (1992) and International Academy of Informatization (1993). Vice-President of the International Social Science Council, Member of the Evaluation Committee on Population and Society at IIASA, Member of EAPS. Her research activities are focused on social demography, quality of life, poverty and social exclusion, social protection under transition, family and gender issues. She is the author and editor of over 300 publications. The recent publications: *Person and Reforms: the Secrets of Survival*. Moscow: ISESP RAS, 2003 (in Russian); *Russia: 10 Years of Reforms. Socio-Demographic Situation* (ed.) Moscow: ISESP RAS, 2002 (in Russian); *Social exclusion in Russia/ Politiques sociales en France et en Russie*. Paris: INED, 2001 (in French and Russian); *Woman, Man, Family in Russia* (ed.). Moscow: ISESP RAS, 2001 (in Russian).