

## Features of Modern Russian Poverty

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### ABSTRACT

*The influence of a large number of poor people on the Russian economy has been studied. It is shown that as the share of the middle-class decreases, poverty increases, and these processes are synchronous. The Gini coefficient fluctuates over the years, but in the last period it has steadily increased, which indicates an increase in inequality. The study of the human potential index in the Regions of Russia shows that it falls with the growth of poverty.*

**Keywords:** *poverty, middle class, human development index*

### INTRODUCTION

Poverty is one of the most difficult economic problems in Russia. Poor people do not have easy access to education, health care, social elevators and a wide circle of communication. This substantially reduces their level of human development and future potential, and, accordingly, reduces their contribution to the overall economic impact of society. Especially, this is relevant in the light of the country's demographic problems, when human resources become especially valuable. The country's economy is already experiencing problems in finding qualified and conscientious personnel, but soon this problem will become even more urgent.

### LITERATURE REVIEW

There are many studies on the problem of poverty in the literature, but their subject is presented by heterogeneous views that does not allow to make a common understanding of the significance of the matter. Only some researches provide information on the basis of which it was possible to build our study.

Jonathan Steel [1] indicates that «Russia's recession-hit economy has propelled the country's poverty rate to a nine-year high, state statistics showed, as the country struggles to cope with a crippling economic crisis. An average of 19.2 million Russians, or 13.4% of the population, were living on less than 9452 roubles (\$139) a month. This figure represents a 20% increase year-on-year, with an average

16.1 million people living below the poverty threshold in 2014».

The source [1] provides only general figures that do not give an idea of the nature of the problem.

Joachim von Braun, Matin Qaim and Harmuth Seeth [2] note that «falling real incomes, inequality in income distribution and the increased incidence of poverty have led to a both qualitative and quantitative deterioration in the average Russian's diet. This analysis, which is based on a comprehensive household survey, reveals that 19% of Russian families are poor. It shows that, for the majority of households, subsistence production of food is an important private mechanism for coping with the transformation risks of market failures. The subsistence sector is likely to be a long-term reality in Russia, that will continue to exist at least until the economy stabilizes and a sound social-security system supersedes this private insurance mechanism».

The authors of the second source focused on only one side of poverty, namely, on the deficiencies in the diet of the poor, what does not cover the whole problem.

Sarah Wilson Sokhey. [3] came closer than others to understanding the issue, highlighting the views of the authorities on this problem. Referring to the newspaper Vedomosti, she emphasizes the positions listed in the article «10 unfulfilled promises of Putin and Medvedev». The number of Russians living in

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poverty since Putin's last election in 2012 has increased by several million people. «Putin tried to reframe this situation during an address this month; while acknowledging some recent declines, he emphasized that the number of Russians in poverty is still much lower than it was in 2000 when he first took office. Putin is right that things are still better than in the late 1990s, but the new group of 18-year-old voters in 2018 and even those a bit older may not be well persuaded by «the 90s were much worse» argument».

However, these and other sources do not describe the problem of poverty from the point of view of the Russian economy. The purpose of this article is to assess poverty from the perspective of economic development.

## MATERIALS AND METHODS

As the main object of a research the population of Russia is chosen. The main factors of influence on this object were investigated by means of content analysis of four main search engines on the Internet, Yandex, Yahoo, Google and Mail. Data on indicators were collected in various literature sources listed in the reference list.

## THEORY

Theoretical approach in this article is based on identification by authors of key concepts of the explored area. As a key indicator of poverty the level of incomes below the poverty line is chosen. The same approach is chosen also in case of use of a concept of the middle class.

Using these concepts, the following hypothesis can be put forward:

***Poverty has a negative impact on the economic development of Russia.***

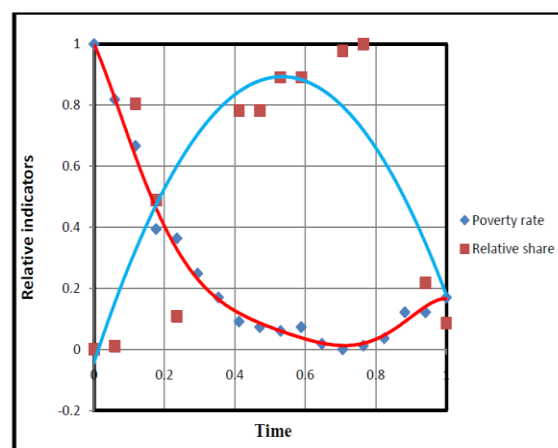
## RESULTS

In any cataclysm in the economic and political life of Russia, the middle class suffers first and foremost. This category of citizens, on a bigger measure, hired workers, achieved certain, first of all, material achievements in life. However, these achievements are based on a fragile Foundation of temporarily increased demand for goods, services, information and technology. Well, if all these products are associated with certain people from middle class, but this connection may be broken, which leads to collapse.

In the analysis of trends in the field of poverty trends of a share of the poor and a share of the

middle class in Russia compared. The comparison results are shown in Fig.1.

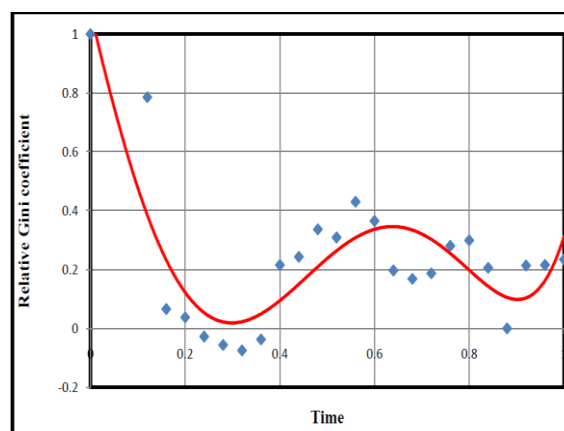
The poverty level is taken from the source [4], and the data on the share of the middle class in Russia is taken from the source [5].



**Figure 1.** Comparison of the dynamics of the share of the poor and the share of the middle class in Russia by years

From diagrams of Fig. 1 it is visible that the share of the poor and a share of the middle class in Russia represent synchronous, but multidirectional curves. This indicates the similar nature of the happening processes. If the share of the middle class falls, people leaving him join the ranks of the poor. This can be manifested, for example, in the ruin of small entrepreneurs, the loss of high-paid work by employees, the reduction of orders from freelancers, etc.

This is supported by increased economic inequality, as shown by the Gini coefficient. Fig.2 shows its change in time. The graph is based on the source data [6].

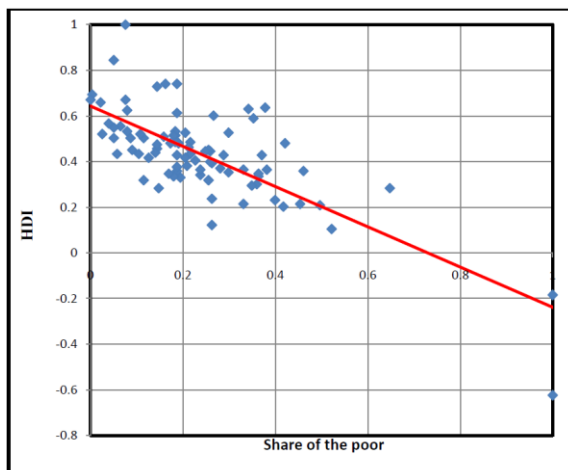


**Figure 2.** The change in the Gini coefficient in time

Figure 2 shows that, despite the previous fluctuations, recently the Gini coefficient, and inequality is growing with it. This affects the

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quality of human capital, as the graph in Figure 3, constructed on the basis of sources [7] and [8] shows.



**Figure 3.** Comparison of level of poverty and level of the human capital in regions of Russia

The correlation coefficient 0.752 for the dependence Fig.3 is substantial for all significance levels above 0.01. From Fig.3 it can be seen that the increase in poverty leads to a steady decrease in the level of human capital. This, in turn, adversely affects the labor productivity, no matter what character it wears.

This phenomenon has a continuation into the future, as, with the transition to a post-industrial economy, the value and influence of human capital will increase.

## DISCUSSION AND CONCLUSION

The obtained dependences show the important role of poverty in the formation of the economic climate in Russia. A large number of poor, a self-doubt of middle class members, reduce productivity. It, in turn, reduces also other economic indicators. Thus, the hypothesis of a research is confirmed. This makes us pay special attention to the problem of poverty in

Russia.

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