

Transformed in 25 years

Russia's growing inequality amid a demographic crisis

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Since the year 2000, Russia has seen rapidly increasing inequality and the emergence of a “middle class”. At the same time, the demographic crisis has ultimately led to pro-birth policies. Cécile Lefèvre interrogates the evolution of Russia's social and demographic predicaments in the context of recent economic and geopolitical crises.

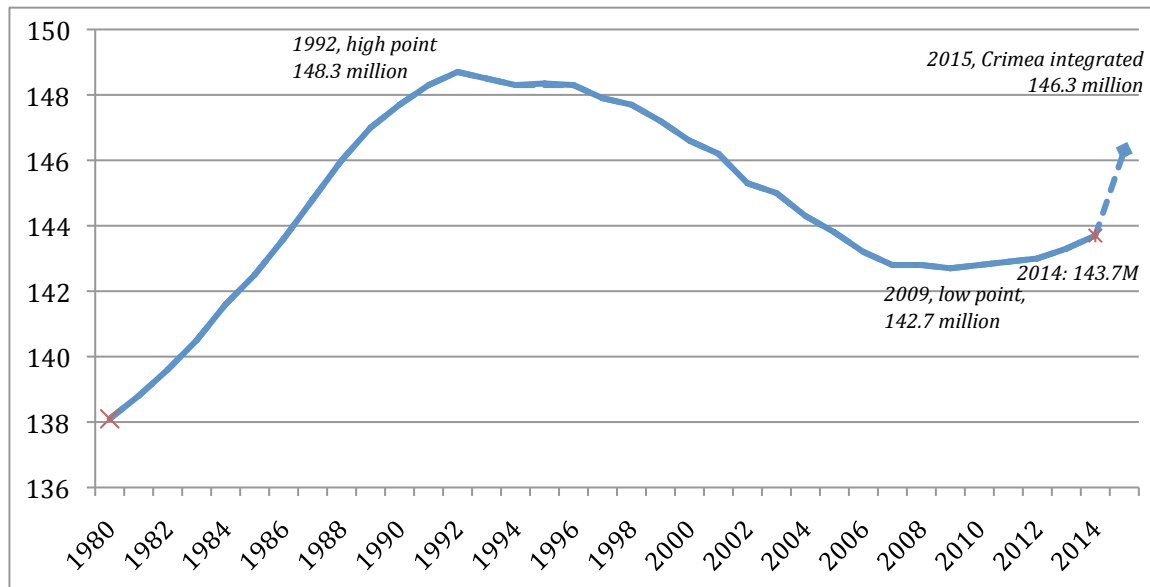
Russia's first post-Soviet decade was marked by an economic, social, and demographic crisis. Amid the tatters of the Soviet system, Vladimir Putin's election to the presidency in 2000 re-legitimized the idea of a strong, interventionist state power, and affirmed that the state had a role to play in sustaining the Russian population and families' reproductive decisions. So it's no surprise that the fight against population decline has become a pet theme in Russian governmental policy; as Jean Bodin aphorized, “The only true riches are men.”

In recent years, the improvement of primary demographic indicators (fertility, life expectancy, population growth), although partly cyclical in nature, has been attributed to Russia's renewed national vitality. But such an explanation partially obscures another problem undermining Russian society: a pronounced increase in inequality over the past 20 years, particularly when it comes to income, housing, and healthcare access, which are unequally distributed by region. These inequalities have been further exacerbated by the economic crisis that began in 2014. Taken together, these social and economic shifts offer some explanation for Russia's choice to go on the offensive in its foreign policy.

Demographics: From crisis to stability?

From the end of the USSR up to 2012, Russia's population shrank significantly, by about 5 million inhabitants (graph 1).

Graph 1: Evolution of Russia's total population, 1980 to 2015



Source: Rosstat, 2015

This population decline began in the 1990s and was attributed to the steep drop in birth rate, as well as lowered life expectancy, a rare phenomenon in developed countries not affected by war or epidemic. The decrease was still more marked among men: their life expectancy, already much lower than in other European and Western countries, fell well below the symbolic threshold of 60 years during some periods (1993-1996 and 1999-2006).

On top of these cyclical drops, Russians saw a lengthy stagnation in their life expectancy starting in the 1960s, which has often been explained by a lack of medical progress. Persistently oriented toward treating infectious diseases, Russian medicine neglected the prevention of cardiovascular disease and other chronic illnesses, including alcoholism. Since 1991, as a result of medical sector reforms and the creation of a healthcare system whose efficiency and quality varies by region, preventive care still lags behind. Thanks to improved living conditions, life expectancy rebounded after 2005, but in 2012 it settled to the same level as in 1965 for men (64.5 years). The low life expectancy for Russian men has moreover created an unbalanced age pyramid: elderly women, widowed and isolated, make up a large part of an impoverished population with a high need for social aid.

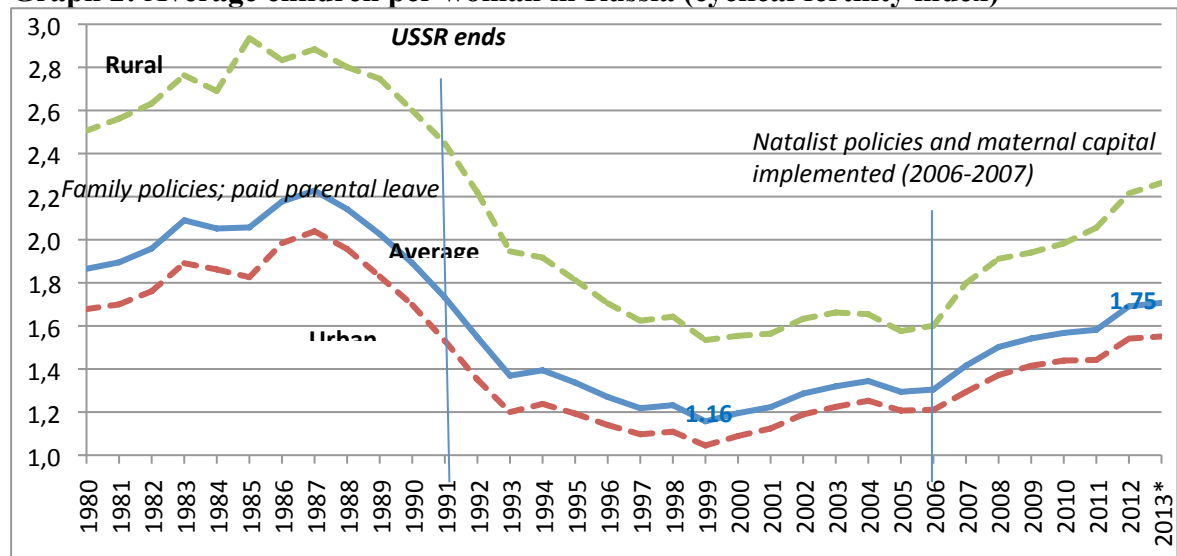
What we call the “Russian cross”—when the birth rate dropped below the death rate in 1992—was a concern throughout the ’90s. But at that time, when Boris Yeltsin held the presidency and liberalism had its heyday, there was an implicit consensus that the state would no longer intervene in private decisions or in how families were shaped. At that time the government was more preoccupied with economic crisis, deindustrialization, and rising poverty, concerns that took precedence over medium-term demographic fluctuations.

In the 2000s in particular, however, demographics became fodder for dire outbursts in the media—*Nezavissamia Gazeta*, for example, ran the headline, “When will Russia disappear? An investigation of the demographic disaster”—and emerged as an important political issue. It was in this climate in 2005 and 2006 that Putin adopted new demographic policy ideas, outlined in the “Concept of Russian Demographic Policy Through 2025,” and began implementing explicitly natalist family policies.

The push began with a media campaign. The government created new national holidays; September 12, 2007, for example, was made a day for families to come together. The state also offered compensation to women who delivered babies on June 12, “Give Birth to a Patriot Day,” or July 8, “Family, Love, and Fidelity Day.” Restrictions on abortion access increased, and the Orthodox Church announced a series of positions favoring the traditional family—the same church that would take a major role in dictating family and moral norms nearly a decade later.

Among a variety of new measures, one in particular stands out: the “maternal capital” award instituted in 2007 for mothers of more than one child. The award allots mothers a generous sum (on the order of about €8,000) upon the birth of their second child. However, rather than triggering a direct cash payment, the child’s birth creates “special drawing rights” for the funds to be used under three pre-approved conditions: to finance the children’s education, to supplement the mother’s retirement savings, or to improve the family’s housing conditions. The third option has been the most common: more than 90 percent of recipients opted to augment their housing budget. If the program’s intention was to produce a higher birth rate, it has also affected the housing market by leading to higher prices and more brokers, as well as more corruption and hidden transfers. Regional authorities, meanwhile, were urged to complement the federal award with “regional maternal capital” intended especially to encourage a third child, and with stricter conditions than the federal program.

Graph 2: Average children per woman in Russia (cyclical fertility index)



Source: Rosstat, 2015

Effectively, fertility in Russia has increased, but not to the point of generational renewal. After a severe drop starting in 1987 that hit a low point in 1999 (1.16 children per woman on average), the cyclical fertility index increased throughout the 2000s, particularly after 2007 when the maternal capital program was introduced. Fertility rates reached an average of 1.75 children per woman in 2014, with a marked difference between rural (2.3 children) and urban populations (1.5).

Some experts remain skeptical about the medium-term effects of maternal capital. They explain the cyclical fertility rebound as an effect of the population’s generational structure instead: the number of women between 18 and 29—that is, women born in the 1980s—reached

its peak from 2007 to 2008 and is now on the decline. While there were 14 million women in this age range in 2007, there will be fewer than 9 million by the year 2020, due to the low birth rates of the 1990s.

This explains why, in the present decade, the specter of crisis constantly looms: Russia's demographic challenges are directly linked to Putin's nationalist patriotic discourse. In his 2012 annual address to the nation, for example, Putin called for Russians to help "preserve the Russian territory from poverty" by conceiving more children, and he declared that three children per family should be the norm. Otherwise Russia would be "a poor, aging nation, unable to maintain its independence or even its territory... If the country is unable to reproduce and preserve itself... then it will need no exterior enemy, because it will collapse all on its own."

The population decrease seems to have been checked for the moment. A natural population surplus even appeared in 2014 for the first time in 20 years, as Prime Minister Dmitry Medvedev jubilantly reported in his annual address to the Duma. According to the most recent United Nations population projection (July 2015), however, in 2050 Russia's population will have shrunk to somewhere between 115 and 143 million, the midpoint being 129 million. But new information may significantly revise the outlook: already the annexation of Crimea has increased Russia's population by about 2 million inhabitants. Other changes are expected insofar as the status of Eastern Ukraine, and thus the population of Donbass, is far from resolved.



Moscow subway advertisement: "The country needs you to break records. In Russia, three babies are born each minute."

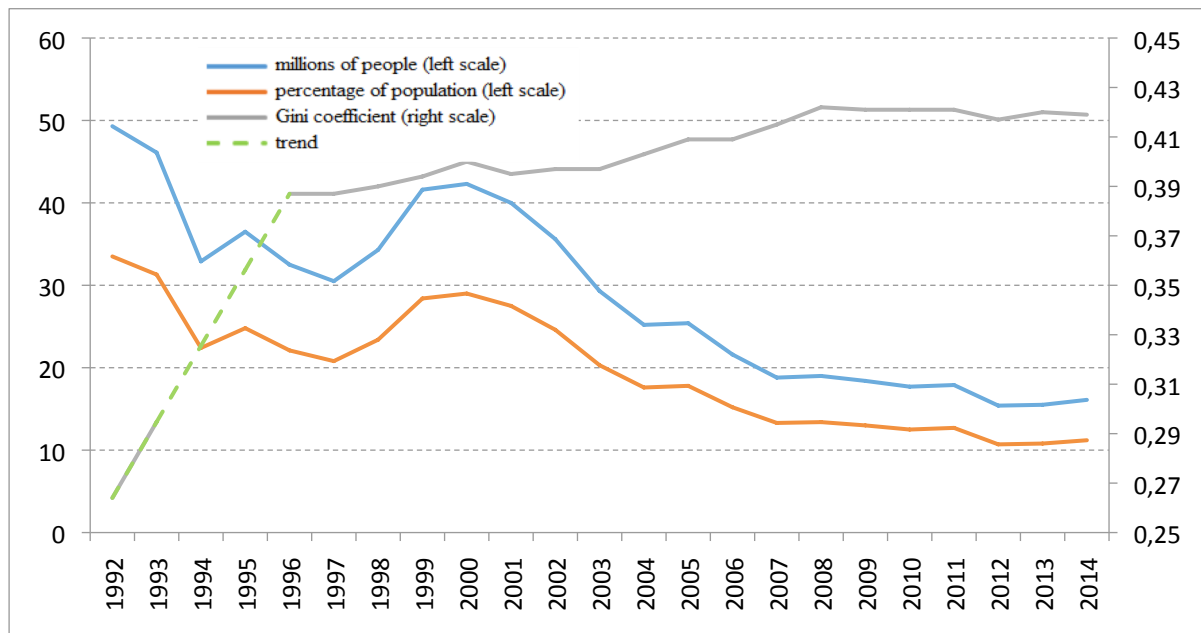
Even as demographic stabilization required proactive policies, these demographic challenges have been joined by shocks to the Russian economy. Indeed, the large-scale economic crisis facing Russia as of the end of 2014 has also reignited issues of social stratification and the growth of inequality.

Growing post-Soviet inequality: From stability to crisis?

Russia's society and economy were profoundly transformed by the dissolution of the USSR. The 1990s were characterized by a serious economic crisis that led to the widespread impoverishment of the population. Poverty, newly acknowledged and measured starting in 1992, affected more than a third of the population, according to official data from the Russian Statistics Service. Over the course of the 2000s, as the poverty rate fell, growing inequality became the

major phenomenon, with the ostentatious consumerism of Moscow's nouveaux riches standing in stark contrast to the destitution of people in rural areas. More recently, the economic crisis and the declining ruble have strongly affected the new middle classes, who, between housing loans and consumer spending, carry large quantities of debt.

Graph 3: Inequality in Russia, measured by poverty rate and Gini coefficient



Source: Rosstat, Russian Federal State Statistics Service, 2015, <http://www.gks.ru>

In Russia, poverty is measured using an absolute approach rather than a relative one, as in the European Union. People are considered poor if their monetary income is below the “subsistence minimum,” which corresponds to a caloric and physiological minimum of goods and services. The poverty rate was cut by two-thirds between 1992 and 2014, from 33.5 percent to 11.2 percent. It has especially fallen since the beginning of the 2000s, in conjunction with a general rise in living standards, although it was only in 2006 that actual average income returned to its 1991 level. Though the poverty rate has held steady since 2011 at around 11 percent, new data for 2015 will enable studies of the latest economic crisis and its effect on this indicator, which for now can give only a partial view of the current situation.

Likewise, Russia’s unemployment rate as measured by the UN’s International Labor Organization (ILO) has not proven to be a very pertinent indicator at the moment. The current unemployment rate in Russia is low (around 5 percent of the active population) compared to the international average reported by the OECD, because during times of crisis the biggest adjustments to the labor market are essentially in salary and duration of employment. These adjustments are structural characteristics of employment in Russia, observed during the ’90s as well as the 2008 crisis. Low salaries and poor work conditions mean that Russia sees significant job turnover; an estimated 30 percent of workers switch jobs each year, and many of those more than once in a year.

Instead, increased inequality now stands out as a social problem in Russia, particularly income inequality. Russia's Gini index (a numerical representation of income inequality, ranging from zero for total equality to 1 for the most income possible concentrated at the top) has spiked, from 0.26 at the time the USSR fell to 0.42 in 2014, compared to 0.30 in France in 2012, 0.47 in the US, and 0.52 in Brazil.

The watchword of the Soviet period was egalitarianism, yet Russia has taken only two decades to become one of the world's most unequal societies. Its extreme polarization calls to mind disparate images of *babushki* on the streets in frigid temperatures, trying to sell potatoes and hand-knitted socks, and the ultra-consumerism of nouveaux riche oligarchs—whose fortunes originated with the predatory privatization of the '90s—spending lavishly in the French Riviera or the Alps.

In the 2000s, entrenched inequality emerged alongside a middle class that was active, educated, and urban. In their dynamism, modern social climbing, and Western lifestyle and bearing, this new middle class seemed to show the success of the government's reforms. The members of this class became the primary targets for banks and advertisers. They have been encouraged to take on various housing and consumer debts, and many work in the service industry. The middle class was hit the worst by the 2014-2015 crisis, which led to the disappearance of certain products due to economic sanctions, as well inflation (estimated at over 15 percent for 2015) and the falling ruble (especially considering loans drawn in foreign currency).

Housing has played a significant role among the many causes of deepening inequality. From 1992 to 2000, the proportion of housing owned by the state went from 74 percent to 35 percent, and this process reinforced social and spatial inequalities. When private property rights were established after 1991, all those living in a residence were given the right to take ownership for free (along with full responsibility for upkeep). A vast system of privatization was thus set in motion, and the principle of property transmission by inheritance was recognized. But residents of communal apartment buildings, already in a difficult housing situation, were instantly penalized. In the emerging real estate market, there were huge gaps between Moscow prices and those in the rest of the country. Apartment exchanges, cross-selling, and subletting arrangements developed, transactions that, virtually unregulated at first, often enabled fraud. This system also led to a new phenomenon for Russia: homelessness. The poor had trouble taking on costs like water, gas, and electricity, which had previously been subsidized or even free.

On the other hand, privatized housing also allowed some households to amass capital in the medium term and sometimes to have a source of income in the form of rent. The housing issue is therefore a crucial factor in today's social organization and stratification, and has been revived both by the natalist family capital programs that stimulated the regional real estate markets and the recent wave of real estate loan defaults in Russian cities. Most recently, in 2015, a law was finally passed to create a bankruptcy process for people to manage the debt burden.

Regional differences in such an immense country have also contributed to these disparities. Indeed, the inequalities among the 89 regions of the Russian Federation are often greater than inequalities among households within a single region. For example, oil-rich Tyumen is 40 times richer than the rural region of Buryatia near Lake Baikal. The impact of these regional disparities on the population is all the greater because social aid programs are decentralized; they vary according to the wealth and the political stances of their respective regions. Inequality across cities and rural areas is also very high, even more so between the two

worlds of the capital, Moscow, and the provinces. Regional social inequalities are much more marked today than they were at the end of the Soviet era.

Russian society has thus seen profound changes in its norms and social markers over the past 25 years. Social inequalities have built up and taken on new, more visible forms, such as urban beggars living alongside fantastic wealth. Some changes have deep roots in the end of the Soviet period: the society of *homo sovieticus* was far from homogenous, nor was it totally controlled.

Today's societal structures, however, and especially the forms that inequality now takes, are radically different. The fall of the USSR and the development of a liberal economy brought about new behaviors and lifestyles. Access to housing, education, and healthcare—the three pillars of the paternalistic Soviet state—has changed drastically. And today, a generation of young people born in the '90s is coming of age, with no knowledge of the Soviet period except what they hear from their parents' generation. There has indeed been a change, and the 2010s clearly mark the start of a new era.

Russia's newfound grandeur and national pride—as modeled by Vladimir Putin and represented in key moments like the Sochi Olympics, the annexation of Crimea, or the call to renew Russia's population—has gone hand in hand with the contraction of free expression. In a sort of implicit social contract, the populace is more and more left with a choice: get out (if and where possible), or be loyal.

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