**Annotation**

**TOR-19**

Topic: “Analysis of the demographic and socio-economic behavior of households at different stages of the life cycle and assessment of social and tax policies impact on the dynamics of the standard of living and its differentiation”

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1. **The object of this study** is Russian households and population, social and fiscal policy, pension policy, government policies towards fostering conditions for active ageing, socio-cultural conditions for building welfare state profession identities. **The subject of this study** is the material well-being and living standards of the population, consumer behavior, the redistributive impact of government policies, socio-economic inequality, income stratification, overall dynamics of the social structure, middle class, poor segment of the population, public perception of poverty and inequality, elderly population inclusiveness and subjective well-being, pensioner participation in the labor market, childcare management for mothers with preschool children, cultural resource of the professional status of specialized occupations.
2. **The objectives of the project** include a complex analysis of the demographic and socio-economic behavior of the population and households at different life-cycle stages and the assessment of the impact of redistributive social and fiscal policies on living standards its differentiation, as well as the analysis of the social structure dynamics of Russian society during the influence of the 2014-2015 economic downfall. Independent focuses of this research project will be the study of the employment at different life-cycle stages, intergenerational exchanges and inclusiveness of the elderly as one of the conditions of active ageing in Russia, as well as the socio-cultural conditions for building profession identities. This project continues the study started in 2013-2015 and is aimed at providing a comprehensive informational basis for the study of income, living standards, inequality, and consumer behavior of households and the simulation of the effects of government policy on households, and at the development of a comprehensive research base and data for the study of active ageing conditions.
3. **The research methods** desk research; multivariate statistical analysis; microsimulation modelling, including techniques for the evaluation of the efficiency of fiscal policies, with the implementation of demand modeling systems (Quadratic Almost Ideal Demand System (QUAIDS) and Random Assignment Scheme (RAS)), improvements to the Olivieri microsimulation model (Olivieri et al., 2014); methods of income stratification in the Russian society; spatial demography techniques (spatial data analysis); descriptive and econometric analysis of sample surveys; theoretical and methodological; analysis of field logs, in accordance with quality of survey evaluation (in-depth interviews); interdisciplinary analysis of post-Soviet cinema and media portrayals of occupations.
4. **The data sources** include: micro-data of the “All-Russian population census” of 2010, sample surveys of the Federal State Statistics Service (Rosstat) – “Sample monitoring of population income and participation in social programs” (SMPI) of 2012 and the “Comprehensive monitoring of living conditions” (CMLC) of 2011 and 2014, the “Russian Longitudinal Monitoring Survey” (RLMS-HSE) for the years 2005-2015, European Social Survey (ESS) for 2014, World Values Survey (WVS) for 2010-2014, monitoring data of the Institute of Sociology of the Russian Academy of Science (IS RAS) “Dynamics of social transformations in contemporary Russia in the socio-economic, socio-cultural, and ethno-religious context” for 2014-2016, survey of the Institute for Complex Strategic Studies of the Russian Academy of Science “Rich and poor in contemporary Russia” (March 2003) and the IS RAS survey “20 years of reforms from the view of Russians” (April 2011), “What Russians wish for” (March 2012), “Poverty and the poor in contemporary Russia” (April 2013), “The middle class in contemporary Russia” (February 2014), “Citizen activism: new subjects in societal political actions” (March 2014), “Analysis of values” by the Centre of Comparative Social Studies in 2012, direct survey of women with preschool children, carried out in Moscow in 2015; statistical resources published by the Federal State Statistics Service (Rosstat), World Bank, the United Nations, WHO; qualitative sociological data – cinema representation in the media and in-depth interviews with medical personnel.
5. **The main results:** The research project showed that the cumulative effect of fiscal and social policies on the distribution of income is moderate in comparison to other countries. The main limitations to a more efficient redistribution of income through the tax-fiscal system are (1) a large share of indirect tax proceeds, which is regressive, (2) the neutrality of direct tax systems, and (3) a low share of expenditure on transfers to individuals with low-income levels. Fiscal policies also significantly affect the intergenerational redistribution of income: households of working-age individuals (with or without children) subsidize pensioner households. The indexation of pension and wages at a rate lower that the inflation rate in 2015 and 2016 caused a significant reduction of income in the bottom four income deciles in comparison to the top six income deciles.

The results of behavioral microsimulation of the effects of tax policy reform show that an increase in VAT rates from 10% to 20% and from 18% to 30% increase indirect tax proceeds by 61%-64%, which is significantly lower than the increase in tax proceeds under constant consumption.

In spite of this, there exists considerable potential for fiscal consolidation in Russia without either increasing indirect taxes, or cutting back on the services provided to the poor segment of the population, or increasing inequality. This set of possible measures is composed, first of all, to a more widespread application of the currently limitedly used mechanisms of income and proceeds verification of the recipients of social transfers, and the expansion of social assistance programs targeted to the poor. Second of all, the expansion of the income tax base and the effective execution of current tax legislation, as well as a reduction in the dependence of the government budget on regressive tax system proceeds (e.g. VAT) and increasing the progressivity of direct taxes (e.g. income tax and tax on enterprise profits). Last of all, the increase of the retirement age and the introduction of certain restrictions on the income of employed pensioners.

Results of stratified analysis confirm that the current stratification system in Russia is more in line with developed countries than developing ones. The model of income stratification of the Russian society remains robust – so far – to the current economic crisis. The middle class remains highly heterogeneous, and its formation is still underway.

The observed over the past 15 years decrease in the scope of poverty and a shift in its main causes created a shift in the attitude of the Russian population towards the poor population, and displaced this issue to the fringe of social awareness. The main trends in the dynamics of social perceptions of inequality show a change in the comparative importance of the main types of social inequality, its deepening, and the exacerbation of the perceptions of the problem of inequality.

The results of an econometric analysis of the factors causing the exit of pensioners from the labour market shows a statistical significance of economic factors. The simultaneous inclusion into the model of the two variables which characterize the pressure of pensions to “exit” the labour market, and the “remain” pressure of the share of wages in household income, shows that the wage effect exceeds that of pensions. This allows us to conclude that policy measures, aimed at restricting only the income of highly paid pensioners will be more effective than those, which prohibit all pensioners from working and receiving state pensions simultaneously.

The research shows that socio-cultural identity of occupations is composed of the priorities and ideals, which are mainly broadcasted in the broad socio-cultural context by the mass media. Professionals create their own value-normative frameworks of their occupation, based state regulations, the commodity relations on the market of goods and services, related to their profession, the framework of organized culture, etc. The occupational ideologies of professions in the welfare state is formed both top-down – by the department, the management of organization, the experts of the respective scientific disciplines – and bottom-up - when specialists have to cope with uncertainty, or have to explain their personal achievements and failures, or the achievements and failures of their organizations.

1. **The degree of implementation, recommendations regarding implementation or the results of implementation of the research outcomes:** The results of this project (relating to the analysis of the redistribution effects of social and tax policies, the pension system, and active ageing policies) were used in the preparation of the 2016 analytical briefs and expert recommendations, including those, which were directed at the government of the Russian Federation.

The microsimulation results of the redistributive effects of the tax-benefit policies in Russia in 2010 and 2014 and the effect of direct and indirect tax reforms on the income distribution and consumption behavior of households and the resulting conclusions and recommendations to the tax and social policies can be useful in the practices of the of the Ministry of Labor and Social Protection of the Russian Federation and the Ministry of Finance of the Russian Federation.

1. **Area of application:** The results of this project can be used by the Ministry of Labor and Social Protection of the Russian Federation, Ministry of Finance of the Russian Federation, the Federal State Statistics Service (Rosstat), and other government agencies in the course of development of new policies and the analysis of the effectiveness and efficiency of existing measures in the area of tax, social, family, and economic policies in Russia.