**Abstract**

**RS 101**

Title: “Monitoring of Russian households’ poverty, incomes, social well-being, and consumer preferences dynamics”

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1. **Research object:** Russian households, particular attention is paid to the following social groups: families with children, workers, the poor and the middle class. The subject of this research is changes in Russian households’ income position, consumer preferences and social well-being in the current economic downturn.
2. **Research purpose:** comprehensive monitoring analysis of changes in Russian households’ income position, consumer preferences and social well-being in the current economic downturn and assessment of social risks associated with these changes and preparation of proposals for improving the level and quality of human capital with focus on education, health and culture.
3. **The methods applied in the project:** descriptive analysis, multivariate analysis, econometric analysis, microsimulation models; multi-dimensional approach to social stratification.
4. **Empirical base of the research:** statistical data of Russian Federal State Statistics Service published monthly on the official Internet website of the Department;the data of specially organized monthly monitoring survey of public opinion on issues of economic position, consumer preferences, poverty and social well-being (a representative survey of 1600 respondents); the data of simultaneously (cross-sectional) sample survey of households conducted according to the nationwide sample (a representative survey of 2103 respondents); micro data of the Survey of Population Incomes and Social Programs Participation (Rosstat) (45 000 households, 106 000 individuals); the base of regulatory legal acts of the Russian Federation, including those under development; information of international organizations and national statistical agencies about wages.
5. **Research results:**

* According to Rosstat, from October 2014 to October 2016, the cumulative reduction in real income amounted to 13,2%, wages – 7,5%, pensions – 7,0%. Total consumer price growth reached 22,9%, the increase in prices for food goods was 24,2%, for nonfood goods - 23,8%, for services – 19,2%. Against this background population’s consumer activity falls, retail turnover is declining steadily (as a whole - by 14,9%, for food goods - by 14,9%, for nonfood goods – 15,3%, for services — by 4,4%).
* According to the monitoring surveys, the proportion of households that estimate their material possibilities as low and at the same time having difficulties with purchase of necessary food or clothing, on average, was 16,8% in 2016 (the highest proportion was recorded in June - 18,5%).
* Increased proportion of subjective poor was recorded among pensioners (about 50% were short of money for the purchase of food products or clothing at the end of the first quarter of 2016 and approximately 60% - at the end of III-rd quarter), villagers (about 45-46% in the period under review), the population with secondary or lower education level (49-51%), workers (42-43%).
* During the year, about 3/4 of Russian households adapted their consumer and financial behavior to new economic conditions. However, only 20% of all households used the strategies of active adaptation (search of underworking or higher-paying job, starting new business or expanding personal subsidiary plot). The remaining households adhered to the passive strategies of saving on the quality or volume of their consumption.
* In comparison with the change of the work twice a less popular strategy was the increasing professional and educational level, and three times less popular was a change of profession and return to work after a break in employment.
* Attitude towards active actions is more typical for men, for the population up to 30 years with higher education, for residents of Moscow and cities with a million-plus population.
* Families with children (they are younger and they have more consumer requests) more often resorted to the search for a new job or additional earnings, as well as to professional development in crisis.
* Fear indexes reflecting the public opinion about the possibility of occurrence of negative events indicate that the rise in the cost of goods and loss of savings seemed to citizens more real problems than the loss of employment and loss of earnings.
* Fears, associated with the current financial problems, periodically weakened, and people's expectations about the future of the country increased throughout the period of observation (in June 46% of respondents believed that the worst time for the country ahead, in October - 50%).
* According to the cross-sectional survey (September 2016), the majority of Russians noted a deterioration of their economic conditions, and 39% indicated that the income of their household fell substantially. About 20% said that their savings had decreased or were completely spent.
* The majority (68%) believes that the financial situation of their family will remain the same next year. The proportions of those who predicts an improvement and deterioration of the financial situation are approximately equal.
* The Russians explain the positive expectations by the hope for change in the professional position of the household members and for improvement the overall economic situation.
* The belief in a forthcoming reduction in state support and unwanted changes in the employment of family members was a factor of negative expectations.
* The most optimistic predictions about economic prosperity were made by young people under the age of 25, the most pessimistic – by citizens older than 66 years.
* The main source of livelihood for most households in 2016 was a labor income (was contributed to the budget of 80% of families). The income from entrepreneurial activity had only 3% of households, and from the additional employment - approximately 8%. 45% of families received social transfers, 10% - family transfers, and income from property or financial activities - only 3%.
* According to the survey, the proportion of the population with incomes below the subsistence minimum amounted to 13%. The poverty gap is not large: an average deficit of money income of the poor in relation to the subsistence minimum equals to 25% of the minimum subsistence. Incomplete and large families with minor children, and households in which the head of household is at retirement age, are characterized by an increased risk of absolute poverty.
* During the decomposition it was found that the growth of poverty in 2015 has occurred primarily because of households with children – they account for 81,7% of the total increase in population with the incomes below the subsistence minimum (including 28,2% on the households with one child, 36,9% - with two children and 16,6% - with three or more children). The problem is particularly serious for singles with children.
* Subjective assessments on the basis of the criterion of families’ consumer opportunities showed a higher level of poverty (20%). The most vulnerable individuals were citizens in retirement age living alone (46%).
* The level of absolute poverty among families with employed citizens amounted to 8%, the level of poverty as deprivation – 12%. Higher risk for poverty were with families, in which the heads of households were characterized by low socio-professional status, and include persons employed not on specialty, informally employed or not having permanent jobs.
* With deterioration of economic prosperity over the past two years has faced 35% of the employees. The proportion of those who have felt themselves poorer was higher among families employed in the construction and housing and communal services, transport and communications.
* The most common negative changes in the labor market in the last two years were delays in payment of wages which faced by the quarter of total employment. A little less workers felt the reduction in wages (17%), the reduction in premiums (15%).
* Late payment often practiced by private enterprises, while for employees of state organizations higher was the risk of layoffs.
* Employed individuals with a low education level and low level of skills did not get the part of labor income as a result of delays in payment of salaries or reduction of its size.
* The middle class, allocated within the framework of multidimensional stratification on the basis of three criteria (socio-professional status, level of education and income), amounted to 23% of the population (upper middle class with higher income amounted to 6% of the population, and the lower – 17%).
* According to the cross-sectional survey more than half of the middle class has faced financial difficulties over the last two years, that had an impact on their consumer behaviour – they, like the rest of the population, were forced to cut spending.
* Savings on basic needs affected middle-class in less degree and more often there were savings on holiday abroad, on the use of paid educational services, services for childcare and elderly.
* Decline in revenue is not the most important negative consequence of the crisis for the middle class. The change in the situation at work (have disappeared or greatly decreased premiums, bonuses, social package, etc.) is relatively more important.
* The current wage system does not actually stimulate the middle class to improve the quality of their human capital.

1. **Level of implementation, recommendations on implementation or outcomes of the implementation of the results:** The results of the study were used in the preparation of editions of Monitoring of the socio-economic position and social well-being of the population (2016), as well as in the preparation of analytical reports and the expert opinions.
2. **The area of application**

Analytical materials prepared in the project can be used to advise public authorities and to improve legislation, in particular, to extend and refine the complex of anti-crisis measures.