**Abstract**

**RS-102**

Title: **«Monitoring of the changes in population incomes, expenditures, consumption and employment »**

Head of the Project: L.N. Ovcharova

Department/Institute: Institute for Social Policy

1. **Goal of research:** The research is aimed at organizing regular monitoring of official statistics and population surveys' data on poverty and incomes, consumer behavior and consumer preferences, and the overall population’s well-being, to assess the cumulative impact of the economic recession 2014- 2016 on the household sector. Special emphasis is made on studying the living standards and poverty incidence, as well as the system of social support in one of the Russian regions and its administrative center (Nizhny Novgorod region).
2. **Methodology:** The study bases on the methods of statistical analysis of the official statistics data and population surveys data, the index method of data processing, and methods of desk analysis of the academic literature.
3. **Empirical base of research** includes data from the Federal State Statistics Service (both annual and vital), data from representative country-level population surveys, statistics from international databases (World Bank, OECD, etc.), academic and expert publications on poverty, consumption, and social services, as well as the database of legal documents regulating the sphere of population social support in Russia at the federal and regional levels.
4. **Results of research:** Analysis of the population welfare dynamics in 2018 showed that despite the transition to a stable positive dynamics of pensions and wages in the visible segment of the economy, the fall in entrepreneurial income, income from property and wages in the shadow sector has not yet been completed. In January-September of 2018, an increase in wages, which account for almost 2/3 of the population’s income, went up to 8.4%, and in pensions it came to 1.2%, while the increase in total income was only 1.7 %. In relation to the indicators observed before the onset of the economic downturn, the population income in real terms has not yet recovered: in the third quarter of 2018, it averaged 87.4% of the figures for the third quarter of 2014, and 89.6% of the figures for the third quarter of 2013. The wages in the visible segment of the economy went up to 101.1% and 101.7% of the similar indicators, and the pensions — 93.4% and 94.1%.

The recovery in household incomes in 2018 was accompanied by an increase in inequality in their distribution. In January-September of 2018, the Gini income concentration index was 0.402, which is 0.002 points higher than the same indicator for 2017; the funds ratio increased by 0.2 points over the past year, from 14.3 to 14.5 times. However, so far inequality remains at a level below what was observed before the economic downturn began: in 2014, the Gini index for the three quarters was 0.414, and the funds ratio came up to 15.8 times.

The structure of spendings indicates an increase in expenditures on current consumption and a gradual weakening of saving strategies during 2018. Firstly, this is supported by an increased share of expenditures on the purchase of goods and services compared to 2015-2017 in all months of the current year. Secondly, we observe an increase in the volume of expenditures on payments using bank cards abroad during vacation periods. At the same time, statistics on the retail turnover of goods and services do not show acceleration in the pace of recovery in consumer activity, while banking statistics, by contrast, continue to show growth in the consumer lending sector. The main driver of such dynamics in the current year was a reduction in interest rates on loans accompanied by the reduction in interest rates for deposits: this switched the population from accumulation to consumption in the short term. In case of economic instability, this situation will become a source of increased risks for the banking system.

The unstable dynamics of population incomes and individual markers of low consumer behavior revealed in the Rosstat data are consistent with the dynamics of social attitudes: the Rosstat, VTsIOM and FOM surveys show that the improvement in self-assessments of the material situation of the population in the first half of 2018 was replaced by the reverse trend later; consumer attitudes also deteriorated, as well as the perception of the situation in the labor market.

Decline in living standards in 2014-2016 has posed he most significant on the risk of poverty for children and families with children; these groups have been the most vulnerable from the point of view of monetary poverty for a long time, and their relative situation has worsened during the period of economic decline. At the same time, the economic recession had a negative impact on the situation of pensioners and households with pensioners, groups that since 2009 have been characterized by minimal risks of monetary poverty.

Differentiation of consumer inflation across diferent types of households also shows a greater vulnerability of households with children during the period of a decline; first of all, this applies to full families with three or more children and single-parent families with two or more children. Dynamics of average actual prices of purchases for selected goods in 2013-2017 shows that Russian households were trying to maintain the usual structure of consumption as long as they had the resources to increase consumer spending. During this period, we are seeing increased inflation in households that buy products of their usual quality at a new price. As domestic resources are exhausted due to long-term price increases, fimilies started a shift to cheaper products, and the quality of consumption and, in particular, of nutrition decreases. The turning point in the behavior of Russians is 2015; during this year many types of households began restructuring their consumption model.

An in-depth analysis of the phenomenon of Russian poverty based on non-monetary approaches made it possible to measure the limitations in meeting basic needs and to assess the risks of social exclusion, which are associated not exclusively with a shortage of income. The use of the deprivation approach showed that the most vulnerable categories include large families and households of single pensioners, as well as families living in the village. According to the multidimensional poverty index, the most vulnerable groups are large households, large families, households with disabled people and retirees.

The cross-country comparisons carried out to assess changes in the position of Russia compared to other countries showed that the Russian level of wages is still higher than in most CIS countries; only Belarus is comparable to Russia in terms of wage level among this group of countries (since 2013). This comparability is observed only when using exchange rates at the purchasing power parity of currencies adjusted for the dynamics of national inflation indicators. In other words, the alignment takes place in terms of unobservable statistical indicators, and therefore does not cause a reaction from the population, in particular, in the area of labor migration. Among the countries of Eastern Europe, in terms of PPP wages Russia concedes to Poland, the Czech Republic, Croatia and Hungary, however, it is still at a comparable level with Romania and is ahead of Bulgaria. Compared to Brazil and China, which are part of the BRIC group of countries, Russia is characterized by a higher wage level.

An analysis of the dynamics of per capita GDP, roughly describing the standard of living, shows that Russia is ahead of the CIS countries, Brazil and China, and also maintains indicators comparable to some European countries, in particular, to Hungary and Poland. Estimates of the dynamics of GDP, taking into account purchasing power parity per employed person, indicate that Russia is leading the CIS group of countries, Brazil and China, but lags behind most of the European countries included in the analysis.

The implementation of active social support programs aimed at achieving self-sufficiency is not yet widespread among the Russian regions, and in the face of negative economic dynamics, it is often minimized. One of the reasons for this situation is the inadequate mechanisms for implementing the social contract program and, consequently, the need for increased costs for its administration in the regions. In addition to budgetary constraints, the development of this approach is limited by the need to restructure the activities of social protection agencies, the transition from the personnel structure of a purely “paying” organization to the separation of a contract support service and work with clients in the field of implementation of an individual plan. This direction of social policy requires a significant functional restructuring of the social protection service at the regional and municipal levels, and strengthening the practice of interdepartmental interaction (employment services, health, education).

Analysis of the regional case of the Nizhniy Novgorod region made it possible to work out a mechanism for analyzing the socio-economic situation at the regional level and to develop a set of general recommendations on possible directions for the development of the social support system taking into account regional specifics. The relatively favorable situation with the level of absolute poverty in the Nizhny Novgorod region, combined with a high level of inclusion of the population in informal employment, complicates the task of reducing poverty by 50% by 2024. The increased risks of poverty for large and sigle-parent families, as well as for families with children under 3 years of age (which is consistent with the nationwide poverty picture), together with the complex current system of social support measures, determine the possible components of a strategy to reduce poverty in the region. Among them are the following approaches: (1) provision of income support measures based on the need assessment with the establishment of income thresholds of 1–1.5 regional subsistence minimum; (2) the introduction of graduated income threshold scales for income support measures and differentiated payments depending on the individual income deficit; (3) development of the social assistance programs and incentives for employment or labor productivity growth (including programs based on the social contract technology); (4) unification of terms, for which average per capita monetary incomes of a family are taken into account and calculated, during the provision of various support measures (no more than 6 months); (5) development of integrated benefit schemes (to reduce administrative costs, increase support for the most vulnerable categories of citizens). An additional request to the system of social support of the population in the Nizhny Novgorod region is formed, firstly, by the relatively low effectiveness of the social contract program in the region, and secondly, by the increased proportion of the elderly population. The latter determines the high need for social services development.

1. **Level of implementation, recommendations on implementation or outcomes of the implementation of the results:** The results of the study were used for expert support of the executive authorities; several results were also published in the form of electronic monitoring on the HSE Institute for Social Policy website.