**Annotation (Executive Summary)**

**TZ-145**

Theme: “Recommendations for ensuring sustainable real income growth of the citizens.”

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**The object of study** is the population of Russia.

**1. Objective:** To assess the dynamics of main living standards indicators, consumer behavior, and social well-being of Russian population and develop the recommendations to achieve national goal of ensuring sustainable real income growth of Russian citizens. These recommendations should be developed based on the assessment results.

**2. Research methods:**

* Time-series analysis of real-time income indicators and its components in terms of nominal and real value;
* Chained indices construction to assess cumulative change in household incomes, its components, as well as consumption indicators during the entire period of economic instability;
* Statistical modeling of economic and social policies impact on the wage and pension levels of the Russian population (micromodeling);
* Coding and various methods of statistical data analysis using the all-Russian representative empirical studies to assess the size and structure of middle class, as well as various types of inequality.

**3. The empirical corpus of study:**

* Real-time statistics of the Federal State Statistics Service of Russia (Rosstat), published monthly on the official website of the agency;
* Statistical data from Rosstat and the Russian Public Opinion Research Centre (VTsIOM) on social moods, subjective assessments, and socio-economic and consumer expectations of the population;
* Statistical data from the “Selective observation of population income and participation in social programs” by Rosstat;
* Survey data from the “Household Budget Survey” by Rosstat;
* Sample surveys data, including the longitudinal survey “Russian Monitoring of the Economic Situation and Health of the Population” by the Higher School of Economics (HSE RLMS);
* Survey data “Changes in the paid educational services consumption of middle-class representatives and their willingness to invest in the development of human capital” (2018, HSE);
* Information about the salaries level provided by international organizations and national statistical agencies.

**4. The results of the study:**

Regular monitoring results of the overall well-being and social well-being of the Russian population draw the attention to alarming trend of falling real cash income of the citizens. This process began back in 2014 and continued in the first half of 2019. Nevertheless, in the third quarter of 2019, the real disposable cash income of the population reached a positive trend and amounted to 103.0% compared with the same period a year ago. However, it is still difficult to talk about the sustainability of this trend. The analysis of income dynamics and other indicators, which characterize the socio-economic situation of the Russian population, shows that additional measures will likely be required to achieve the national development goal of ensuring sustainable real income growth of citizens, as well as increasing the level of pension provision above the inflation. These measures may include the creation of high-quality jobs in the corporate (formal) sector of economy. This becomes a priority due to the existence of large non-corporate (including informal) sector, which has particular characteristics such as relatively low salary levels, as well as the tendency to reduce the formal corporate sector.

The main focus of study was to determine the size of middle class in Russia and assess the prospects for its growth because the middle class often represents the basis for social and economic stability. At the same time, there are different ways to address the challenges of middle-class development. So, the choice of the appropriate methods depends primarily on the scientific research framework and for what purposes we should solve this problem. If we are only talking about expanding the middle-income strata and reducing the number of poor, then we could only use various options of the economic approach. However, the study showed a discrepancy in the status positions of many Russians in different status hierarchies (income, power, property, etc.). The positive consistency of main status positions in various status hierarchies characterizes only about 7% of population. The situation of population group is quite stable, despite the difficult situation in the Russian economy over the past five years. The objective well-being of these people reflects their subjective well-being (how they feel). It is the part of population, which represents the core of Russian middle class. These people have specific assets that allow them to find their place on the labor market and receive fairly high salary and income returns.

The negative consistency of status positions in various status hierarchies (e.g., when an individuum occupies the lower positions in all of them) is very widespread. Almost 40% of Russians have these characteristics, and vast majority of them are aware of it and speak about their belonging to lower classes of society. First, the consolidation of the middle class and its expansion is hindered by underestimating the role of investments in human capital, and second, the fact that very often, the quality of human capital does not translate into an appropriate level of wage and income.

As part of the study, we evaluated the impact of monetary and non-monetary inequalities on the well-being of the population. According to the results, Russia is closer to developing countries than developed ones in terms of income mobility models, characterized by relatively high-income mobility and a lesser degree of persistent inequality. In most cases, vulnerability and economic disadvantage appear in the labor market (less paid and stable positions), as well as under the influence of family composition (children bearing and high dependency burden). All these issues pose serious challenges for the government: starting from reducing the role of ascriptive inequalities (including those related to socio-demographic factors) to providing an institutional environment that allows stabilizing the income of an “average Russian” (including measures that increase social security on the labor market). This also includes reducing specific inequalities that impede well-being of certain population groups and subgroups (for example, inequalities in health of elderly).

Finally, we provide some international comparisons. According to the GDP per capita analysis, taking into account purchasing power parity (PPP), we can say that Russia continues to maintain a leading position in terms of GDP among the CIS countries, Brazil and China, and also has a GDP level comparable to Hungary and Poland. Cross-country wage comparisons in terms of PPP indicate that the level of remuneration in Russia remains higher than in the majority of CIS countries (among these countries only the level of remuneration in Belarus is comparable to Russia). However, Russia remains lower in terms of remuneration in PPP terms among Eastern European countries such as Poland, the Czech Republic, Croatia, and Hungary.

5. **Implementation level, recommendations for implementation, or implementation results of the study (fill out if the results obtained can be practically used):** We used the individual research results in preparation of analytical notes and expert opinions during 2019, and presented it at various scientific events. The results of study can be used to improve and expand social policy measures to achieve the national goal of ensuring sustainable real income growth of Russian citizens and other goals of national policy, as well as to improve overall well-being of population.