**Abstract**

**RS-122**

Title: «Assessment of the impact of labor income and social benefits on inequality, the level and structure of Russian poverty»

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**The object of the study** is inequality in the labor market and in the characteristics of incomes of Russian households.

1. **Goal of research:** assessment of the contribution of labor income and social benefits to inequality, as well as analysis of their impact on the level and structure of Russian poverty.
2. **Methodology:** analysis of open data of Federal State Statistic Service and other organizations;analysis of frequency distributions of responses collected in sample surveys; multidimensional statistical analysis of sample surveys; mathematical modeling.
3. **Empirical base of research:** the data of Statistical Survey of Income and Participation in Social Programs (VNDN) conducted in 2017; data from sample surveys of the population, including the Russian Longitudinal Monitoring Survey - HSE (RLMS-HSE); data from Household Budget Survey; open data of Federal State Statistic Service and other organizations that provide the relevant information.
4. **Results of the research**:

The international assessment of monetary income inequality based on sample surveys is presented in open sources, including data from the OECD, the statistical service of the European Union, and the World Bank. According to the OECD data, Russia is a country with an average level of income inequality (the Gini coefficient is 0.331). International comparisons based on World Bank data also place Russia in a group of countries with a medium level of inequality. Its higher level, as well as according to the OECD, is observed in the USA, China, and Bulgaria. Official national estimates of monetary income inequality of the Russian population (Gini coefficient, Rosstat) are higher than according to the OECD and World Bank.

The study, based on the analysis of data of VNDN, assessed the differentiation of the Russian population by the level of monetary income. Income distribution by decile and quintile groups captures a fairly high concentration of income in a small group of the population: twenty percent of the population with the lowest income owns only 6% of total volume of income and twenty percent of the population with the highest incomes have almost half of total income. At the same time, the dynamics of decile indicators shows that in the period 2014-2019 there is a slight shift towards high-income groups of the population.

Researchers evaluated household characteristics that affect the availability of income for different groups of the population. The type of settlement is a significant factor of inequality: one-fifth of the wealthiest residents of large cities, with a population of more than a million, accumulate 63% of the total income, while rural residents of the same category accumulate only 22%. In addition to territorial factors, the cause of economic inequality is the socio-demographic differences of households, and above all, it is the dependent load on the working population. The more children there are in a family and the larger the household size in general, the higher the risk of poverty.

The distribution of households in terms of employment of able-bodied family members shows that the lack of employment of able-bodied citizens significantly reduces the standard of living of the households in which they live, and as a result, more than a quarter of them belong to the poorest quintile group according to the average Russian per capita monetary income. The level of education determines differences in qualifications, and qualifications determine the differentiation in wages, therefore, a high level of education increases qualifications and contributes to income growth.

An analysis of intra-group inequality in different types of households using the funds ratio shows that the highest economic inequality is found in the group where able-bodied household members are not employed in the labor market. The decomposition of overall inequality into intra-group and intergroup using the Theil index, allows us to conclude that the highest contribution to between-group inequalities contribute the following factors: level of education (17%), type of settlement (15%), household size (13%) and the number of children (14%), regions (23%).

Experts assessed the contribution of various socio-demographic characteristics of Russian households to the explanation of inequality in Russia in the period 1994-2017 based on the data from the RLMS-HSE. Using the classical method of inequality decomposition demonstrates that interregional inequality, settlement type, and socio-demographic type of household make a high relative contribution to the explanation of overall inequality of per capita income. Despite the growing importance of such characteristics as age, education, and employment status, their weight remains small by the end of the analyzed period. The method of regression decomposition of inequality allowed us to estimate the relative contribution of several factors simultaneously. The greatest contribution to the explanation of inequality is made by place of residence, education and employment status have much less influence. At the same time, age, in comparison with the classical method of inequality decomposition, makes a negative contribution.

An analysis of the evolution of wage and labor income differentiation showed that inequality continued to decline in 2009-2019, although at a much slower rate than in the previous decade. The slowdown is particularly strong among those employed in large and medium-sized enterprises, while data for the entire employed population show a higher rate of decline in inequality. Based on the analysis of the differentiation of other sources of labor income and their impact on inequality, it can be concluded that income from additional sources and total labor income are distributed less evenly than wages at the main place of work. Income from secondary employment is concentrated among the recipients of higher wages at the main place of work. An increase in earnings from extra work contributes to a decrease in the differentiation of labor income, and an increase in income from professional self-employment contributes to its growth.

Analysis of the reasons for the decline in wage differentiation shows that price factors associated with changes in the structure of wages play the key role rather than quantitative factors associated with changes in the composition of the employed population. In general, changes in the structure of wages contributed very little to the reduction of differentiation, and in the segment of large and medium-sized enterprises – worked for its growth.

An assessment of the relationship between poverty of individuals and their position in the labor market based on the RLMS-HSE data for 2001-2018 shows that both (non-)employment and the salary level are important factors of poverty for both individuals and households in general. According to the estimates, the level of poverty among the employed population is significantly lower than among the unemployed. At the same time, the probability of poverty decreases with an increase in the share of employed household members. Low-paid employment does not differ much from non-employment in terms of the probability of falling into poverty, so measures aimed at reducing low-paid employment could be more promising.

As a result of the analysis, experts concluded that assistance to the Russian poor should come not within the framework of labor market policy, but within the framework of the state's general economic policy aimed at increasing labor productivity – by improving the investment climate and encouraging entrepreneurship, helping with the introduction of new technologies and innovations, etc.

The use of micro-modeling by HSE experts to assess the redistributive effect of the Russian tax and money transfer system based on the RUSMOD data (RLMS-HSE) demonstrated that the system of fiscal policy in Russia reduced the level of poverty by a third and the level of inequality by a quarter in 2019. At the same time, pensions make the greatest contribution to reducing poverty and inequality, while the abolition of social insurance contributions and getting categorical benefits have a significantly smaller impact.

An assessment of the redistributive effectiveness of the Russian fiscal policy system in 2020 based on RUSMOD data (VNDN, 2017) shows that households in the lower five deciles are recipients of transfers, while the upper five deciles are payers. Absolute recipients also include single-parent families and families with three or more children, households where only pensioners live, or pensioners with employed individuals whose disposable income is generated from pensions and other direct transfers. The study assessed the impact of coronavirus (COVID-19) and population support measures in 2020 on income distribution and poverty. According to mathematical modeling, fiscal policies adopted before and after the outbreak of the pandemic benefited the poor to a greater extent. The cumulative effect of measures (measures taken in January 2020, compensatory measures taken in March-May 2020, and reduced income from employment in April-May 2020) is positive only for families with two or more children and for single-parent families. The aggregate effect of the measures taken in January and March-May 2020 had an impact on reducing the level of poverty in poorer regions (since these measures were mostly aimed at them) and increasing poverty in richer regions.

1. **Level of implementation, recommendations on implementation or outcomes of the implementation of the results:** particular results and recommendations formulated as a result of the project implementation can be used to advise public authorities, as well as for the preparation of recommendations for the development of a system of statistical observations of socio-economic inequality among the population of the Russian Federation.