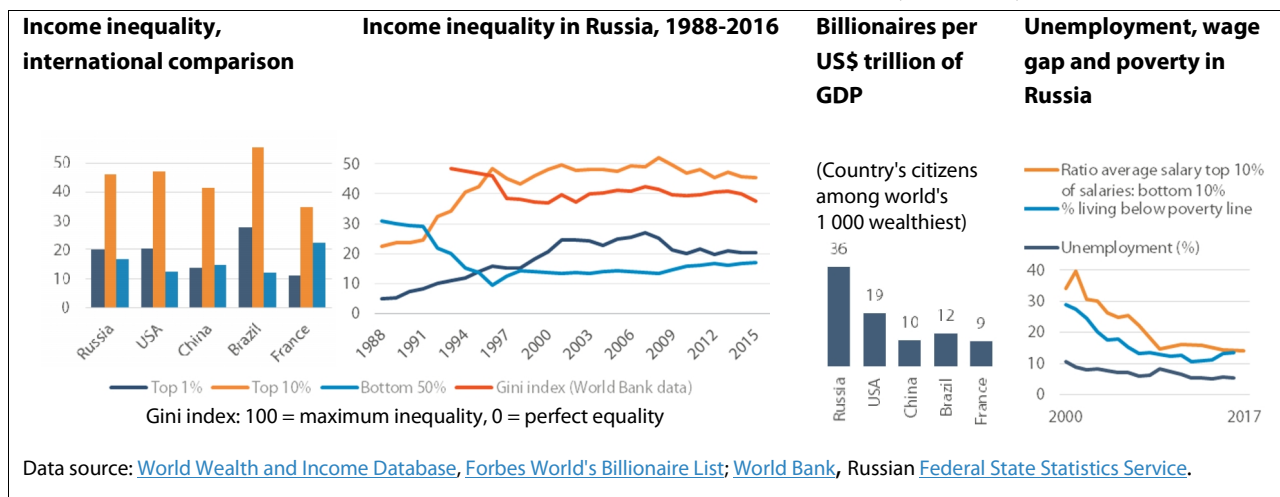


## Socioeconomic inequality in Russia

Russia has gone from Soviet-era egalitarianism to extremes of wealth and poverty. Economic growth since 2000 has slightly reduced the gap between rich and poor, but inequality is still higher than in most other developed countries. The income gap is exacerbated by such factors as corruption and low taxes for the rich, but it is also mitigated by a relatively inclusive education system.

### How does Russia compare with other countries?

Statistics suggest that wealth and income are less equally shared in Russia than in most developed countries, with the exception of the United States. Nearly half of pre-tax national income goes to Russia's top 10 %, compared to around one-third in France; Russia has more billionaires relative to the size of its economy than any other large country. Given that these figures do not take account of the huge wealth ([estimated](#) at up to 75 % of Russia's GDP) hidden in offshore accounts, they probably understate inequality.



### How has income inequality in Russia changed over time?

**1990s.** In the Soviet Union, average income in the top 1 % was only [4-5 times higher](#) than that of society as a whole (since then, that ratio has risen to over [20](#)). This relatively egalitarian situation changed dramatically in the early 1990s, as hastily adopted economic reforms abruptly turned the planned economy into a capitalist free market. A botched privatisation programme created a new class of oligarchs (e.g. under the infamous '[loans for shares](#)' scheme, which allowed insiders to acquire shares in state-owned companies at knock-down prices in exchange for lending money to the government). Meanwhile, at the other end of society, ordinary Russians saw their savings wiped out by hyperinflation (between 1990 and 1996, prices rose nearly [5 000 times](#)). Salaries, often paid late or not at all, did not keep up, falling by [36 %](#) in real terms. The result was a catastrophic drop in living standards and a widening gap between rich and poor.

**2000-2014.** After a decade of decline in the 1990s, a period of sustained economic growth began in 1999, interrupted by a brief recession in 2009. Some of Russia's new wealth began to trickle down to the general population. Severe inequality persisted, but the share in the economy of the bottom half of society rose from 10 % in 1996 to a still modest 17 % in 2014. This trend was helped by a gradual decline in unemployment, which halved from 11 % in 2000 to 5.2 % in 2014, as did the wage gap between high and low earners.

**2015-2017.** Following two years of recession, growth resumed in 2017, reaching 1.7 %. However, economic recovery has yet to benefit ordinary Russians, who have seen their [real disposable income](#) (the amount of household income left after essential purchases have been paid for) fall for the fourth year in a row. According to official Russian statistics, the percentage of the population living under the poverty line has

grown from 10.8 % in 2013 to 13.8 % in 2016 – which means that nearly 20 million Russians now do not have enough money to live on. Perceived poverty is even higher – according to one [survey](#), 20-23 % of the population considered itself poor in 2017, up from 15 % in 2014.

Paradoxically, income distribution data suggest that despite growing poverty, inequality has continued to narrow. Such data suggest that wealthy Russians have seen an even bigger decline in income since 2014 than the general population (although the effect on their lifestyles may be much less visible due to the fact that they have more reserves to tide them over temporary difficulties). At the same time, most Russian employers responded to recession by cutting wages rather than laying workers off (inflation-adjusted wages fell by 9 % in 2015, while unemployment remained constant at 5 %); as a result, the effect on income was spread more or less equally across all employees, rather than being concentrated among those who lost their jobs.

### Causes of socioeconomic inequality in Russia

High inequality is partly a historical legacy of the chaotic 1990s. Fiscal policy favours the rich: there is no wealth tax, and income is taxed at a flat rate of just 13 %. Widespread corruption (in 2016, Russia came 131st out of 176 countries in Transparency International's [Corruption Perception Index](#) ranking) creates ideal conditions for the politically well-connected to create wealth. Many of Russia's wealthiest oligarchs, such as [Gennady Timchenko](#) and [Arkady Rotenberg](#), are Putin associates. Prime Minister Dmitry Medvedev is [accused](#) by opposition activist Alexey Navalny of corruptly accumulating assets.

Furthermore, socioeconomic inequalities are exacerbated by huge regional inequalities: in 2016, per capita GDP in the oil- and gas-rich Arctic Nenets region was [€70 000](#), 43 times higher than in the impoverished North Caucasian region of Ingushetia (€1 600). By contrast, the income gap between the wealthiest and poorest regions in the United States and Germany is [5.0](#) and [2.4](#) respectively.

### Inequality in access to public services

**Public healthcare** in Russia is under-funded, and often very poor – hospitals are reportedly [dirty and overcrowded](#), lacking modern equipment, and with long waits for certain treatments. As a result, many patients are turning to the private sector, which in 2016 received [19 %](#) of the country's medical expenditure, up from 15 % in 2012. Given that the less well-off have no alternative to low-quality public healthcare, they might logically be expected to be in poorer health. However, [studies](#) have not found a straightforward correlation between socioeconomic status and health. Paradoxically, the Caucasian regions of Dagestan and Ingushetia – two of the poorest in the country – are also the top performers in terms of [life expectancy](#).

Although **education** is also [under-funded](#), the OECD's 2015 PISA international education [survey](#) suggests that Russian secondary-level pupils have maths, reading and science skills equal to or just below the average for OECD countries. Moreover, Russian schools score particularly well in terms of inclusiveness. PISA surveys since 2006 have consistently found that in Russia social background, gender and migration background influence educational performance less than in most of the other countries surveyed.

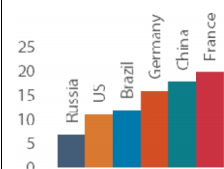
University education is accessible to students from all socioeconomic backgrounds. Some [85 %](#) of students are enrolled at state universities; based on performance in university entrance exams, tuition fees are waived for two-thirds of these, while for the rest state-subsidised low-interest loans are available. Reflecting this accessibility, [54 %](#) of working age Russians have a tertiary degree, a higher percentage than in any OECD country except for Canada.

### Political implications of inequality

According to an August 2017 [survey](#), 45 % and 25 % of Russians respectively see poverty and inequality as two of the country's most pressing problems. To address such concerns, in the run-up to the March 2018 presidential election, Vladimir Putin announced [improved child benefits](#) for low-income families; his government is also [considering](#) increased healthcare and education spending, possibly funded through higher taxes for the wealthy. The Russian government has not yet announced how it plans to do this.

#### Impact of socioeconomic status on educational performance

(variation in science performance explained by students' socioeconomic status)



Data source: [PISA 2015](#).

