

CENSUS BRIEF

U.S. Department of Commerce
Economics and Statistics Administration
BUREAU OF THE CENSUS



Russia's New Problem — Poverty

PRIOR TO THE DISSOLUTION of the Soviet Union in 1991, that country's economic and social system worked in a practical sense — meaning most people had a place to live and food to eat. Although standards of living were below those in the West, particularly in housing, daily life was predictable. The Soviet leadership was legitimately able to say that their form of socialism had succeeded in virtually eliminating the kind of poverty that existed in Czarist Russia.

Russian citizens now live in different times. The country's transformation to a more open economic system has created, temporarily at least, a large, new group of people in poverty.

In this Census Brief, measurement of poverty in Russia is based on identifying households with incomes below 50 percent of the median, adjusted for household size and composition. The definition of poverty in Russia has been the subject of considerable debate and, for obvious reasons, does not include unofficial, or black market, income.¹

fell one-third in these first 12 months. By 1994, real income had fallen to 60 percent of 1991's level.

The following analysis examines household poverty data from longitudinal monitoring surveys for 1992 and 1995 conducted by the Russian State Statistical Bureau, Goskomstat.

WHO ARE RUSSIA'S POOR?

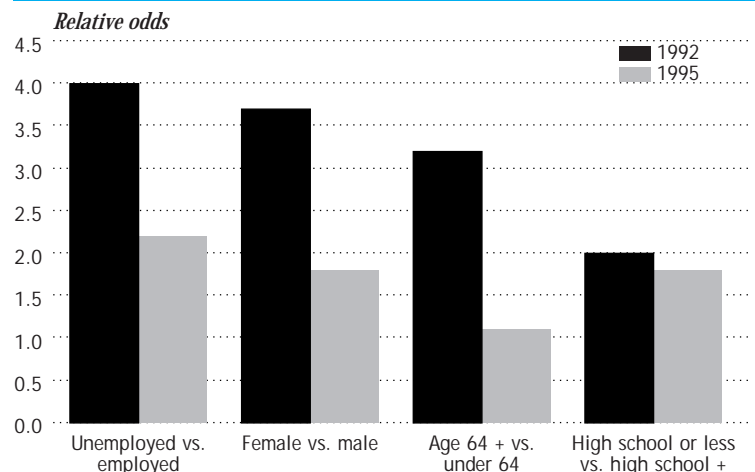
Of the groups studied, households with householders who were unemployed, women, people under age 64 and the least educated were the most likely to live in poverty. The unemployed were four times more likely to be poor than those with jobs in 1992. Among the characteristics examined, households with female householders were a close second (3.7 times more likely than their male counterparts), while households with householders under 64 followed (3.2 times more likely than elderly householders).

ECONOMIC FREE FALL FOLLOWS TRANSITION

According to official Russian estimates, more than one-third of Russia's people were living below poverty in 1992, one year after the breakup of the Soviet Union. Consumer prices increased 26 times and earning power

¹ *Setting a poverty threshold at a percentage of median income is known as a relative poverty threshold. The United States uses an absolute poverty threshold, originally set in the 1960s at roughly three times the cost of a minimally adequate diet, and updated annually since then using the Consumer Price Index.*

LIKELIHOOD OF RUSSIAN POVERTY BY CHARACTERISTICS OF HOUSEHOLDER: 1992 AND 1995



Source: Russian Longitudinal Monitoring Survey: 1992 and 1995 waves. U.S. Department of Commerce; BUREAU OF THE CENSUS

Education played a significant role. Those with the equivalent of a high school education or less were twice as likely to be poor than those with more schooling. This finding may indicate that, in a more competitive society, levels of education will be an important benchmark for economic success.

TRANSFER INCOME KEEPS ELDERLY ABOVE POVERTY

A significant factor determining whether one lives in poverty is the availability of “transfer income” (disability allowances, pensions, private gifts, stipends for dependent children and unemployment benefits — the last often quite meager). These income sources generally are not as available to younger workers; hence, this group has a much higher risk status. In fact, 60 percent of poor households with householders between ages 18 and 54 had no such supplemental income.

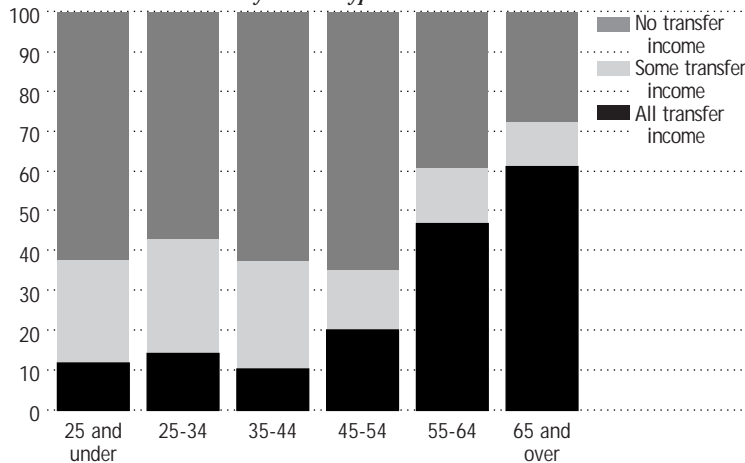
NEW SYSTEM BEGINNING TO PRODUCE RESULTS

By 1995, there were tenuous signs of economic improvement. The percent living in poverty in Russia, according to their official data, declined from 33.5 percent in 1992 to 24.7 percent in 1995. The likelihood of being in poverty fell from 1992 to 1995 for households with unemployed, female, or younger householders. Only for those with limited education does the outlook remain bleak, possibly pointing to their limited ability to adapt to an economy that now requires the development of individual work skills.

The surge of poverty, nonetheless, is a new development for millions of Russians, and poses an obstacle to economic growth that may take years to overcome.

PENSIONS AND OTHER TRANSFER INCOME BENEFIT THE RUSSIAN ELDERLY MORE THAN THE YOUNG

Percent of households by selected types of income



Source: Russian Longitudinal Monitoring Survey: 1992 and 1995 waves. U.S. Department of Commerce; BUREAU OF THE CENSUS

CENSUS BRIEF

CONTACTS:

Analyst:
 Marc Rubin
 301-457-1362
 <mrubin@census.gov>

Census Briefs:
 Public Information Office
 301-457-3030
 <CENBRF@census.gov>

This Census Brief is one of a series that presents information of current policy interest. The data were collected in 1992 and 1995 in the Russian Longitudinal Monitoring Survey, a nationally representative sample of 6,500 households conducted by the Russian State Statistical Bureau (Goskomstat). The survey, which does not attempt to estimate income generated in Russia's underground economy, was funded by the U.S. Agency for International Development, the National Institutes of Health, the National Science Foundation, the World Bank and the University of North Carolina, and followed World Bank-sanctioned household-income standards. As with all surveys, the data are subject to sampling variability and other sources of error.