REFORMING THE SAFETY NET?
POLICY RESPONSES TO POVERTY AND UNEMPLOYMENT IN
THE RUSSIAN FEDERATION

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Project Information

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Executive summary

The past decade has brought a sharp increase in the incidence and severity of poverty in the Russian Federation. Though experts differ in their assessment, most would agree that about one-third of the population currently lives below the subsistence level, and that poverty has tripled since the last Soviet decade. Economic conditions are obviously a major source of poverty, but political factors are also central. The Russian state inherited an elaborate set of claims and claimants on its social spending, and has so far proven largely unable to reorient spending toward the large pool of new poor. Programs of unemployment and child benefits and local social assistance, put into place during the 1990s to deal with the problems of transition, must compete with existing entitlements and are further undermined by administrative inadequacies. The Putin government has committed itself to reduce poverty by streamlining and targeting benefits, but its program confronts both political and practical obstacles.

The present paper examines the incidence and politics of poverty in Russia during the 1990s. Drawing on Russian and Western surveys and other research, as well as interviews with experts and policy practitioners, it provides a profile of Russia’s poor, a critical assessment of policy responses, and an analysis of the political and practical obstacles to more effective poverty relief.
Introduction

The past decade has brought a sharp increase in the incidence and severity of poverty in the Russian Federation. Though the precise figures are disputed, we can reliably estimate that about 11% of the Russian population lived in poverty during the last Soviet decade (1980-1990) while approximately one-third of the population is currently poor (Braithwaite, 1997). The overall economic decline, the various shocks associated with economic reform, and the resulting reduction and differentiation of incomes are obviously major causes of poverty, but they are not the whole story. The Russian state also inherited a broad array of welfare policies and entitlements that have "locked in" much social spending to old patterns that provide little to the newly-poor. And those programs that have been put into place during the 1990s to deal with growing poverty and unemployment have been both under-funded and often poorly administered.

The Soviet welfare system, designed for a virtually full-employment economy with low income disparities, was singularly ill-adapted for the problems of economic transition. State-funded benefits were mainly of three types: universal, i.e., provided to all without regard to income; employment linked, i.e., tied to earnings or employment record; and categorical, i.e., given to groups that were considered vulnerable or deserving, including war veterans, elderly, single mothers, civil servants, and others. Benefits were broadly-distributed, but there was no guaranteed income or universal income floor, no income-tested benefit of last resort. Neither poverty nor unemployment was officially acknowledged, and only a single program, for "poorly-provisioned" families, provided benefits on the basis of income or neediness (Barr, 1992; McAuley, 1979, 1994).

Analysts recognized early in the reform period that this welfare system would have to be restructured, with cuts made in existing programs, if effective unemployment compensation and poverty relief were to be provided. The state's role in taxing and delivering social transfers would also become more critical as income disparities grew. But, as we shall see, so far political conflict and paralysis have blocked reforms that would re-allocate expenditures to the newly poor. Programs introduced to deal with the poverty of transition must compete with existing entitlements in a context of declining resources. The
Russian state also inherited a deficit of administrative structures to identify those rendered poor in the market economy and distribute aid to them. As a consequence, at present most social spending goes to the non-poor, while the truly poor are disproportionately excluded (Misikhina, 1999).

The remainder of this paper will examine the incidence and politics of poverty in Russia. It will first provide a profile of Russia's poor during the 1990s. Policy responses at both federal and local levels will next be critically reviewed, focusing on the political and institutional obstacles to more effective poverty relief. The conclusion will discuss the Putin government's initiatives in this policy area, as well as the problems of adapting to the Russian context Western models of poverty reduction that are promoted by international assistance efforts.

The extent of poverty and profile of Russia's poor

While experts agree that poverty emerged sharply in 1992 and has become widespread and persistent, there is no consensus on its extent. According to the Russian State Statistical Administration, the percent of the population with incomes below the subsistence minimum stood at 33.5% in 1992, fell to 20-25% in the mid-1990's, then returned to over 30% after the 1998 financial crisis. A broad range of Russian and Western experts question both these figures and the survey instrument used to produce them, and propose a variety of generally higher figures based on alternative surveys (See, for example, Braithwaite, 1999a; Rimashevskaya, 1997).

One alternative series, produced by the World Bank on the basis of the Russian Longitudinal Monitoring Survey, places the poverty rate above 40% for much of the period (Table 1). According to Bank estimates, in 1996 some 15% of the population was "very poor," i.e., living in households where less than 50% of the official subsistence minimum was consumed (World Bank, 1999). Moreover, while in the early years of reform large numbers moved into and out of poverty, various surveys indicate that by the mid-1990's 10-17% of the population had become chronically or persistently poor (Manning, 1999; Braithwaite, 1999a). It should be noted that the subsistence minimum used in Russia for most of this
period is quite stringent, allocating a high percentage of spending – 68% for adults, 75% for children and 82% for elderly – to food alone (Rimashevskaya 1997).

<table>
<thead>
<tr>
<th>% Population below Subsistence Minimum: Goskomstat and World Bank Estimates</th>
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<tr>
<td>-------</td>
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<tr>
<td>Goskomstat</td>
</tr>
<tr>
<td>World Bank</td>
</tr>
</tbody>
</table>

Sources: IMF 1999; Goskomstat 1999; World Bank 1999; OECD, 2000; Misikhina interview. *Braithwaite, personal communication with author.

The group most at risk for poverty in Russia is children. Over the decade poverty has increasingly concentrated in families, especially young, single-parent, and multi-child families. Both official and alternative statistics show extremely high rates: according to Goskomstat, in 1997 over 38%, and in 1998 over 45% of families with children under 16 were poor; in families with 3 or more children the numbers rose to 57% and 69% and in single-parent, mainly female-headed families to almost 63% (see Table 2). According to World Bank analysts, the risk of poverty increases markedly with the birth of a child. More than one-half of families in “normal circumstances” with a newborn in 1995 and 1996 were poor in the following year, in part because illegal dismissals of women during maternity and post-natal leaves are widespread (Braithwaite, 1999a; Feminizatsiya, 2000).

Families with children under age six are more likely to be poor than those with older children. The risk of poverty, extreme, and/or chronic poverty increases with each subsequent child; in 1998, 75% of the “very poor” consisted of households with either children or children and elderly (World Bank, 1999). The problem is particularly stark because the effects of early deficits on children’s development tend to be long-term and irreversible. Russian children have experienced substantially increased rates of undernourishment, stunted growth, disease, family breakdown, and abandonment to institutions and the street.
Table 2
Poverty Rates for Families with Children and Unemployed, Russian Federation

<table>
<thead>
<tr>
<th></th>
<th>All households (%)</th>
<th>Families with children to 16 yrs</th>
<th>Of these:</th>
<th>1-2 children</th>
<th>3 or more children</th>
<th>Single parent</th>
<th>Unemployed member</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>25.7</td>
<td>38.3</td>
<td>36.8</td>
<td>57.4</td>
<td>41.5</td>
<td>53.8</td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td>30.4</td>
<td>45.1</td>
<td>43.5</td>
<td>69.2</td>
<td>46.5</td>
<td>58.4</td>
<td></td>
</tr>
<tr>
<td>1999 (Q3)</td>
<td>41.9</td>
<td>57.8</td>
<td>-</td>
<td>-</td>
<td>62.7</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

Sources: Goskomstat, 1999, p.; Feminizatsiya, 2000, p. 161; data for single-parent households and for 1999 is for families with children under 18 years.

The second group most severely affected by poverty is the unemployed and their households. According to official statistics, almost 54% of households with an unemployed member or members was poor in 1997, and over 58% in 1998 (Table 2). Almost two-thirds of households headed by an unemployed member were poor in the mid-1990s, and almost half of these were “very poor” (Foley, 1997). As with poverty generally, flows into and out of unemployment in the early 1990s were high and there was no stagnant pool of jobless poor, but the rate of outflow to jobs declined by the end of 1995. There has been a steady increase in the duration of unemployment and in the correlation between unemployment and persistent or stagnant poverty.

Moreover, while the overall rate of open unemployment in Russia, about 11%, is not especially high, regional disparities are large and increasing, creating pockets of joblessness primarily in industrial oblasts with concentrations of military and light industry, while unemployment remains low in energy-rich regions of the East and in the major cities. The system of unemployment compensation and active labor market policies put into place in 1991 under the Federal Employment Service have been almost completely ineffective in alleviating poverty among those who lose their jobs.

While unemployment produces a large shock toward poverty, the largest emergent strata of poor in Russia are the “working poor.” A new class of poor families with two working adults whose combined earnings are insufficient to provide for one or two dependents, sometimes referred to as the “new poor,”
comprise about 20% of households in poverty. A combination of low wages, (the minimum wage in Russia is set at less than 20% of the subsistence level), involuntary leaves, enforced short-time work, and wage arrears account for the growing incidence of poverty among the employed. The “working poor” are at a particular disadvantage because they do not fit either old or new categories for benefit eligibility, and they are generally ignored by local social assistance workers (Braithwaite interview).

A number of other categories of Russia’s population are also deeply affected by poverty. While older age groups overall have been fairly well-protected by the pension system (at least until the 1998 financial crisis), elderly female pensioners living alone are among the poorest. Poverty overall is significantly feminized: women, as single heads of households, low-paid workers, and elderly, are disproportionately affected (Femizatsiya, 2000). Rural populations are more at risk than urban. Worst off are the growing ranks of homeless, vagrants, prisoners, deinstitutionalized people, and refugees, including Russian immigrants from the “Near Abroad”; these groups are generally excluded from the surveys that produce poverty statistics.

The last major feature of poverty to which we will draw attention is the sharp regional disparities. Poverty rates vary substantially across Russia’s 89 regions, with comparatively low rates in the Far East, oil districts of Siberia, and large cities, and high rates elsewhere. This is especially significant because most social programs are funded on a decentralized basis, cumulating and further exacerbating large regional disparities evident early in the transition (see Table 3).

<table>
<thead>
<tr>
<th>Region/City</th>
<th>% Population Below Subsistence</th>
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<tbody>
<tr>
<td>North Caucasus Region</td>
<td>33.3</td>
</tr>
<tr>
<td>Western Siberia</td>
<td>30.0</td>
</tr>
<tr>
<td>Urals Region</td>
<td>29.2</td>
</tr>
<tr>
<td>Moscow City</td>
<td>13.7</td>
</tr>
<tr>
<td>Tyumen Region</td>
<td>11.5</td>
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</table>

Source: Braithwaite, 1997, p. 61.
Policy responses to poverty and unemployment

Social expenditures in the Russian Federation, though down substantially in real terms because of the overall decline in GDP, remain substantial. Table 4 shows IMF estimates for regional and local government social expenditures for 1994-98 at 15-17% of GDP. Most of this spending, however, funds a broad range of universal or categorical social benefits, privileges, subsidies, entitlements, and guarantees that were inherited from the Soviet system, and are entrenched in legislation and in popular expectations. Overall, some 150 types of benefits and subsidies are paid by the government, reaching more than two-thirds of the population across all income groups.

For example, one of the largest inherited programs is a system of housing subsidies paid to all households, with special additional privileges for veterans, civil servants and others. While they have been reduced to a limited extent, housing subsidies remain the largest expenditure item for most local governments, accounting for more than 30% on average. The large amounts of resources consumed by non-targeted benefits and subsidies make it impossible to pay socially-meaningful benefits to the poor. The programs that were added in the early 1990s to combat poverty have been drastically under-funded, with an expanding gap between the subsistence level and the levels of child and unemployment benefits, and payment arrears common across the system.

### Table 4
Social Expenditures in the Russian Federation as a Percent of GDP*

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<tr>
<td>17.5</td>
<td>15.4</td>
<td>15.6</td>
<td>17.5</td>
<td>15.8</td>
</tr>
</tbody>
</table>

Source: IMF, 1999, p. 69

*includes education, health, housing and municipal services, social security and a residual category, for regional and local governments only; excludes federal spending, pensions, and other off-budget funds.

A recent TACIS (Technical Assistance to the Commonwealth of Independent States) study of the receipt of social payments by income groups shows the poor distribution of social benefits in Russia. On average, three-fourths of benefits go to households with incomes above the subsistence level, one-quarter to the poor; by contrast, OECD and some East European countries target as much as 50% of spending to
the poor. Targeting in Russia is also less effective than in Latin American economies with large informal sectors (Braithwaite, 1999a).

Moreover, substantial benefits go to households in upper income deciles while the poorest are disproportionately excluded. In the case of child benefits, for example, to which all children were entitled until 1998, the survey showed that 58% of households with children did not receive benefits, and this number rose to two-thirds among households with incomes below subsistence and three-fourths in the lowest income decile, while 60% of benefits went to households not in poverty. This was the case despite the fact that households in the lowest income groups depended on benefits for a substantial part of their cash income, while the contribution was negligible in higher income groups.

Similar patterns held for housing and fuel subsidies — about 20% of benefits in each category to poor — and 26% of unemployment benefits (Misikhina, 1999). A separate study of locally-administered social assistance found that about 13% of households received help, with almost no difference between the poor and non-poor. Eighty-seven percent of the poor received nothing; only 8.2% of assistance was received by the lowest decile (Braithwaite et al., 1999b). Moreover, even those who received benefits got payments at only a fraction of the subsistence level that provided little relief from poverty. According to Svetlana Misikhina, a leading expert on poverty in Russia: “Everyone understands that the poor must get more” (Misikhina interview).

**Federal reform efforts**

By the mid-1990s Russian reformers and their international advisors had realized the need for a broad restructuring of the welfare state in order to target benefits more effectively to the poor and pay them reliably and at levels close to subsistence. In the spring of 1997 the government placed at the top of its policy agenda a program to streamline and rationalize social spending, eliminating many universal and categorical benefits and replacing them with a system of means- or income-tested benefits. It submitted to the Duma a package of legislation that would have gradually eliminated housing subsidies, cut back privileges for families of veterans and government officials, and replaced the universal system of child
allowances with a means-tested system. A range of additional proposals would have limited pension spending and educational and health subsidies. This program, if fully elaborated and legislated, would have dismantled parts of the inherited welfare state and moved Russia toward a “liberal” welfare regime that primarily provided means-tested benefits to the poor.

This reform program was rejected by large majorities in the legislature. The Duma was at this point dominated by the Communist Party and its leftist allies, parties that were committed programmatically and politically to defense of the old welfare state, rejecting out of hand almost any diminution in social benefits. Many liberal and other deputies joined the left in rejecting the changes, either because they distrusted the Yeltsin administration to use the resources saved in order to establish a more effective system of social provision, or because they opposed unpopular cuts in benefits to constituents (Pamfilova interview, Shenkarov interview).

After meetings of conciliation commissions throughout the summer and the defeat of a second legislative package in the fall, the government acknowledged its failure to re-orient the social sphere from universalism to targeting. The left, meanwhile, pursued a strategy of addressing welfare issues by raising minimum wages and benefit levels through legislative initiatives that almost always met executive veto. This situation of mutual veto and policy paralysis and drift continued until the 1999 legislative elections, blocking significant change in the structure of the inherited welfare system and severely limiting the state’s capacity to re-orient social spending (Cook, et al., 1999).

Separate efforts to cut established entitlements and spending on housing and pension benefits (covered in two previous reports to NCEEER under the present grant) also met multiple political, institutional, and societal resistances and achieved little. Indeed, at both federal and local levels, established groups of beneficiaries have often been successful in increasing their allocations in the face of declining living standards. In sum, strong constituencies for the old patterns of welfare provision were created by past commitments, and social spending remained largely “locked in” to inherited patterns.
Organizational and administrative inadequacies

A number of additional factors contribute to the maldistribution of social benefits, including the pattern of disproportionate exclusion of the poorest. The most important is the decentralized system for financing and payment for social assistance benefits. Though some benefits are federally mandated and the federal government contributes to their financing, regional governments are ultimately responsible. In a country where territorial income differentials are large, the financial resources of local and regional social assistance offices differ greatly.

Many of the poorest people live in regions with the greatest inadequacy of funds and the weakest administrative capacities, and suffer most from benefit arrears and non-payment. According to a recent study: “strongly regionalized systems such as . . . the Russian display the tendency to exclude from access to social assistance households living in ‘wrong’ regions . . . [D]ecentralized financing systems . . . where territorial income differences are large . . . lead to large horizontal inequities” in treatment of people at the same income level (Braithwaite et al, 1999b, pp. 151,156). Enterprises are also involved in direct provision of social benefits, and lower-income people are more likely to work at enterprises that have large wage and benefit arrears (a significant factor in explaining the large percentages of poorer households that failed to receive child benefits), while lower-skilled employees are more often subject to arrears. Overall, the system suffers from what one analyst has called a “fragmentation in access to benefits” (Standing, 1996).

Administrative inadequacies and institutional deficits at local levels also work to the detriment of effective social protection in Russia. Benefit delivery systems are poorly-developed and often unprofessional. The network of offices is inadequate, and fails to reach some of the poor. Social assistance is often distributed on a discretionary basis, or according to rules established at the local level, and while such local means testing sometimes improves distribution, it is also subject to arbitrariness and contributes to the fragmentation of the system. Given the prevalence of informal employment and incomes, social workers are often unable to distinguish the truly eligible.
The problems are exacerbated by a legacy of informal perceptions about which population groups or categories constitute the poor and deserving, particularly among municipal authorities who allocate small pools of resources at the local level. Here, the traditional categories of elderly, veterans, and single-parent families receive the most attention while the “new poor” are often excluded. Jeanine Braithwaite, a World Bank expert on poverty who has worked to design local poverty-alleviation and targeting programs in Russia, reports that local officials in pilot cities were disinclined to see employed residents as “poor,” and resisted allocating aid to them even when assessments showed their incomes to be below subsistence. According to her, it is easier for hard-pressed local authorities to provide available resources to the traditional recipient groups and “feel they are at least doing something,” than to confront the more complex and expensive task of identifying and providing for the “new poor” (Braithwaite interview, Ovcharova interview). In sum, according to one long-time student of the system: “‘Take-up’ rates for social assistance are low where the capacity to operate the system has been so little-developed, where the number of officials has been small and where the need and demand for transfers has been escalating at such rapid rates . . . moreover, the level of benefits have been extremely low” (Standing, 1996, p. 247).

Unemployment and child benefits

The performance and limitations of Russia’s social protection system will be illustrated with a closer look at two benefit programs that were put into place in the early 1990s specifically to deal with the problems of transition: unemployment compensation and child benefits. Unemployment compensation was established by the Law on Employment under Gorbachev early in 1991, to be administered by the Federal Employment Service (FES), which was also to implement active labor market policies.

The Law, modeled on Western practice, established the categories of workers who could register, benefit levels, wage replacement rates, length of benefit provisions, etc. From the outset the numbers of unemployed receiving benefits has stood at a small fraction of the truly unemployed, because entitlement conditions are complex, bureaucratic barriers (including a limited network of FES offices) are high, there is a widespread perception that the employment service provides little help in finding jobs, and benefit
levels are low. Funded by a 1.5% wage tax, the system’s performance deteriorated through the mid-1990s as the pressures on it grew. The categories entitled to register were limited on the basis of local instructions, and the benefits of increasing numbers of recipients were reduced to the minimum—equivalent to less than 20% of the subsistence minimum—in contradiction to the Employment Law. More than half received the minimum benefit in 1997, three-quarters in 1998, nearly all in some regions. Local employment offices typically spent considerable resources calculating recipients’ benefit rates, only to reduce the majority to the minimum because of scarce financial resources. Eligibility rules and amounts of benefits varied by region, and a growing crisis of finance led to arrears in 80 of Russia’s 89 regions by 1999 and increased payment of benefits in kind (Chetverina interview).

Moreover, survey research has shown that receipt of benefits does not correlate with true unemployment. FES staff are often unable to evaluate the labor market status of applicants, many of whom have informal or secondary employment, and some 30-50% of those registered do not fit ILO/OECD definitions of unemployed. Almost all the true unemployed who receive benefits remain poor, and most of those with benefits as well as secondary employment are also poor (Commander, 1997). In some regions, the FES has suspended all active labor market policies in favor of paying minimal benefits. In sum, the experience with unemployment compensation illustrates the Russian state’s institutional incapacity to administer a Western-style benefit system based on individual calculations of eligibility and rule-government application of criteria to recipients.

The system of child benefits (or family allowances) for all children under age 16 was also instituted in 1991, federally-mandated but paid from regional budgets. Paid at less than 30% of the subsistence level and varying from region to region, with months-long delays in some regions and virtual suspension of the benefit in others, it was broadly acknowledged to provide little protection against poverty. Means-testing of the child benefit was the one piece of the 1997 social policy reform package that passed successfully through the legislature; in 1998 a measure was passed limiting eligibility to those with incomes below 200% of the subsistence minimum, and revised in 1999 to incomes below 100% of subsistence (TACIS).
According to Russian poverty expert Svetlana Misikhina, implementation has proven complicated. Regional practices have varied between the two versions of the legislation, while the Labor Ministry and Duma have argued over eligibility criteria. About half of families with children do not complete the rather complex application procedure, and while this number no doubt includes some of the better-off it inevitably includes some of the poorest, who are least likely to know their rights and navigate the procedures. The social protection departments that process applications are understaffed and lack money and computers. So far the changes have not made a significant difference in the welfare of families, while additional legislative provisions in 1999 that mandated payments to all families below the subsistence level have not been funded (Misikhina interview). A more generous and better-administered system is still needed.

Conclusion: Current directions and proposals for poverty alleviation

The Putin government has declared poverty alleviation a high policy priority and has promised to target increased social spending on the poor. As in 1997, this will require cuts in other areas. The government’s Strategic Plan for Development of the Russian Federation to the Year 2010 (Gref Program), calls for pension reform, reduction of housing and other subsidies, elimination of categorical benefits and privileges, and a changeover to targeted assistance (Gref, 2000). Key government officials with responsibility for the social sphere, including Mikhail Dmitriev, vice-minister of Economic Development and Trade with responsibility for the social sector; and Gref, the minister of Economic Development and Trade are strongly committed to such reforms. Evgeny Gontmakher, chief of the Social Development Department of the government apparatus, for example, has called for, “supporting on a priority basis the least protected families on a selective, targeted basis and, in this connection, streamlining the provision of social payments, benefits, and concession. The main criteria for granting social assistance should be per capita income in the family” (Gontmacher, 2000). The Communists and others have been critical of these proposals, but their position in the legislature was weakened by the 1999 elections, and some improvement in Russia’s economic situation may increase the chances for a reform consensus.
Assuming that such a consensus can be achieved, targeting of benefits still presents many complexities in the Russian socio-economy. Means-testing – provision of benefits only to those who fall below an income limit or poverty line – has been broadly-promoted by both Russian reformers and international organizations, including the World Bank, OECD, TACIS, as a major corrective to the current pattern of social spending. However, experts now seem to agree that a standard means-test based on measures of money income could not work in Russia, because of the large informal economy and pervasive barter transactions.

Alternatives have been proposed, including proxy means-tests based on an assessment of several obvious household assets. World Bank-sponsored pilot projects have shown the value of such proxy tests in identifying the poor (Braithwaite). Any systematic means-testing, though, would be expensive, requiring the building of substantial institutional capacity, training, and ongoing administrative costs.

Means-testing is also invasive and stigmatizing, and if households have to apply for benefits and validate eligibility, many of the poorest are likely be excluded, especially given the weaknesses of infrastructure in Russia. Programs targeted on the poor are also politically vulnerable, because their beneficiaries tend to be politically weak. In a country where much of the population has undergone substantial declines in income, means-testing may largely redistribute funds from those just above a poverty line to those below. In the best case, it makes sense to create an expensive administrative system for targeting only if benefits can be increased to a level that alleviates poverty.

A second approach to targeting provides benefits to those categories of the population that have very high poverty rates, i.e., single-parent families, households with three or more children, single elderly. All households that fit these categories would be eligible. This system has the advantages of being administratively simpler and less expensive and invasive than means-testing. It would have significant errors of inclusion, i.e., paying benefits to the non-poor, though these could in theory be recouped through taxation. The bigger problem is that it would exclude many of the poor, especially two-parent “working poor” families. Still, variants of this approach are advocated especially by those concerned with the high rates of poverty among children.
Public works programs, which have been utilized in Russia on a very limited basis, are also advocated by some. Such programs are self-targeted—those genuinely in need of income self-select, minimizing administrative costs, while those who can do better in the informal economy won't seek public work. They are, however, limited to the able-bodied and those not caring full-time for dependents, and thus exclude many of the poor.

A final proposal is based on European conceptions of a “citizenship wage” (Deacon, 1997). The idea here is that everyone should be given a subsistence income, with no selection or categorizing and little administration. It assumes that the informalization of the economy is not a transitional state but an inescapable future trend, both in post-socialist states and world-wide, and that many people will not in future be able to rely on steady, sustaining employment.

Advocates argue that an entitlement-based income will facilitate a flexible and mobile labor force, and ease the separation of large numbers of Russians from the failed enterprises at which they remain formally employed. Those who do well would be taxed (though it remains unclear how effective taxation would be in a largely informal economy). Though prohibitively expensive in the Russian context, this proposal would avoid the problems of administrative inadequacies, exclusion of many of the needy, and economic informalization that will plague any system of targeting in Russia.

Whatever policy is adopted, genuine poverty reduction in Russia will require greater financial resources, better central and local administrative capacities, political compromise and concessions around restructuring of the welfare state. A sustained economic recovery would be necessary to bring benefits close to the subsistence level. Capacities to track income and to deliver social assistance must be strengthened. Negotiations that would be difficult in any political system will be necessary to reduce the large inherited claims on Russia’s welfare state, and there is a risk that such reductions may push new groups into poverty.
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