

# Comparative characteristics of economic inequality in Russia and European Union: Implications for Russia

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# Research Methodology

Socioeconomic inequality manifests itself in **consumption inequality** (i.e. inequality in living standards).

## Basic forms of social inequality:

- **current consumption of goods & services,**
- **housing provision,**
- **access to education,**
- **access to healthcare.**

# I. Social Inequality in Consumption

The differentiation in consumption can be evaluated by complex standards of current consumption represented by **normative consumer budgets (social standards)** of different income levels.

The following consumer budgets can be applied:

- **official subsistence minimum (SM),**
- **socially acceptable consumer budget\*,**
- **budget of middle income\*,**
- **budget of high income\* .**

\*Developed and verified at the All-Russian Centre of Living Standard, Moscow.

Correspond with each other by size as ~ 1: 3: 7: 11

On the basis of **social standards** the following **social groups** are distinguished:

- ✓ *Those most in need* (less than 1 **SM**)
- ✓ *Low income group* (1 - 3 **SM**)
- ✓ *Income less than average* (3 - 7 **SM**)
- ✓ *Average income* (7- 11 **SM**)
- ✓ *High income* (over 11 **SM**).

## Results of the Comparative Analysis of Population Distribution by Living Standards

Population Groups by Income	Share of total population, %		Changes for the period (in %)
	1990	2013	
Those most in need (less than consumer's basket of subsistence minimum, CB)	0.2	11.2	11.0
Low income (from 1 CB to 3 CB)	31.7	58.0	26.3
Income below than average (from 3 CB to 7 CB)	60.8	27.4	-33.4
Average income (from 7 CB to 11 CB)	6.7	2.8	- 3.9
High income (more than 11 CB)	0.7	0.6	-0.1

## II. Social Inequality by Housing Provision

**Standards of housing provision (square meters per person)\*:**

- **the lowest - 7**
- **socially acceptable - 18**
- **average - 30**
- **high –  $\geq 60$ .**

\*Developed and verified at the All-Russian Centre of Living Standard, Moscow.

## Groups of the Population by Size and Quality of Housing Provision

(% of total amount of the population, on average per year)

Groups	Year	
	1994	2013
Those most in need - <b>housing poverty</b>	7.3	2.3
<b>Low provision</b>	50.8	35.5
<b>Provision below the average level</b>	32.9	33.8
<b>Average level provision</b>	8.4	18.0
<b>High provision</b>	0.6	10.5

# Stages of Russian Capitalism

## The first stage (1992- 2000)

A sharp economic downturn; the enrichment of a narrow stratum of large private property owners; the impoverishment of the majority of the population and hence- **a sharp social stratification.**

## The second stage (from 2000 to now)

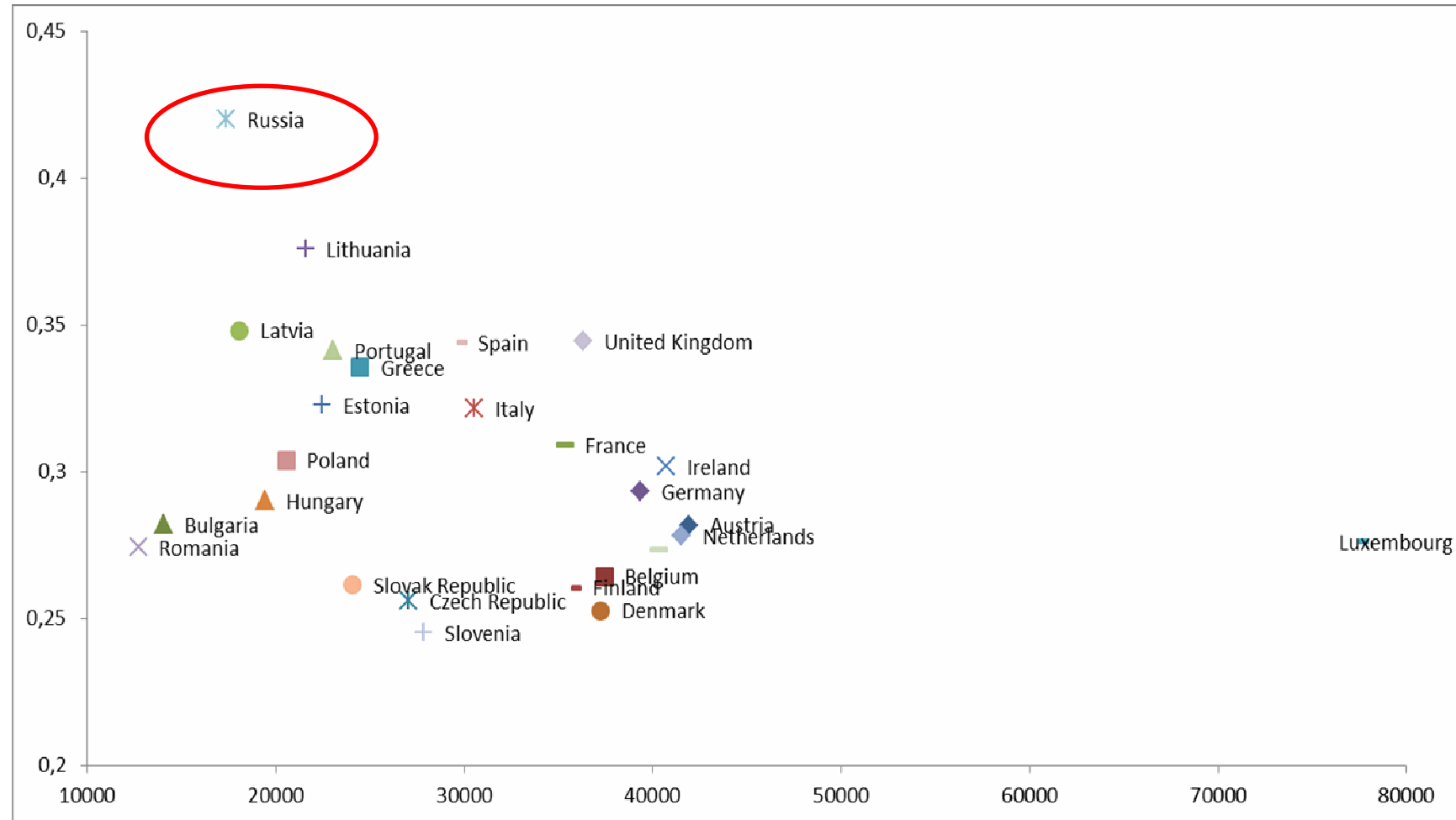
As a result of the economic growth of 2000–2008 & 2011- 2012, the share of the group with income below the substantial minimum decreased greatly; standards of living increased in all segments. **Still the inequality continued to rise.**

**So, the rapid growth of social inequality is one of the most essential characteristics of Russian capitalism.**



# Comparison of EU countries by GDP per capita and the Gini index in 2012 (2011)

Gini index



GDP per capita

# Gini Index in EU countries and Russia

Country*	Gini index	period	Growth rate
Austria	0,28	2011 2004-2011	4,6%
Belgium	0,26	2010 2004-2010	-7,9%
Czech Republic	0,26	2011 2004-2011	-4,7%
Denmark	0,25	2011 2005-2011	9,0%
Estonia	0,32	2011 2004-2011	-6,8%
Finland	0,26	2012 2004-2012	-2,5%
France	0,31	2011 2004-2011	9,2%
Germany	0,29	2011 2004-2011	3,0%
Greece	0,34	2011 2004-2011	-0,3%
Hungary	0,29	2012 2005-2012	-0,2%
Ireland	0,30	2011 2004-2011	-6,6%
Italy	0,32	2011 2004-2011	-2,9%
Luxembourg	0,28	2011 2004-2011	5,1%
Netherlands	0,28	2012 2005-2012	-2,1%
Poland	0,30	2011 2004-2011	-20,1%
Portugal	0,34	2011 2004-2011	-10,6%
Slovak Republic	0,26	2011 2004-2011	-2,4%
Slovenia	0,25	2011 2004-2011	-0,8%
Spain	0,34	2011 2004-2011	3,8%
Sweden	0,27	2011 2004-2011	16,8%
United Kingdom	0,34	2011 2004-2011	4,0%
Russian Federation	0,42	2012 2004-2012	2,0%

The results of a comparison between Russia and European Union :

**the explosive growth of inequality** at the beginning of capitalist reforms in Russia (from 1990 to 1993),

**the highest rate of inequality** among the European Union countries with upper-middle-income (from the early 1990s to the 2012),

**one of the highest inequality levels** among countries with similar export structures.

**In 2000s Inequality grew in nearly half of EU countries. Russia has 2% increase in inequality and this increase was different in terms of quantity and quality.**

\*For some countries data not available

## **Causes of Social Inequality in Russia (*Economic Aspect*):**

**The main** causes of social inequality in Russia are:

- ✓ **Inequality in employment income (wages)**
- ✓ **flat income tax**
- ✓ **Inadequate public spending on social safety nets.**

# Approaches to Reducing Social Inequality

A need for an **alternative socioeconomic Strategy:**

**1.STATE SUPPORT OF BUSINESS IN CREATING NEW COMPETITIVE JOBS.**

**2.EQUITY OF TAXATION.**

- **progressive taxation of personal income paid at place of residence (budgets of households).**
- **Progressive tax on land.**
- **Legacy tax.**

**3. STATE SUPPORT OF THE VULNERABLE GROUPS.**

Thank you for your attention!

Any questions?