

# 17. Social justice and equality/inequality issues in modern-day Russia

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*This contribution examines inequality in modern-day Russia. It discusses different types of inequality, including income and economic disparities, regional imbalances, and differences in access to social services such as health and education.*

## Justice and equality after the fall of communism

The challenge of social justice and inequality in Russia has to be placed in historical context. As part of the socialist doctrine of the former Soviet Union, equality was ensured through the distribution of goods and services by governmental institutions. Social policies were developed to support an equal – although by European norms rather poor – sustainable standard of living, promoting equal access to a wide range of social benefits such as housing, education, health and leisure, which lessened social inequality. The difference between the poorest and the richest did not exceed a ratio of 1 to 5 or 6.

The reforms of the 1990s completely changed this approach, with most people being unprepared for a market system (Kosova, 2012). The gap widened between expectations based on perceptions of social equality rooted in the Soviet egalitarian legacy, and the real state of affairs. Excessive income differences inflamed a feeling of social injustice in many Russians.

Almost all surveys demonstrate that justice is one of the five most important issues for Russians, and it is regarded as an element of social harmony (Gorshkov et al., 2013). For example, in a survey entitled 'Social justice and how we understand it', which the Russian Public Opinion Research Center conducted on 13 and 14 April 2013, only 7 per cent of the respondents thought 'high income inequality is good'; 66 per cent were ready to accept inequality, 'but only if the rich/poor divide is not too wide'; and 23 per cent believed that 'any income inequality is harmful, and people should strive to eradicate it'. Every fifth respondent (20 per cent) assumed that social justice would be achieved when the 'standards of living of each person are nearly the same, there are neither poor nor rich'.<sup>1</sup>

## Inequality in modern-day Russia: the poor and the rich

It is conventional to distinguish between wealth inequality (referring to a stock) and income (a flow). Over the past twenty-five 'post-USSR' years, growing income inequality has been one of the most significant changes in Russia. During this period, the Gini coefficient of disposable income increased from 0.26 to 0.42. By 2014, the richest 10 per cent of people accounted for 30.6 per cent of total cash income,<sup>2</sup> while the poorest 10 per cent of people accounted for 1.9 per cent. In other words, the richest 10 per cent received almost seventeen times more than the poorest 10 per cent. They received only four times more at the end of the 1980s (Rosstat, 2013).

With the collapse of the Union of Soviet Socialist Republics (USSR), the poverty rate in Russia rose to a high of 33.5 per cent in 1992. By 2013 it had decreased to 11.2 per cent, which still means that 15.8 million Russians are living below the poverty line.

Wealth inequality is even greater than income inequality. Currently, 1 per cent of the population possess more than 70 per cent of all personal assets in Russia (Oxfam, 2014).

Regional economic inequalities are also high, having increased sharply in the 1990s. Later on, income and consumption inequality diminished as a result of various state social policy measures, and the redistribution of oil revenue. After the 2008 crisis, income growth in specific regions slowed down and regional budgets appeared to be overburdened by social obligations. Against this background, regional disparities grew again.

According to official statistics, the residents of the richest region are fifteen times wealthier than those in the poorest region (Zubarevich and Safronov, 2013). The 'rich' regions have the means to introduce policies of income equalization, such as pension supplements in Moscow, which in 2011 formed 10 per cent of the city budget. Regional disparities can be observed in all social sectors, such as health and education.

### From economic inequality to inequality of opportunity?

Economic inequality is aggravated by other kinds of disparities, such as unequal access to health and social services (Chubarova and Grigorieva, 2015), and this has become a matter of serious concern. A sociological survey revealed that Russians' well-being is strongly affected by two forms of inequality: income inequality (72 per cent of the respondents) and unequal access to health care (27 per cent of the respondents) (Oxfam, 2014).

Health care and education, which used to be free, are increasingly being funded by private sources. The share of private funding of health-care expenses increased to 41.2 per cent in 2003. This figure was significantly reduced after an increase in public spending on health care, but started to increase again after 2009. Public expenditure, covered by tax and compulsory health insurance, accounts for only about 3 per cent of GDP. The role of income as an important factor governing access to medical care is increasing.

People usually perceive having to pay more for health-care services as negative. Paying for education seems to be more acceptable, probably because education is still considered a necessary and worthwhile investment. According to a recent survey, most parents interviewed (75 per cent) are ready to give up important life benefits for the development of their children, and 65 per cent are ready to pay, or have already paid, tuition fees for supplementary classes. Almost 40 per cent of the poorest people are considering paying for their children's studies, and 13 per cent have already paid.

### Inequality and politics

The post-Soviet focus on economic growth has made social equality a low-priority issue. However, several researchers have recently identified a growing number of social tensions linked to high income inequality, and to the fact that high incomes have not been used to support investment in the national economy, so that new jobs have not been created and there are limited prospects of income growth for the economically active population at a time of economic stagnation. These researchers attribute high income inequality to flawed distribution mechanisms, the flat personal income tax (with a relatively low 13 per cent rate having been introduced in 2001), regressive social insurance contributions, and low property and inheritance tax.

The challenges of equality and inequality, and the fair or unfair distribution of resources and tax, are the focus of several academic discussions and political debates (Divina, 2011). The country's leadership, including President Vladimir Putin, has recognized that the scale of wealth inequality in Russia is a huge challenge (Putin, 2011). Measures such as a wealth tax and progressive income tax have been considered to redress the situation, but no practical steps have yet been taken.

### Conclusions

Throughout the period of reform in Russia, the levelling of social inequality was linked to the growth of macroeconomic indicators. This point of view has dominated discussions about social policy reforms over the years. However, theoretical and practical research in this area shows the fallacy of such representations. Rising inequality, unrestrained by progressive taxation or other means of income redistribution, is leading to a significant social divide in Russian society that is likely to hinder the country's social and economic development. High social inequality and unequal access to health care and education are also obstacles to human development (Human Development, 2014, p. 82).

In Russia, there is no broad discussion on how to overcome inequality, which is not addressed as an urgent problem. However, mobilizing civil society could make a difference in addressing these challenges, and more research and action is required in this area.

## Notes

1. About 1,600 respondents were interviewed at 130 sampling points in forty-two Russian regions.
2. The method of calculating inequality in Russia is different from those used in other countries. Official statistics use model assessments based on per capita income before any payments. Cash income includes labour remuneration, pension, allowances, scholarships and other social transfers.

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