

Social Changes in Russia: Modernization vs Degradation

Natalia Zubarevich, Moscow State University

Social problems of post-Soviet countries transit to market economy are well known: growth of inequality, poverty, unemployment, worsening of social services availability etc. Are there any Russia's specific features? *First* one is a specific model of labor market adaptation: huge decline of salaries in 1990-th – more than 2,5 times compared to less 2 times decline of GDP and only 15% decline of employment. It means keeping ineffective employment paid by cutting salaries. *Second* is quick real incomes growth during period of economic growth (1999-2008) – nearly 12-13% per year compared to 5-7% of GDP growth. It was a price of Putin's stability based on oil rent redistribution. *Third* is a new and unusual model of new crisis (2009) adaptation without incomes and salaries decline and very moderate growth of unemployment (from 6,5% to 9,5% in the peak of crisis) and quick enough recovering of employment to the end of 2010. And the *fourth* and the most essential – huge and growing spatial polarization making Russia's total statistics similar to "average temperature for hospital". Russia divides to the local zones of relative modernization and wide spreading areas of degradation.

The main social trends of 1999-2000-th prove the growing spatial polarization.

1. **Depopulation.** Russia population decline in 2002-2010 years was estimated as 1,6%, but more than a half regions depopulated faster (36 regions – 5-10%, 9 regions –10-14%). These are regions of Central and North-West Russia (so called Non-Chernozem zone) with the most elderly population. Nearly 40% of female rural population in these regions are 55 and older. Federal policy of fertility stimulation started in 2006 has created only temporary effect and in 2011 birth rate goes down in Russia total and 57 regions including Center, North-West and even South.
2. **Migrant flows concentration.** Moscow agglomeration concentrates 60% net migration and S-Petersburg agglomeration - 20%. The other big cities are able to gather migrants only from their own region. Mobility of peripheral population is low, people prefer traditional strategies of surviving resulted in lowering of human capital.
3. **Regional labor market polarization.** The better chances to get job are in the biggest cities especially Moscow agglomeration, the highest rate of unemployment demonstrate underdeveloped republics (North Caucasus, Southern Siberia) with growing population and the worse institutional condition for business. Polarization process has been stopped only for the one crisis year (2009).
4. **Incomes inequality growth.** Incomes differentiation of 10% of the population with the highest incomes to 10% with the lowest ones grew from 14 to 17 times in 2000-th. The same process of growing incomes polarization is typical for nearly all regions. The more rich is region the higher level of incomes differentiation (32 times in Moscow, 20 times in oil-gas extracting Tyumen region)
5. **Poverty rate has been lowered** from 30% to 13% (2000-2008) and it was stable during the new crisis due to the fast increase of federal transfers and regions budget expenditures for social policy (nearly 30% in 2009 and 30% in 2010) and increase of pensions (40%). But there is no money in budget system to continue the same policy. As a result poverty rate started to grow in the beginning of 2011. After the federal elections campaign (December 2011-March 2012) social expenditures are planning to be cut so the poverty rate may grow first of all in less developed regions.
6. **Human capital – statistics and reality.** Statistics shows Russia still keeps high education enrollment level, number of high school students has grown 2,5 times from 1995. But quality of education goes down especially in peripheral regions. Education polarization is strengthening. It is a result of high school adaptation to the market economy (more than a half students pay for their education) without proper governmental control for the quality of education and low qualification of underpaid teachers.

7. **Health care – contradictory policy.** Federal reforms of ineffective health care system started in mid-2000-th with national project "Health care" financed mainly from federal budget. The result of additional financing was growth of life expectancy at birth from 65 to 68 years. In the new crisis period federal priorities have been changed – health care system should be more effective. The more visible consequence is shortage of health care expenditures during last two years in more than 20 regions and shrinking of hospitals network in rural areas. As a result availability of medical services is getting worse first of all in the rural periphery. There is only one stable positive process - infant mortality 2,5 times decline (1990-2010) due to modernization of the women procreative behavior.
8. **Social policy: advantages and risks.** Federal budget tax incomes centralization and growing redistribution are formally aimed to support less developed regions and really - to keep them totally controlled. Positive result of redistribution policy is slow decrease of regional inequality in population incomes and poverty rate in 2000-th. More essential negative result is rent seeking behavior of regional authorities – to get transfers from federal budget as much as possible. System of "manual governing" of social transfers redistribution is dominating and creates corruption and dependent syndrome in regions. It is more comfortable to be poor...

Is Russia goes to social degradation? Modernization potential is still exist in big cities (250 thousand population and more), concentrating 38% of Russia population. The most visible social transformations (lifestyle, values) are localized in the biggest ones (1 mln more) concentrating 28% of urban population. But all these cities excluding Moscow and S-Petersburg are municipalities with low financial recourses and responsibilities. As a result more and more young and competitive professionals leave Russian big cities for EU, USA and other developed countries. Political system degradation and corrupted "manual governing" close social lifts for the young professionals.

Huge peripheral areas concentrating 36% of Russian population continue to degradate and nearly nothing can be done to stop the process. It is a complex problem rooted in 20 century painful history undermined human potential and social capital of rural areas and small towns as well as in a long-term barrier of poor social and transportation infrastructure. People living in periphery reproduce patriarchal values and models of adaptation. The future of Russia depends on dilemma - whether big cities will be more free for development and creativity processes or not. If political and institutional conditions will not change the words "Russia" and "periphery" will be synonyms.