



IARIW 2024

IARIW 2024

Thursday, August 22 – Friday, August 30

Changes in wealth and subjective wellbeing in Russia since 1990-s till nowadays: do differences between the poor and non-poor exist?

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Paper prepared for the 38th IARIW General Conference

August 26-30, 2024

THEME 12: Measuring Well-being for Policy: Theory and Application

Time: Friday, August 30 [13:00-14:00 GMT]

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Introduction

Between the 1990s and present day, Russia has seen numerous transformations as it transitioned from a planned to a market-based economy [Mosley, Mussurov 2009]. This time has included both periods of economic crisis [Овчарова, Попова 2013, Kotelnikova, Radaev 2017, Радаев и др. 2023] and growth, as well as returns to pre-crisis levels [Hai-Anh et al. 2018]. Similar to the rest of the world, Russia faced the COVID-19 pandemic in 2020, which was followed by sanctions pressure. These changes had a significant impact on the general population. For instance, there have been significant fluctuations in poverty levels. The latter half of the 1990s witnessed a significant increase in poverty, with 28.4% of the Russian population being poor by 1999. However, starting in the early 2000s, this indicator began to decline significantly. Nevertheless, the proportion of impoverished individuals increased during the economic crisis in 2014 and thereafter. The pandemic accelerated the process of transitioning to an integrated system of social protection. From 2019 to 2021, the impact of social support on poverty dynamics was growing [Овчарова et al. 2022]. As a result, despite of these difficult times, however, the poverty rate has continued to decline. By 2022, this indicator has reached its lowest level, at 9.8%¹.

Official statistics allow us to track the changes in income and poverty levels. However, relatively little is known about other aspects of the standard of living for the poor, such as changes in their welfare and life satisfaction. Questions often remain regarding how the poor have adapted to economic changes and whether they have been able to achieve the same standard of living as more affluent citizens.

In this research, we use data from public surveys to answer these important questions. The purpose of this study is to evaluate changes in the standard of living for Russian citizens from the 1990s through the present, focusing specifically on low-income groups.

Taking into consideration the various interpretations of the concept of standard of living, this paper will focus on three aspects – material welfare, capabilities (in terms of consumption and savings) and subjective assessment of well-being. Dynamics of income indicators will not be analyzed, as household incomes have already been incorporated into the very definition of the poor. In the first section, material welfare and subjective well-being assessment will be discussed as components of standard of living. The second section will focus on what is currently known about changes in the standard of living for the Russian population over the period from the 1990s to present day. Thereafter, the empirical basis of the study will be presented, and how material welfare and well-being have changed for the Russian people since the 1990s will be analyzed.

Welfare and subjective assessment of well-being as components of the standard of living

The concept of a standard of living can be interpreted in different ways. Firstly, it is worth mentioning the existence of terminological ambiguity: on the one hand, a standard of living may be understood as a type of "standard" to which the population aspires, while on the other hand it can be viewed as something actually available to an individual [Hoffer 1929]. In the mid-20th century, there was a proposal to reflect this difference in terms of a standard or level of living [Davis 1941], or a plane of living [Eliot 1931], however this distinction has not gained widespread acceptance, and today, in articles on a standard of living, we are concerned with how people (or their families) live, rather than their aspirations for how they would like to live. As part of our

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See: <https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Frosstat.gov.ru%2Fstorage%2Fmediabank%2Furov-51.xlsx&wdOrigin=BROWSELINK>

research, we will understand by a standard of living the current circumstances of individuals and households, rather than their ideas of what they would like.

Today, there are various approaches to assessing standards of living and different sets of indicators are employed. For example, monetary estimates can be used as indicators of standard of living, such as income and gross domestic product (GDP) per capita [Barreiro-Gen 2019, Capelli, Vaggi 2013]. A broader perspective on the issue is offered by scholars who also incorporate indicators of financial well-being to measure standard of living. Beyond income, these researchers consider the availability of durable goods to be indicators of standard of living as well. However, they have shown a weak correlation between these indicators and measures of income and spending [Montgomery et al. 2000].

While researchers have traditionally focused on income as a primary indicator of standard of living, they have increasingly recognized the importance of other factors, such as demographic and biological variables. These include life expectancy, morbidity rates, and child growth patterns [Steckel 2008]. In addition, literacy levels and child mortality [Kakwani 1993; Astorga et al. 2005] are two non-monetary factors that can also contribute to the overall standard of living. There are also studies that combine indicators from different fields, such as material security, health status, family relationships, literacy level, and political freedom [Easterlin 2000]. Studies have also examined the impact of growth and body mass indices, leisure opportunities, and salary levels on the standard of living [Crafts 2007].

In addition to the aforementioned approaches, another interpretation of the concept of standard of living can be made - the idea that it is a person's subjective assessment of their own well-being [Капелюк 2018]. It should be noted that subjective assessment of a person's position in highly-cited works is not typically found as part of the standard of living, which may be due in part to the fact that indices are based on macro-level indicators, whereas subjective estimates can only be measured at the micro-level within the context of surveys. Subjective assessments also function as indicators of living conditions in the indices used for international research (for example, the Happiness Index²), although there is still no definitive answer as to how a person's financial circumstances and their subjective assessment of wellbeing are related [Yu et al. 2020, Easterlin 2020].

To summarize, there are three main approaches to defining the standard of living: those that focus on the utility level a person can access, those that assess material welfare, and those that consider the presence of freedoms and capabilities [Sen 1984].

The aforementioned typology has not become obsolete, and today, we can still observe a focus on the same aspects of the standard of living and the utilization of index approaches to its comprehensive evaluation. At the same time, the primary debate remains in the realm of contrasting assessments based on GDP and index methodologies [Bérenger, Verdier-Chouchane 2007].

With regard to Russia, concerns about the standard of living have been raised on numerous occasions. Several studies have been conducted in the post-Soviet era, focusing on how transformations have affected the lives of Russian citizens. These studies have presented conflicting views. Some argue that the standard of living has declined, as evidenced by an increase in social exclusion and poverty [Шкаратан, 2008]. Others argue that this decline has been overstated, when considering the share of food expenditure as a measure of living standards [Gibson et al., 2008].

At the same time, there is a significant body of research that seeks to assess the living standards of the Russian population. This includes both cross-sectional assessments of current living standards [Тихонова и др. 2004, Елисеев и др. 2013] and estimates of their dynamics [Бобков и др. 2023, Мисихина 2013].

As with studies on other countries, there is no consensus on a single definition of living standards among researchers. This concept encompasses both macro-level indicators such as GDP,

² See: <https://worldhappiness.report/>

life expectancy, and poverty rates, as well as micro-level indicators like job satisfaction [Бобков и др. 2023], housing affordability, savings, and leisure opportunities [Тихонова и др., 2004]. It is noteworthy that some researchers use similar indicators in a different context and define them as measures of quality of life, while others equate living standards with financial well-being [Назарова 2012].

In other works, the standard of living encompasses not only measures of wealth and economic security, but also factors such as health and the state of the natural environment, among others [Архипова и Сиротин 2020].

Concluding the review of indicators of living standards, we note that, despite the variety of methodological approaches to assessing living standards, there is a general trend towards their gradual improvement over time [Easterlin 2000, Astorga et al. 2005, Crafts 2007]. The results of studies on the long-term dynamics of living standards in Russia indicate positive trends. For instance, in the period between 1994 and 2010, there was an increase in the proportion of people who were satisfied with their lives, as well as a decrease in those who felt disenfranchised [Назарова 2012]. More recent works have also documented negative trends, indicating that in recent years Russia has not achieved the levels of certain indicators from the pre-crisis period [Бобков и др. 2023]. A common feature of these studies is their focus on the overall population, rather than individuals. While the emphasis on the dynamics of living standards of certain social groups is more common in works that align with the concept of “pro-poor growth”.

Improving the standard of living for the poor as a focus of research in the context of the "pro-poor growth" concept

In the early 2000s, the notion of "pro-poor economic growth" captured the attention of numerous researchers, describing a scenario in which economic expansion results in an improvement in the plight of the disadvantaged [Ravallion, 2004]. Generally speaking, it is believed that the underlying concept for this notion began to take form much earlier. During the 1950s and 1960s, there was a presumption that benefits from economic development flowed from the wealthy to the less affluent (trickle-down approach): initially, the incomes of the richest segments of society increased, but as they began to spend money, some of the "gains" trickled down to the poor [Kakwani and Pernia, 2000].

An empirical examination of the phenomenon of pro-poor growth requires the selection of both an optimal approach for identifying the poor within this concept and a method for determining the “benefit” of the poor. Due to the absence of a unified definition of “pro-poor” growth, researchers have developed various methods for assessing this phenomenon. These methods include examining how economic growth relates to changes in poverty indices, income levels of different population subgroups [Ravallion and Chen, 1999], income gaps [Kraay, 2006], and the ratio of income between the richest and poorest segments of the population [Afridi et al., 2021].

As with poverty studies in general, researchers who engage in the analysis of pro-poor growth, as this area develops, begin to emphasize the importance of the benefits to the poor not in monetary terms but primarily in terms of the standard of living, which is determined by a wide range of indicators [Ravallion, 2004]. Starting from this premise, the authors focus on assessing the effects of economic growth using non-monetary indicators and modifying previously developed methods [Klassen et al., 2005; McGillivray et al., 2008; Djossou et al., 2017; Kacem, 2013].

Analyzing indicators in different countries over different time periods, researchers typically conclude that it is reasonable to talk about pro-poor economic growth (although there are also instances where this phenomenon has not occurred) (Djossou et al., Klassen, Kakwani and Pernia, 2000).

Assessments of the impact of economic growth on poverty have also been conducted using Russian data. During the period from 1995 to 2006, economic growth in Russia led to a decrease in poverty levels, indicating that growth benefited the poor to some extent during this period. However, the analysis of regional data reveals that the “rich” regions (those with a low level of

poverty) gained more from economic growth compared to the poorer regions. This suggests that the effects of growth were not equally distributed among all segments of the population [Takeda 2010]. Other studies emphasize the significance of regional disparities. An analysis of poverty trends in the early 2000s reveals that, despite a decrease in the overall poverty rate with GDP growth, the rate of change was lower compared to other countries. This is attributed to significant variations in the socioeconomic conditions across regions. The dynamics of poverty in each country were determined not only by the overall economic growth of the country, but also by the changes in the regional economy and its political resources (ability to make decisions and allocate funds for the development of the region). [Mosley and Mussurov, 2009]

An analysis of the economic situation of the poor, based on official statistical data from 2002 to 2011, suggests that pro-poor economic growth was only observed in 2008-2009 and 2009-2010. During the remainder of the period, the impact of increased income was offset by growing inequality. Additionally, the increase in the poverty line, which outpaced income growth in several years, prevents us from speaking of pro-poor growth during this period [Rudenko, 2013; Rudenko, 2016]. Other studies using Rosstat data support this conclusion: economic growth from 2000 to 2008 led to a decrease in poverty, yet the problems of lower-income groups were exacerbated by growing inequality [Maltsev, 2011].

Working with data from a longer time series of microdata covering the period from 1994 to 2015, researchers argue that there has been strong pro-poor economic growth in Russia. The incomes of the poor have increased and the level of income inequality has decreased, with the most significant changes occurring in the early 2000s and the weakest growth observed in the period between 2009 and 2015 [Hai-Anh et al., 2019]. Other studies covering the period 2000–2006 have also found evidence of growth in favor of lower-income groups and high income mobility [Lukiyanova and Oshchepkov, 2012].

To summarize, it is important to acknowledge that economic growth does not necessarily lead to an improvement in the situation of those in poverty, yet this phenomenon is rather common. Russia is not exempt from this, as the early 2000s – a period of increasing prosperity – was also a time of reduced poverty and improved circumstances for the poor. However, in this instance, we are primarily discussing the income of the poor; less is known about their standard of living, including their welfare and subjective perception of their situation. These aspects will be the focus of our study.

Methodology and data

In this paper, we aim to address, to some extent, three key aspects of living standards that are traditionally considered in research: material welfare, capabilities, and subjective well-being assessment. Common approaches that rely on income, wages, and other monetary indicators are not utilized in this study, as we focus on a group of poor whose identification is already determined by monetary criteria.

To address the objectives of the study, data from the RLMS HSE³ over the period from 1996 to 2021 was utilized. The survey comprises a representative and longitudinal component, and annually covers approximately 6,000 households and all individuals residing within them (in certain instances, the sample size has been reduced to 4,800 households). To identify the poor, data on household income and the subsistence minimum level for each year in every region of the

³ Source: "Russia Longitudinal Monitoring survey, RLMS-HSE", conducted by National Research University "Higher School of Economics" and OOO "Demoscope" together with Carolina Population Center, University of North Carolina at Chapel Hill and the Institute of Sociology of the Federal Center of Theoretical and Applied Sociology of the Russian Academy of Sciences. (RLMS-HSE web sites: <https://rlms-hse.cpc.unc.edu>, <https://www.hse.ru/org/hse/rlms>)

country⁴ was utilized. If the total household income is below the minimum subsistence level for all members, the household and all individuals living within it are classified as poor.

The assessment of changes based on longitudinal survey data may vary from official estimates due to the inherent limitations of the surveys, which may be biased towards less affluent segments of the population. Figure 1 illustrates that, on the one hand, poverty estimates derived from the RLMS HSE dataset exceed those published by Rosstat, yet they align with estimates from other previous studies based on the same data [Russia – Targeting and the Longer-Term Poor... 1999; Spryskov, 2000; Slobodenyuk, 2014; Karabchuk et al., 2013; Pishnyak et al., 2021]. They also replicate the changing trends in poverty levels recorded by Rosstat over the same period in terms of both the number and profile of the poor. Additionally, there has been a convergence in these indicators over the past decade.

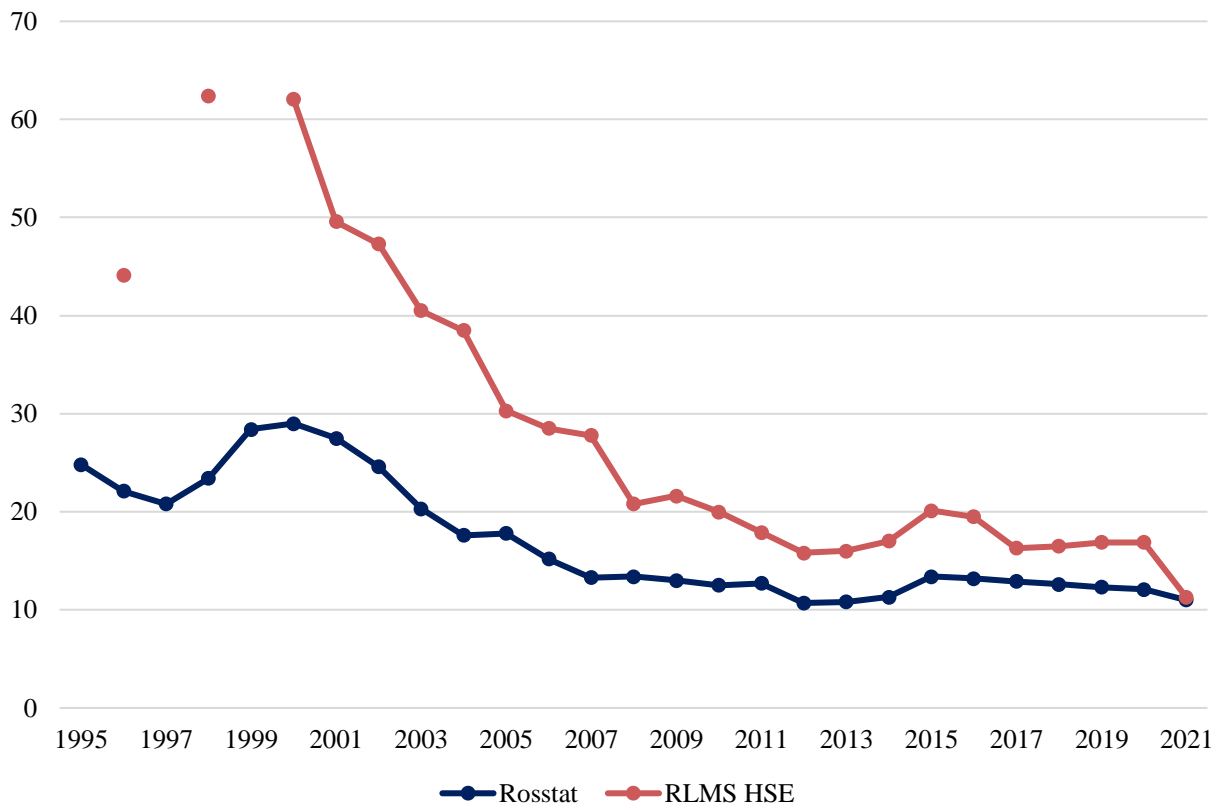


Figure 1 – Poverty level assessment based on RLMS HSE data vs Rosstat official data, % of the population

Source: RLMS HSE, Rosstat

Having completed the discussion of the research methodology, we now turn to the issue of how the material welfare for the poor and other members of the population has evolved from the 1990s until the present day. It should be noted that the RLMS HSE survey includes questions regarding various household appliances, allowing for a comprehensive understanding of the issue. As part of this study, we will examine the changes in the availability of items that can be considered essential for today, such as refrigerators, televisions, personal computers, and laptops. More expensive items will be examined using the example of automobiles.

⁴ As of 2023, Russia has 89 federal entities that significantly differ in terms of income levels, poverty rates, and the minimum subsistence level.

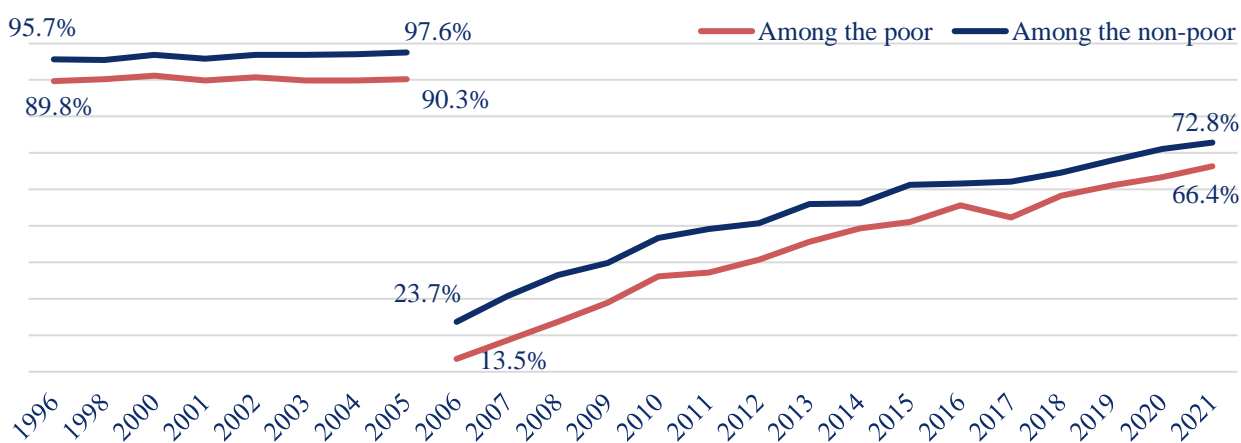
Welfare dynamics

Household appliances

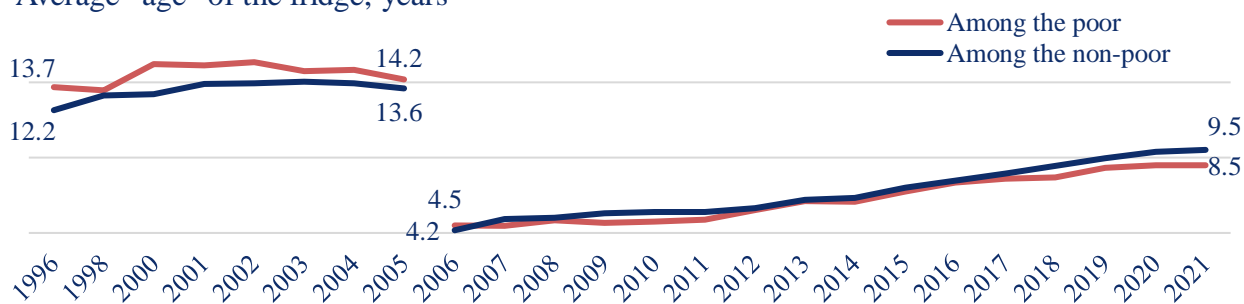
The data on the provision of basic durable goods indicate that the standard of living for population is increasing in general. This growth affects both low-income and high-income groups. For instance, in 2006, 13.5% of poor households had a modern refrigerator with a NO FROST feature, which was 1.76 times lower than among non-poor households. By 2021, this proportion had increased to 66.4%, with the gap between the two groups decreasing to 1.09 (Figure 2).

An indirect indicator of the poor provision of low-income households could be the age of their household appliances. It can be expected that low-income households have basic appliances, but they may not be able to replace them due to obsolescence, both physical and moral. However, even in this case, the differences between low- and high-income subgroups are not crucial. The age of appliances owned by low-income households is similar to that of their better-off counterparts, and the gaps that exist are not so large. Moreover, in terms of modern refrigerators, the age in 2021 for low-income households is lower than for the better-off, which suggests that they have later adopted new technologies (see Figure 2).

The share of households owing the fridge* ...



Average "age" of the fridge, years



*Since 2006 the question was asked about the fridge with NO FROST technology.

Figure 2 – Availability and age of a refrigerator in low-income households and more affluent households

Source: RLMS HSE

RLMS HSE data permits us to perform a similar analysis on other categories of household appliances and electronic devices, such as washing machines, microwaves, and TVs. And in this case, we also observe similar trends. In the mid-1990s, the RLMS HSE began including questions about the presence of televisions in households. This marked a clear divide between those of lower and higher socioeconomic status. In 1996, half of low-income households owned black-and-white

TVs, while 38.2% of non-poor households had them. At this time, color TVs were becoming the norm for wealthier Russians, with 78.7% of households owning one, compared to 54.4% of low-income families. Thus, both low- and high-income households were acquiring electronics, but the latter had a higher level of ownership. By the 2000s, indicators for all family categories were converging. In 2005, when a question about black and white television sets was last asked, 13.4% of low-income and 9.0% of higher-income families owned them. By 2008, it can be said that color television sets had replaced them in almost every Russian household, with even the proportion among low-income households reaching 94.0%. At the same time, new factors for disparities in access to television are emerging. Flat-screen television sets are becoming more common, and initially, it can again be noted that low-income families are lagging behind in adopting this technology. In 2007, only 7.9% of low-income households and 17.6% of high-income households had flat-screen TVs, but by 2021 their availability had increased and the gap between the two groups in terms of ownership had narrowed to 3.2 percentage points, with 82.9% of all households owning flat-screen TVs in 2021.

The analysis of washing machine availability also reveals that low-income households lag behind others. Until 2005, questions were asked about washing machine availability without specifying the type, and the difference in indicators was slight. Since 2006, ownership of automatic washing machines has been recorded, and the disparity is more significant: in 2006, 44.1% of higher-income families and 24.5% of low-income families owned one. By 2021, overall ownership is increasing, and the gap between high- and low-income groups is narrowing. 80.1% of low-income and 89.8% of high-income households own a washing machine.

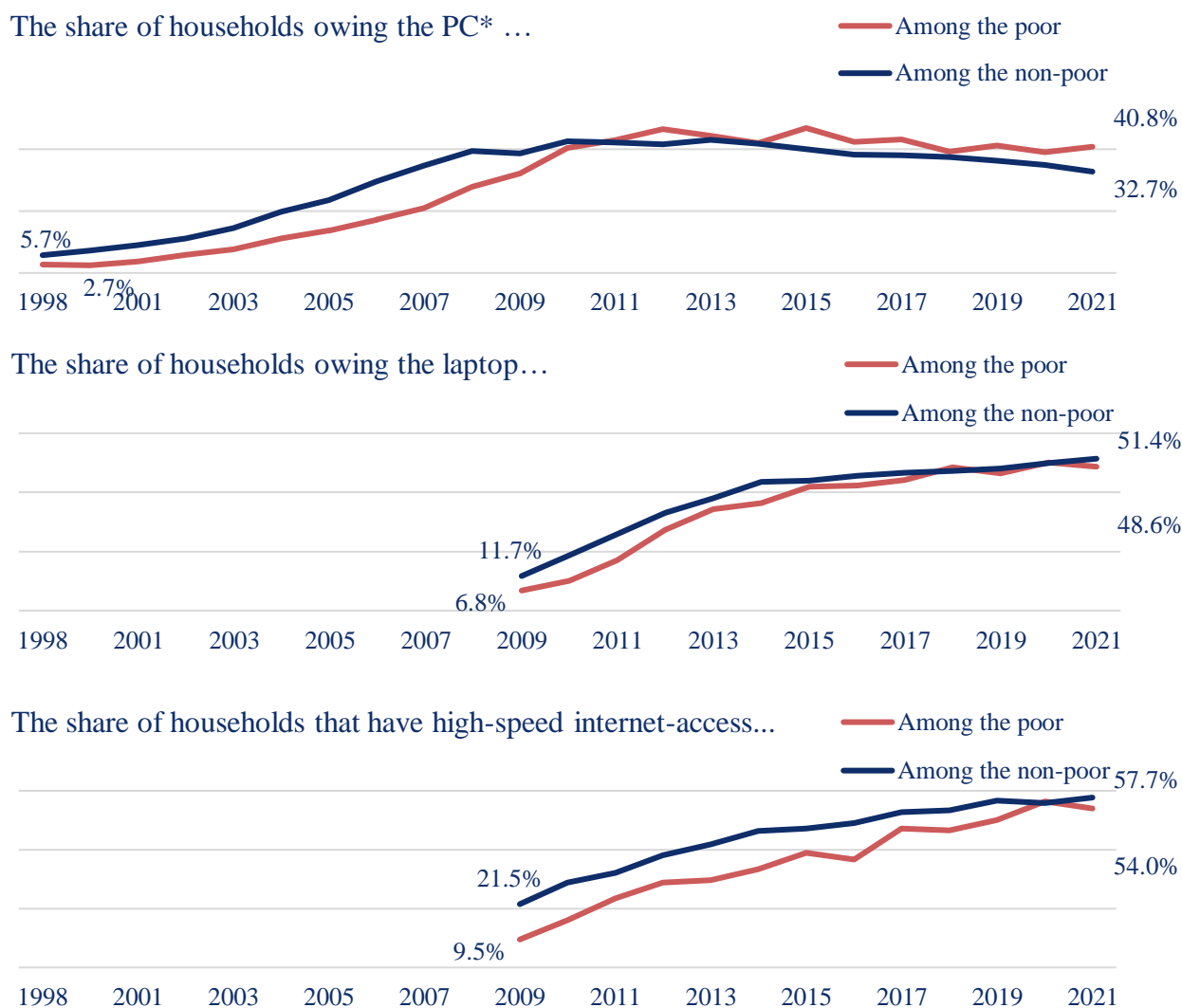
Similar trends are seen when analyzing microwave oven availability. Dishwashers, on the other hand, are not widely used (based on survey data). 4.7% of low- and 6.1% of high-income Russians own this appliance.

In conclusion, the trends that can be observed regardless of the specific household appliance should be noted: wealthier Russians are distinguished by a higher percentage of households that own each appliance. However, since the 1990s, there has been a gradual increase in ownership among both poor and non-poor households, and the gap between these two groups is gradually narrowing. In other words, poor households later adopt various technological innovations and gradually catch up with their wealthier counterparts. Overall, the percentage of households owning various types of appliances (refrigerators, washing machines, microwave ovens, TVs) is lower for poor households, but the difference in the percentage between poor and non-poor households is not significant. Other studies have also shown that the majority of poor households today have the essential household appliances [Korchagina et al., 2019].

PC, laptop and internet

In today's world, the lack of access to digital technologies and devices is creating new forms of inequality, leading to digital exclusion [OECD 2021, Van Dijk 2020, Добринская, Мартыненко 2019]. Low-income individuals are more likely to fall into this category. This can be attributed to the limited availability of computers and internet access, which may be an indication of the lower standard of living experienced by these individuals.

However, there is no significant gap between low- and high-income households in terms of ownership of computers. Since 2010, laptops have gradually replaced desktop computers, with more people owning portable devices. The proportion of laptop owners among different income groups is comparable in 2021 (Figure 3), indicating that the gap between the haves and have-nots is narrowing.



* Since 2008 the question was asked about the PC

Figure 3 – Availability of PC, laptop and internet access in low-income households and more affluent households

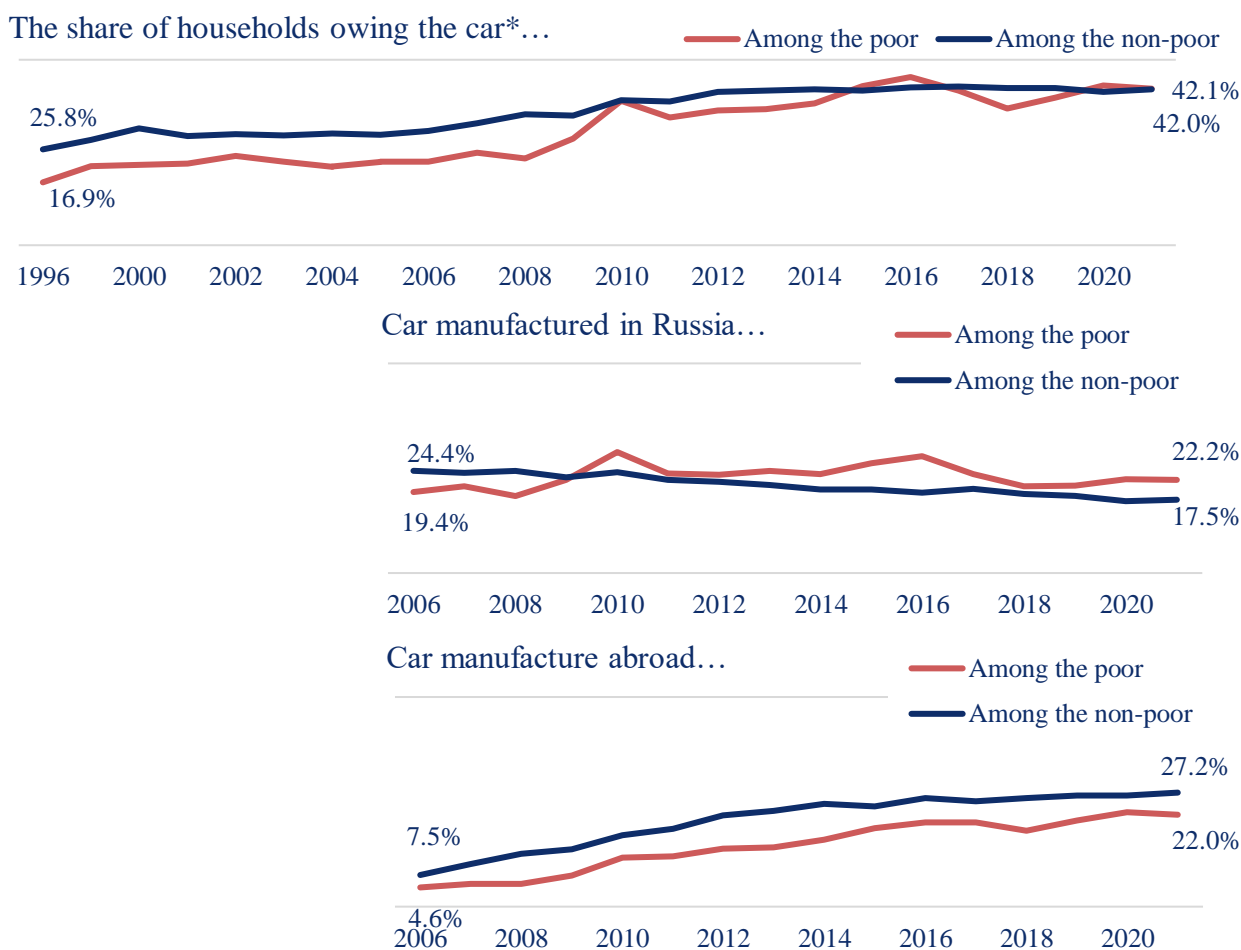
An analysis of internet access leads to similar findings: among low-income households, there are fewer individuals with internet access. Questions regarding the availability of internet access were included in a study conducted in 2009. Since then, the proportion of individuals with high-speed internet access has more than doubled among both low- and higher-income families. It is worth noting that an analysis of lower-speed internet access yields controversial results. In 2009, the proportion of those with lower-speed access among well-off Russians was 9.5%, and among low-income families it was 8.4%. By 2021, these figures had risen to 13.3% and 22.5%, respectively.

Cars

An essential component of the standard of living is the availability of a vehicle in the household. Even the more prosperous segments of the population may not always be able to purchase a vehicle without resorting to vehicle loans, while for lower-income households, ownership of a vehicle becomes even more challenging. In such cases, it is likely that if the less well-off have a vehicle, it will be of cheaper brands and older models.

Indeed, up until 2010, there was a gap between the poor and the non-poor with regard to vehicle ownership (Figure 4), but subsequently, the share of vehicle owners among the less well-

off and non-poor approximated, with higher share of the owners of vehicles made abroad among more affluent Russian households.



* Before 2006 the question was asked about both passenger car and truck. Since 2006, this issue has been split into two parts: ownership of domestic and foreign-made cars.

Figure 4 – Availability and age of vehicles in low-income households and more affluent households

When assessing the standard of living among the poor and other segments of the Russian population, it is reasonable to assume that individuals with higher incomes may have greater opportunities to purchase more up-to-date vehicles. However, the data partially support this hypothesis. The average age of vehicles in low-income households was found to be slightly older compared to other households (the gap was about 3 years in 1996, but had decreased to approximately 1 year by 2003). Given that the average lifespan of available vehicles is relatively long (approximately 10 years), an increase of 1 year in vehicle age may not significantly impact their consumer characteristics.

There is a trend that is not directly related to income level: in 2006, the study documented the presence of both domestic and imported passenger cars, with families owning relatively old vehicles produced in the former USSR or Russia (with an average age of 11 years for non-poor households and 12 years for poor households), as well as younger foreign cars (with an age of 6 and 7 years, respectively). However, by 2021, this age gap between vehicles of different origins has been narrowed, with the average age of domestic vehicles standing at 12 years for non-poor families and 11 years for poor families, while foreign cars have reached an average age of 9 and 10 years respectively. Therefore, car ownership does not significantly differentiate the standard of living for poor households, but rather, differences between poor and non-poor individuals lie in the specific characteristics of their assets. Additionally, it is important to consider the condition of

vehicles and their ability to be repaired and maintained, which are not reflected in the trends observed.

Capabilities in consumption dynamics

The availability of durable goods within a household is a significant indicator of living standards, although it is not the only factor. As demonstrated above, the key indicator of standard of living often lies in the capabilities available to an individual or family. Let us consider two aspects: the utilization of paid services (typically linked to investments in human capital) and savings.

Paid services

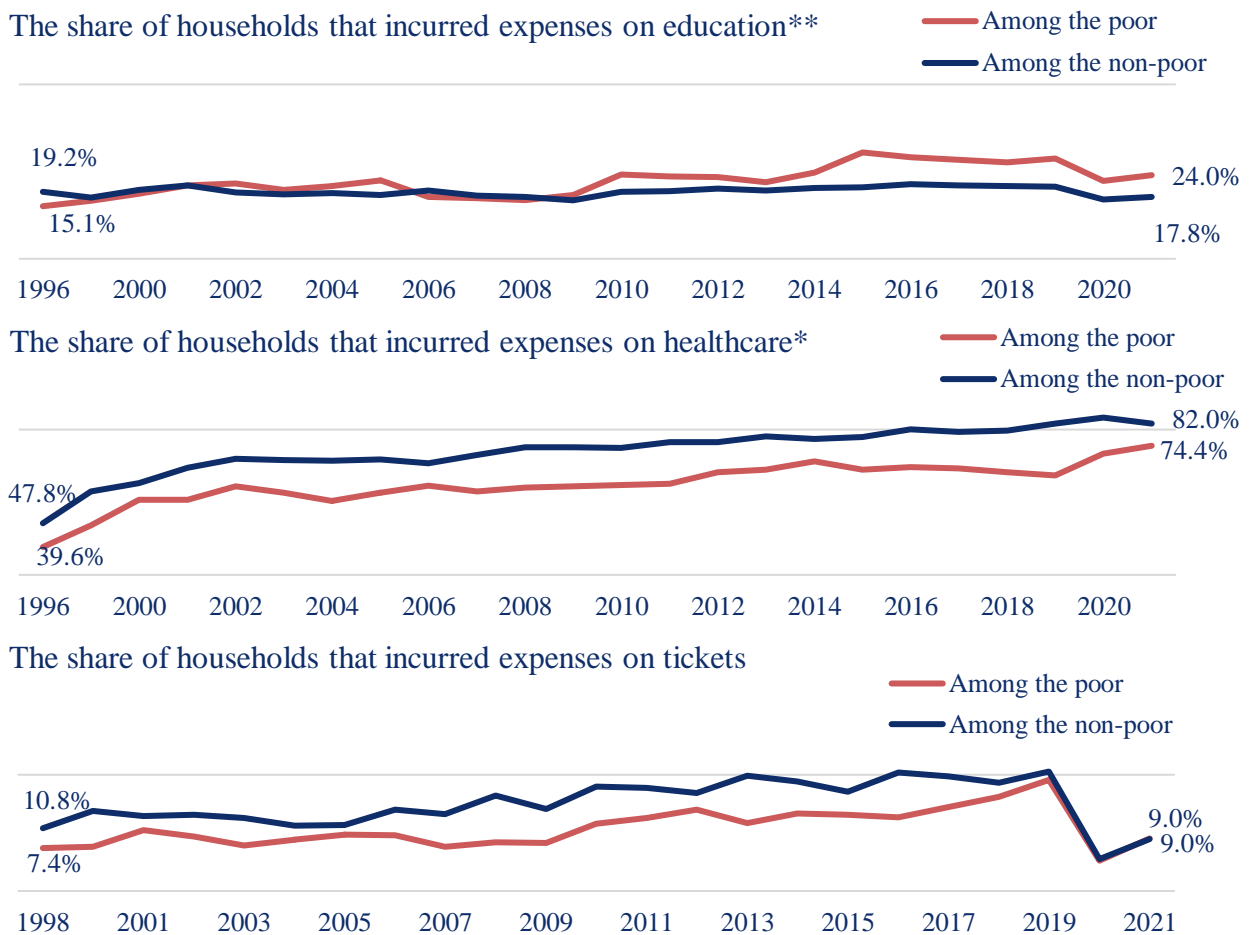
RLMS HSE data have certain limitations when it comes to analyzing the consumption of paid services. Specifically, expenses over the previous 30 days are recorded, meaning that some information may be outside the observation period. Nevertheless, it is still possible to compare the spending patterns of the poor and non-poor.

It has been established that the poor tend to spend less on leisure activities, such as going to the movies or theater, and they also have fewer opportunities for investing in human capital [Мареєва и др. 2023] and taking care of their health [Быков и др. 2021].

However, according to survey data, the gap between the two groups in terms of leisure spending (e.g., cinema tickets, theater tickets, etc.) appears to be small, and it has decreased even further due to pandemic restrictions. This trend is projected to continue until 2021.

The coverage of population with paid health services between 1996 and 2021 has increased by a factor of 1.7 to 1.9. In terms of spending on health services and medications, the non-poor have a higher proportion of spending compared to the poor, though the proportion of the poor with such spending remains high (74% compared to 82% for the non-poor).

There is a differing picture when it comes to education spending. From the early 2000s until 2009, the costs of education for both poor and non-poor families were approximately comparable. However, since 2010, the proportion of those who pay for educational services among poor households has increased and begun to exceed that of non-poor households. Currently, this gap stands at 6.2 percentage points. While the indicator has barely changed for well-off families, the number of poor families consuming paid educational services has gradually increased during the period under review (Figure 5). This may be explained by the fact that households with two or more children prevail among the poor (57% in 2021 compared to 37% for non-poor households). Consequently, an increase in educational costs represents an increased burden on poor households with children who must pay for these services, sacrificing other expenses.



* Those who incurred expenses in at least one of the following categories: medicine, outpatient treatment, or inpatient treatment.

** Those who have incurred expenses in at least one of the following areas: educational services for adults and children (preschool, school, after-school programs, etc.)

Figure 5 – Expenses on different paid services in low-income households and more affluent households

Savings

Information on the availability of savings contributes to a more comprehensive understanding of the standard of living among the population. The proportion of individuals who have made savings in the past 30 days has remained relatively stable in recent years. However, this is not the case for those with lower incomes, where there has been a decrease in the number of individuals saving. The early 2000s may be considered a more favorable time for savings among lower-income groups, as the proportion of those saving increased. After 2012, however, this trend reversed, with a decrease in savings among this group. On the other hand, among higher-income individuals, the proportion of savers increased until 2012 and then decreased. As of 2021, the proportion of non-poor individuals who saved in the previous month was 3.6 times greater than that of poor individuals (Figure 6).

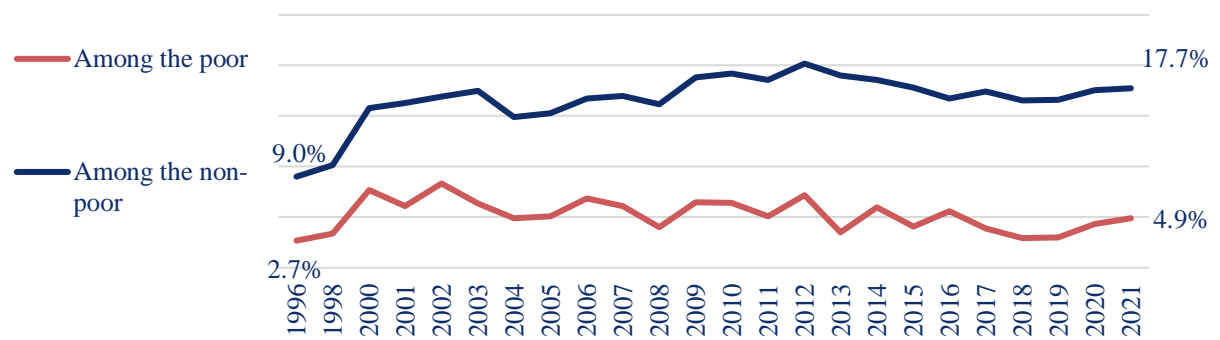


Figure 6 – The share of those who made savings during the last 30 days in low-income households and more affluent households

Summarizing the findings of the study on the availability of opportunities for the poor, it should be noted that during the review period, the gap in access to paid services was not significant and continued to narrow over time. Additionally, as the data indicate, the convergence in indicators occurred due to an improvement in the situation of the low-income population rather than a reduction in opportunities for other segments. Therefore, there is a basis to discuss the changing standards and shifting trends in consumer behavior even among the lowest income groups. However, it remains a question of how these shifts are perceived by the general population. In this respect, let us turn to subjective perceptions.

Dynamics of subjective well-being

Within the framework of different approaches to assessing the standard of living, both objective measures of material welfare and data on subjective perceptions of one's life are utilized. In this regard, it is pertinent to consider measures of life satisfaction overall, population expectations for the next year, and concerns regarding the inability to acquire the most essential items in the next year. Note that, if the above referred to the situation of households in general, this section focuses on the responses to individual questionnaire questions regarding the current situation and future expectations.

From the late 1990s to the crisis in 2015, life satisfaction ratings increased gradually for both low- and upper-income groups. There was also a convergence of these estimates. However, after 2015, this trend reversed, and the growth of the indicator stalled. While there was a relative stabilization in the ratings of middle-income households at the level seen at the beginning of the prosperous second decade of the 2000s, ratings for low-income households began to decline after 2014 but are still significantly higher than those in the 1990s. Currently, approximately 40.4% of low-income and 51.6% of middle-income individuals are satisfied with their lives to varying degrees, as shown in Figure 7.

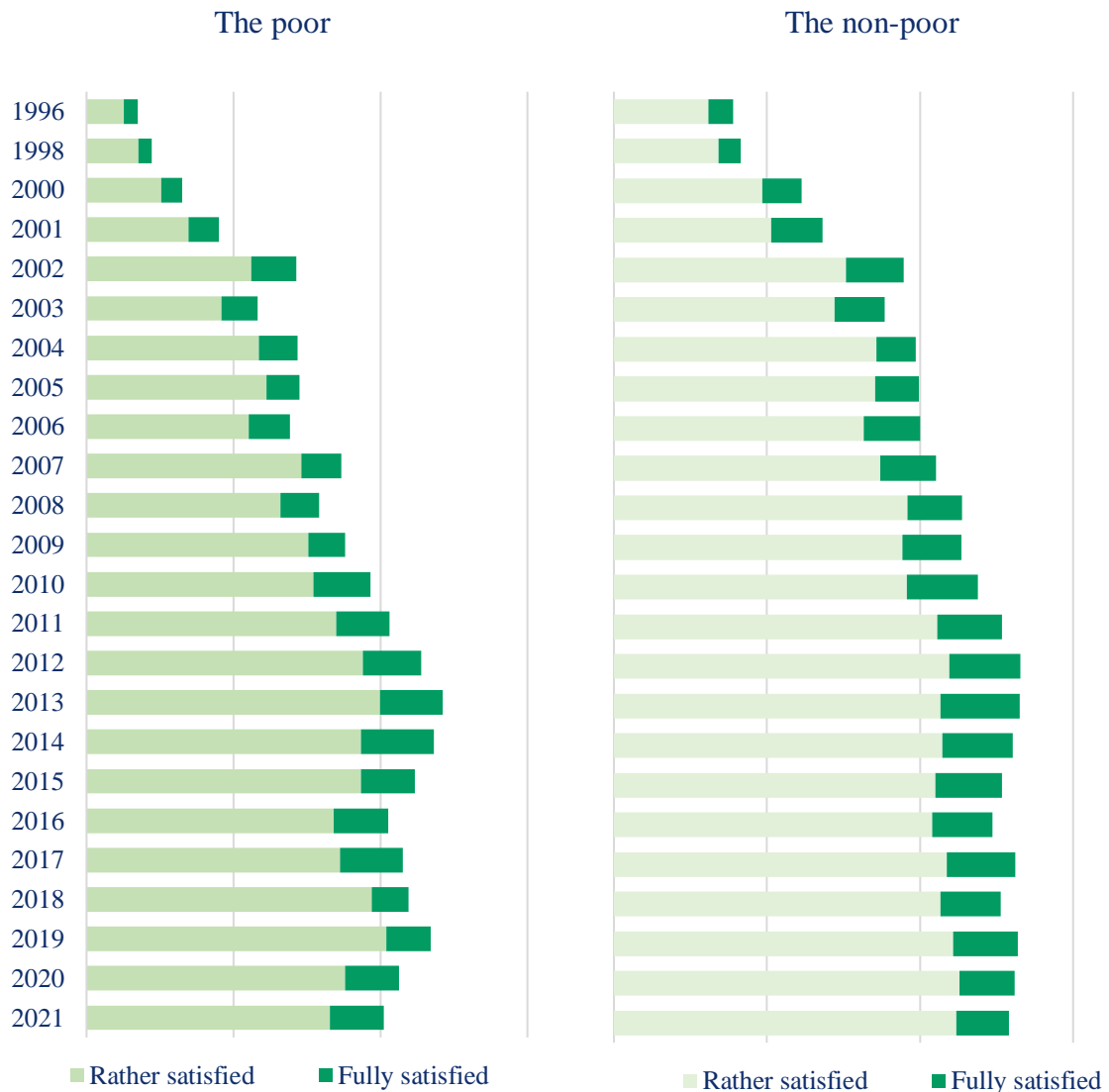


Figure 7 – The share of those who are currently satisfied with life overall among low-income and more affluent individuals

The dynamics of expectations regarding the future have a different configuration. During the 1990s, individuals with lower incomes displayed less optimism regarding their future (a lower proportion believed they would experience a significant or minor improvement in their circumstances), but since 2013, those with lower incomes have been more positive about the next 12 months. This dynamic may be related to various factors, including the fact that individuals with medium and higher incomes, in light of economic changes, lost relatively more in terms of their capabilities compared to individuals with lower incomes, for whom there were no significant changes. However, this trend reversed during the pandemic, with individuals with and without lower incomes becoming more pessimistic, possibly indicating an increased awareness of their vulnerability in the face of global external challenges and high uncertainty during this period.

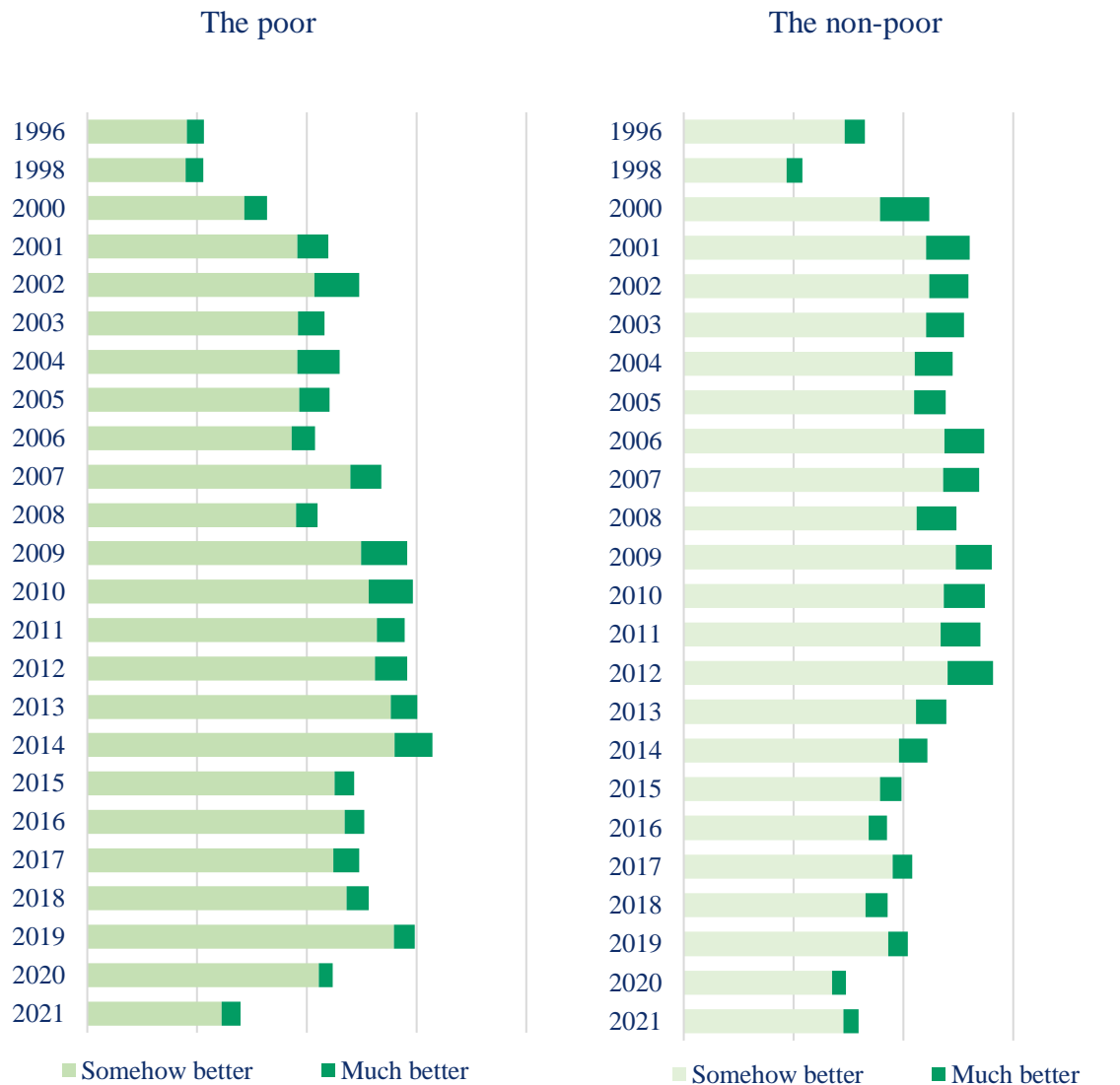


Figure 8 – The share for those who expect that their family will live better in the next 12 months among low-income and more affluent individuals

Despite the slightly more positive perceptions of their future among low-income individuals in recent years, there is a strong concern among them regarding their ability to provide for their basic needs in the next twelve months. Furthermore, the response "very concerned" contributes significantly to these perceptions. Although the proportion of people who are worried about their inability to meet their needs in the short term has decreased from 83.6% in 1996 to 69.2% among low-income groups, indicators of uncertainty remain high.



Figure 9 – The share of those who are worried about the inability to satisfy the basic need during the next 12 months among low-income and more affluent individuals

Therefore, assessing the standard of living through self-assessment illustrates that it is common for the less well-off to give their living conditions lower ratings compared to those in more affluent groups, but the differences are not significant. As for assessments of future prospects, those in the lower income brackets tend to be more optimistic, which may be due to the perception that the situation cannot get worse.

Conclusion

The issue of poverty in Russia has been a constant focus of attention for researchers and policymakers. Over the past three decades, however, there have been significant changes in the level and profile of poverty. According to Rosstat estimates, by the end of the 1990s, approximately one-third of the population was considered poor. By the fourth quarter of 2023, this figure had decreased to 6.8%.

Despite the extensive body of knowledge on poverty in Russia, the issue of how poor people live remains under-researched. This study aims to address this gap by conducting a detailed analysis of durable goods ownership among different population groups, consumption and savings opportunities, and subjective assessment of financial situations.

The analysis of material welfare indicates that, in terms of household appliance ownership, the gap between poor and non-poor households cannot be described as critical. While the proportion of households in the poorer group that own a refrigerator, washing machine, and other appliances is slightly lower, most of these households do have access to these goods. Similar findings were observed for computer ownership, laptop ownership, and internet access.

The number of households owning cars has increased since the 1990s, and while until 2010, poor households were less likely to own a car, later on, the difference between poor and rich households can be attributed in part to the location of car production. Poor households are less likely to have foreign-made cars compared to rich households.

Therefore, we can conclude that the living standards of the poor are increasing, which is evidenced by an increase in their material security and reduction in the disparity between the proportion of individuals with various household appliances and electronic devices among the poor and the non-poor. However, the issue of the quality of the resources available to the poor continues to be a concern. While they actually possess the same range of durable goods as others, there is a lack of information regarding the characteristics of their existing equipment and property, including its operational capacity, need for repair or replacement.

It is also noteworthy that changes in the material well-being of the poor have a "catch-up" effect: for example, more affluent segments of the population increased their resources by the same or greater amount in the early 2000s, whereas the poor saw an increase in resources in the period between 2010 and 2013. This can be attributed to an increase in access to various devices that allowed the poor to gain access to these resources.

The costs of paid services also differ slightly between the two groups: the poor spend less on tickets for theaters, movies, and medical services compared to the non-poor. However, even in these areas, the gap is relatively small. Overall, expenses that could be classified as investments in human capital are less common among the poor, with the exception of children's education.

Poor and non-poor individuals have different perceptions regarding their current life circumstances and future expectations at the time of the survey. The poor tend to rate their current situations more negatively. While in the 1990s, the poor displayed a greater level of pessimism regarding the future, recent years have seen an increase in their positive assessments.

Despite the significant increase in living standards for both the poor and the non-poor, over half of the population continues to express concern that they will be unable to provide for their basic needs in the next year, with this issue being particularly acute among the poor.

Summarizing the findings, it is noteworthy that over the last 30 years, there has been an increase in the standard of living for the general population and, in particular, for the poor. Today, there is less difference between the poor and their fellow citizens in terms of property ownership and access to durable goods. Although the standard of living among the poor remains noticeably lower, they continue to be a vulnerable segment of the population. This is evidenced by their limited ability to accumulate wealth and their heightened fear of potential negative changes in their well-being.

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