

The Analysis of Russian Population Incomes for 2012-2015

¹Aigul A. Vasilova, ²Askar N. Mustafin, ³Aleksandr V. Morozov

^{1,2}Kazan Federal University, Institute of Management, Economics and Finance, Assistant Lecturer of the Department of the Economic Theory, ³Kazan National Research Technological University, Candidate of Economic Sciences, Associate Professor of the Department of the Economy,

Email: [*mustafin.ksu@yandex.ru](mailto:mustafin.ksu@yandex.ru), sneg1221@mail.ru

Received: 15th December 2017, Accepted: 20th December 2017, Published: 31st December 2017

Abstract

Population incomes and their structural indicators are one of the most important criteria of the state welfare. Dynamic changes analysis of the population incomes clearly demonstrates how efficiently the economy functions. The ignorance of certain trends emergence in the economy is meaningless, because they define the direction of the state's economic policy. In the study, the team of authors analyzed statistics for the period 2012-2015. Such indicators as the level of income of the Russian Federation population, the structure of the income use, the main sources of income, and the degree of income differentiation were considered. It was revealed, that for the period 2012-2015, the real income of Russians decreased, while nominal income changed in ascending order. Such fluctuations were connected with an outpacing increase in inflation. There is a decline in yield from entrepreneurial activity among the main sources of income of the Russian Federation population. In the structure of the income use, there is a significant distortion towards saving in 2015, that is due to the unstable economic situation in the country. Although this figure still makes up a small part of the total share. Also, using the Gini coefficient, the degree of differentiation of the population incomes was calculated. The results of the calculations showed, that the income differences of Russian citizens were very significant. This article is a representation of the real state of incomes of Russian citizens in 2012-2015, based on official statistics.

Keywords: Income, Poverty Level, Cost of Living, Gini Coefficient, Income Differentiation.

Introduction

Monitoring the level of citizens income, their structure, as well as the calculation of the degree of income differentiation of various population groups, allows the state to determine the direction of social and economic policy. Depending on the trends,

defined in this or that indicator, certain tasks are put, designed to solve the problems that have arisen.

This article considers the income level of Russians for the period 2012-2015. In the research, the authors raised the following questions:

1. What is the real state of incomes of Russian citizens?
2. Is the degree of income differentiation high in Russia?
3. What measures can the government of the Russian Federation take to improve the economic situation of the Russian population?

The article considers such indicators as the level of poverty and the minimum level of subsistence in Russia. The analysis of these indicators and the consideration of objective reasons for the high level of poverty in the country allow the authors to provide the overview and to give a piece of their mind.

The data, collected during the study, will help to answer the questions of how the basic structural indicators of Russians incomes have changed for the period 2012-2015; what is the socio-economic status of the average citizen of the Russian Federation; and what gaps need to be filled in by the government to create conditions for the economic well-being of Russians.

Methods

The methodology of the study is represented by the following methods: the method of system analysis, the method of comparative macroeconomic analysis, induction, deduction.

Results

In order to demonstrate visually the dynamics of changes in the size of average income and inflation in Russia in 2012-2015, we drew up the following table [1].

Table 1. Money Incomes Per Capita and Annual Inflation for the Period 2012-2015.

	2012	2013	2014	2015
Average income level per capita of the Russian Federation, in rubles/ month	23221	25928	27 767	30 474
Annual inflation rate, in %	6,58	6,45	11,36	12,91

Based on the data presented in Table 1, money incomes per capita increased by 7.253 rubles per month, during the period 2012-2015. At the same time, the real money incomes of the population for 2013 were 104% of the earlier year indicator, for 2014 - 99.3% of the indicator for 2013, in 2015 - 96.0% of the indicator for 2014. This is due, above all, the increase in consumer prices. The annual inflation rates for the period 2012-2015 are also presented in the table.

So, in 2014-2015, there was a significant increase in the level of inflation. Such values of inflation in Russia had not been observed since the crisis of 2008. The main reason was the devaluation of the ruble, which had sharply increased from the end of 2014 and continued in 2015. It should be noted, that this trend was gradually declining in 2016.

Next, the structure of the income use of the Russian Federation is considered. Data are presented in Table 2 [2].

Table 2. The Structure of Money Incomes of the Population during 2012-2015 in Percentage

	2012	2013	2014	2015
Salary	65.1	65.3	65.8	66.0
Social payments	18.4	18.6	18.0	18.1
Incomes from business activities	9.4	8.6	8.4	7.3
Incomes from property	5.1	5.5	5.8	6.6
Other incomes	2.0	2.0	2.0	2.0

In the structure of money incomes of the population for 2012-2015, there is an increase in the share of property income from 5.1% to 6.6%. This may be due to an increase in the bank deposit rates. The increase in deposit yields was driven by a rise in deposit rates of banks in early 2015, triggered by an increase in the Central Bank's key interest to 17% in December 2014. However, due to a gradual decrease in the Central Bank's key interest in 2015 (from 17% in January to 11% in July 2015), to date, there has been a drop in bank deposit rates.

In the structure of the income of any country, a special role is played by the income from business activity. Kop (2012) considered entrepreneurship as the process of concentrating some unique resources to create new value [3]. For the current period, the share of income from entrepreneurial activity has decreased from 9.4% to 7.3%. This change was due to the reduction of state support amid the difficult economic situation in the country. According to forecasts, the volume of state support will continue to decline. The impact was mainly on small businesses. The greatest contribution to economic

efficiency by small firms is dynamic and evolutionary in nature: small firms serve as the agents of change [4].

Small and medium-sized enterprises in developed countries form the maximum number of new jobs. It is in small and medium-sized businesses, that the overwhelming majority of the able-bodied population is employed. Therefore, it is so important, that the state creates favorable conditions for its development.

The governments in the world are encouraging entrepreneurship in recent years, and the research on entrepreneurship has become a critical study with the fastest growth among the studies on enterprises in the world [5]. The contribution of small and medium-sized businesses to GDP in most developed countries is 50-60% (in the EU countries - 57.8%). In Russia, the contribution of SMEs to GDP is only 21%.

In Russia, the representatives of small and medium-sized businesses face a number of barriers, such as: high taxation, financial constraints, connected with

attracting investments for further business development, lack of concessional lending, high administrative burden, etc. These factors contribute to the withdrawal of enterprises from the market in result of bankruptcy or high costs. Moreover, the enterprise either ends its activity completely, or goes underground.

Consistently with this view, Johnson et al. (1998) and Friedman et al. (2000) find that institutional traits (for instance, the extent of corruption or the strength of the rule of law) explain most of the cross-country variation of the available informality measures [6].

What actions can the government of the Russian Federation take to ensure relatively easy access of a potential entrepreneur to the industry?

- 1) Provision of SME (small and medium-sized enterprises) representative offices with preferential loans.
- 2) Developing the practice of implementing guarantee programs, which provide entrepreneurs with investment and start-up capital.

3) Reducing the tax burden in relation to small and medium-sized businesses. Exemption from taxes during the biennial business development.

Such sources of income as salary and social payments for the period 2012-2015 had not significant changes.

Next, the poverty level and the minimum level of subsistence is considered. A more fundamental issue is whether the number of people, suffering consumption (or income) deprivation, is the right yardstick. It is widely agreed, that other dimensions of poverty are more important, than income poverty, particularly deprivations in health, education, and democratic rights [7].

Figure 1 contains data on the amount of the minimum living wage per capita, as a whole for the Russian Federation.

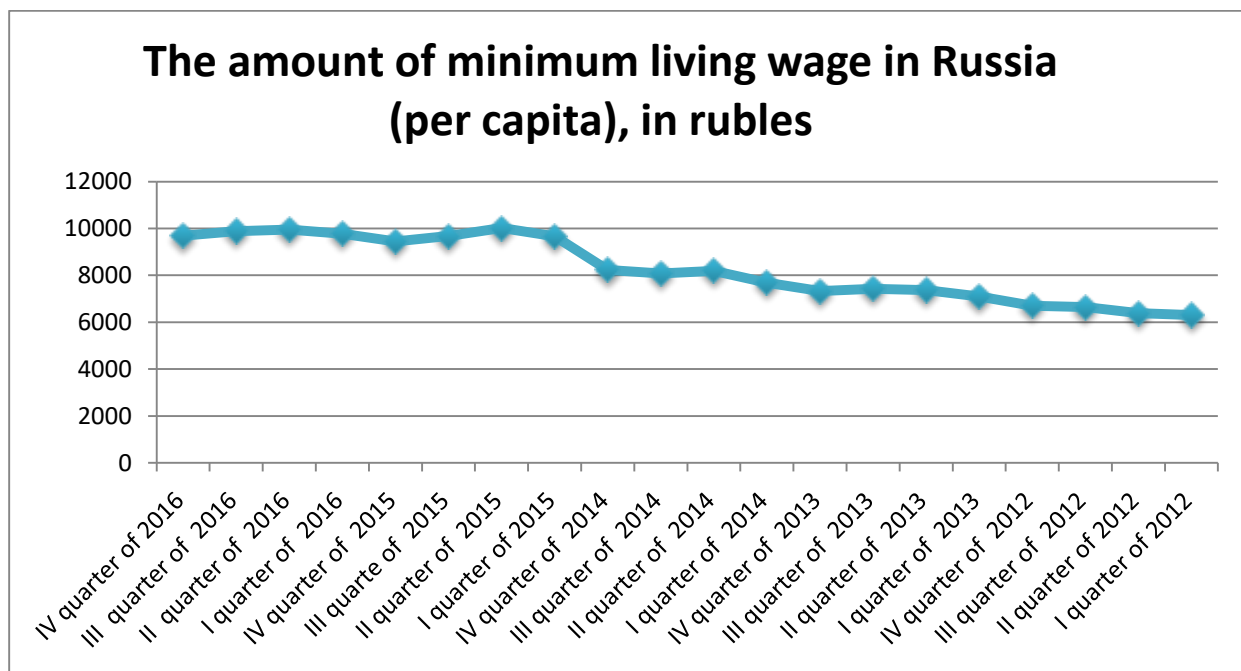


Figure 1. The Amount of Minimum Living Wage in Russia (Per Capita), in Rubles

It is logical, that during 4 years, the size of the minimum living wage increased due to inflationary processes. Sharp deviations in the dynamics of this value are not observed, the changes are within the norm.

The number of population with money incomes below the minimum level of subsistence in 2013 was

15.4 million, and from 2014 to 2015, it have increased from 16.1 to 19.5 million people (in percent of the total population - from 11.2% to 13.3%). The reasons for such changes are the increase in the minimum living wage and the increase in consumer prices.

The main socio-economic problem in Russia is a significant proportion of the population, whose incomes do not reach the average income in Russia. What are the underlying causes of this problem?

First of all, it is a low level of wages. Taking into account, that wages are the main source of income for the majority of Russians, and they are two thirds of the total income structure of the entire population, it is quite natural, that the situation in the labor market has a dominant influence on the extent of poverty in Russia.

Secondly, it is corruption. The corruption leads to the following consequences:

- 1) increasing the costs of economic entities; as a result of this, the costs are shifted to the consumers through higher prices and tariffs;
- 2) stimulation the development of underground economy, which reduces revenues to the budget and deprives the government of management levers;

3) support of the high social differentiation and high social tension.

And, finally, thirdly, the rightlessness position of small and medium-sized businesses. As mentioned previously, it is small and medium-sized enterprises, that form a huge number of new jobs.

The government needs to develop a set of measures to overcome the current situation. The three elements of a proposed strategy for attacking poverty are: (i) broad-based and sustainable growth, (ii) targeted interventions to improve the situation in the deepest pockets of poverty, which may not receive much benefit from economic growth, and (iii) improvement in the redistributive social policies [8].

Next, we turn to the structure analysis of the use of money income in Russia, during 2012-2015 [9].

Table 3. The Structure of the Use of Cash Income during 2012-2015 in Percentage

	2013	2014	2015
Purchase of goods and payment for services	74.0	75.0	73.2
Savings	9.9	6.54	12.65
Currency purchase	4.2	5.72	4.325
Increase/decrease of currency in hands	+0.5	+0.2	-1.9

A precautionary measure for Russians in a down economy was an increase in the number of savings. The unstable situation in the segment of commercial banks makes an impact on the behavior of a potential investor. The same situation is in the stock market. The population understands, that investing money in an organization will not receive immediate benefits, as their deposit will be insignificant, the payback will be long. In addition, there may be the cases of closing the enterprises or fraudulent actions of their owners.

The share of income, which the population used for purchase of goods and payment for services, almost did not change. So, there is no tendency for

immediate response to changes in income by reducing/increasing consumption. This indicates the inelasticity of demand at the macro level for the period 2013-2015.

There is also a negative dynamics, regarding the increase of currency in hands.

Consider the level of differentiation in incomes of Russians. Accurate and precise measurement of income inequality is a crucial problem for policy makers to formulate effective strategies for social welfare [10].

The values of the Gini coefficient in Russia during 2012 -2015 are presented in Figure 2 [1].

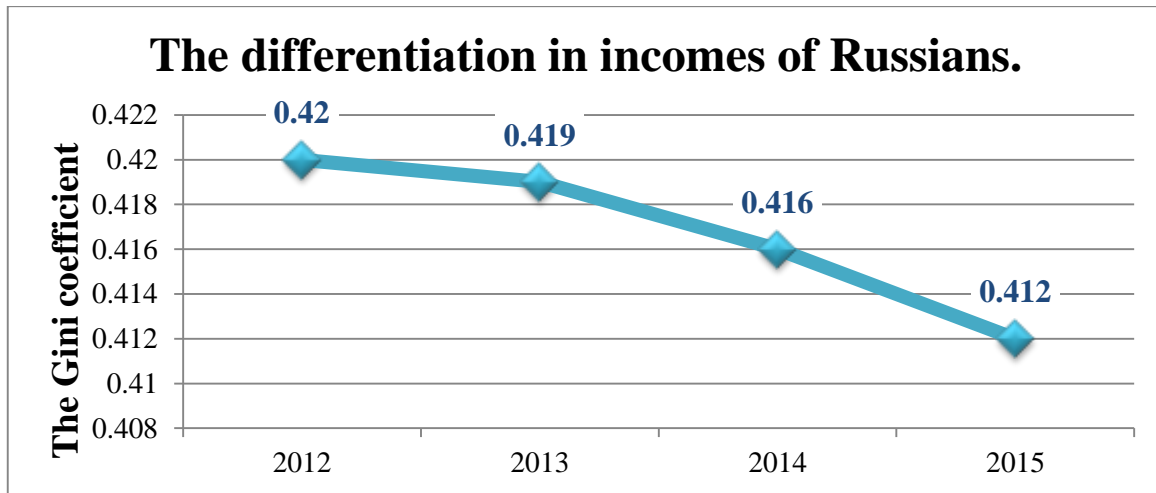


Figure 2. The Differentiation in Incomes of Russians (The Gini Coefficient).

During 2012-2015, the Gini coefficient decreased from 0.420 to 0.412. This indicates a gradual, but insignificant, decrease in the degree of differentiation in the incomes of Russians.

It is very difficult to judge the degree of differentiation in the incomes of the population. Changes in income inequality could decrease or increase product prices and demand for quality, depending on how the quantity and quality in different consumption categories change with income inequality. Hence the net effect from rising income inequality is unclear [11].

In order to have some idea about the values of this coefficient, we give the values of the Gini coefficient in some developed countries: in Germany – 0.28, in Denmark – 0.25, in the USA – 0.41. For developing countries this coefficient is about 0.60. It should also be noted, that according to the estimation of the New Economic School specialists, the incomes differentiation of Russians is much higher than 0.41-0.42. In some regions of the country, this coefficient is comparable with the coefficients of South Africa, Brazil (0.61).

The change in the position of the Lorenz curve and, accordingly, the value of the Gini coefficient is influenced by the redistribution of income, that is, in the process of tax collection and payment of transfers. In the United States, the relative equalization of incomes is performed through large-scale social programs and progressive taxation. A huge expenditure part of the state budget is determined by the costs of social support. Programs like SNAP (food stamps), the EITC and CTC, and Medicaid support millions of low-income working families and help to promote work [12]. But «conventional cash transfer programs thus implicitly make an intertemporal tradeoff between the well-being of the poor today versus their well-being in the future» [13].

Perhaps, this experience should be adopted, but with some adjustments. And all the conditions for achieving the greatest possible "equalization" of Russians in terms of their income should be created.

An important part of poverty reduction strategy is the development of human capital stock, through the education and skill [14]. At the meso- and micro levels of the economy, human capital is considered as a necessary production resource, the quality and quantity of which depend on the effectiveness of management systems [15]. Raising the level of the well-being of the population is possible only if the state pays attention to the development of human capital in the country.

Deductions

Based on the results of the investigation, we defined the main problems, affecting the formation of Russians income:

- 1) The devaluation of the ruble and relatively high inflation rates had a significant impact on the change in real population incomes, as a result of which the latter declined.
- 2) There is a negative dynamics in the social and economic situation of the Russian Federation population: the number of people with incomes below the national average continues to grow rapidly.
- 3) The indicators of the main sources of Russians income are relatively stable.
- 4) An increase in the share of savings was observed in the structure of the income use, during 2013-2015.
- 5) Differentiation of incomes of the Russian Federation population is significant.

Conclusion

The problems of this research will not lose its relevance as long as humanity will carry out its activities through specific intermediary, called "money." One of the most important indicators of

national wealth is the object of the research – the income of the population.

In the framework of this study, the income of the Russian Federation population was analyzed. In the course of the work, a number of trends were identified, which are appropriate to Russia, and determining the specifics of the formation and the income structure of Russians.

In addition to statistical data and their analysis, the article also presents recommendations and solutions for the main social and economic problems of Russia, directly related to the incomes of its citizens.

The identified problems were investigated from the point of view of determination and continuity that allowed to consider their solution more objectively and rationally.

It is also important to note, that the article recognizes the need for the practice of exchanging the experience of Russia with the advanced countries, the movement along the already laid and stable functioning economic and social ways of development. The reliance on the international experience, taking into account certain features of the Russian economy, will help to avoid protracted crises and unfavorable circumstances.

Acknowledgements

The work is performed according to the Russian Government Program of Competitive Growth of Kazan Federal University.

References

1. Federal State Statistics Service, companies [Electronic resource]. Available at: <http://www.gks.ru>
2. RUSSIAN ECONOMY in 2015, trends and prospects, companies [Electronic resource]. Available at: <http://www.iep.ru/files/text/trends/2015/05.pdf>
3. Kop, R. (2012). The unexpected connection: Serendipity and human mediation in networked learning. *Educational Technology & Society*, 15(2), 2-11.
4. Audretsch, D. The dynamic role of small firms: evidence from the U.S. (2001)// World bank. Wash., pp. 1-10.
5. Fang, X. & An, L. (2017). A study of effects of entrepreneurial passion and risk appetite on entrepreneurial performance. *Revista de Cercetari si Interventie Sociala*, Volume 56, Issue MARCH, March 2017, Pp. 102-113.
6. Diego Winkelried. *Income Distribution and the Size of the Informal Sector*; St John's College, University of Cambridge (2005)// SSRN Electronic Journal, pp. 1-26.
7. Deaton, Angus S. *Counting the World's Poor: Problems and Possible Solutions* (2001)// World Bank Research Observer, vol.16, issue 2, pp. 1-147.
8. Kakwani, N., Sajaia, Z. *Poverty line in Russia: issues, methodology and recommendations* (2003)// World Bank, Washington. *Poverty Reduction and Economic Management Unit Europe and Central Asia Region*, p. 194.
9. ECONOMIC CRISIS – SOCIAL MEASUREMENT, companies [Electronic resource]. Available at: <http://economytimes.ru/sites/default/files/2015-SM.pdf>
10. Muhammad Shakeel, Ijaz Hussain, Mian Muhammad Arif, Muhammad Ameen and Muhammad Ahsan ul haq (2015): Parametric modeling of household income distribution in the punjab, pakistan// *Sci. Int. (Lahore)*, 27(5), pp. 4161-4170.
11. Lisandra Flach, Eckhard Janeba. *Income inequality and export prices across countries* (2015) // *Canadian Journal of Economics*, 50(1), pp. 162-200.
12. Arloc Sherman, Danilo Trisi, Sharon Parrot. *Various Supports for Low-Income Families Reduce Poverty and Have Long-Term Positive Effects On Families and Children*. (2013) // 820 First Street NE, Suite 510 Washington, DC 20002, pp. 1-19.
13. Munenobu Ikegami, Michael R. Carter, Christopher B. Barrett, Sarah A. Janzen. *Poverty traps and the social protection paradox* (2016)// NBER Working Paper No. 22714, pp. 2-32.
14. Nadeem Iqbal and Muhammad Ramzan Akhtar. *Statistical evaluation, measuring and managing poverty in rural* (2015) // *Pakistan Journal of Statistics*, Vol. 31(6), pp. 709-716.
15. Mustafin, A.N, Ignateva, O.A., *Formation of the human capital assessment quality model at the present stage of development of innovative economy*// *Academy of Strategic Management Journal*. - 2016. - Vol.15, Is. Special Issue 1. - Pp. 27-37.