

Country Highlights

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Innocenti Social Monitor 2006 Understanding Child Poverty in South-Eastern Europe and the Commonwealth of Independent States

Focus on child poverty in *Russia*

Highlights:

- **Low birth rates leading to demographic imbalances**
- **Child poverty concentrated in the poorest regions and in large families**
- **Regional disparities in child income poverty reinforced by similar patterns of disparities in the quality of public services**
- **New benefit for mothers having second child to be introduced in 2007**

Russian policy makers draw attention to the implications of the country's demographic trends.

Russia is facing a demographic crisis, characterized by a rapidly aging population structure and growing dependency ratios. In his 2006 “state of the nation” address, President Putin acknowledged that reversing the current demographic trends represents one of the key challenges for Russia’s future socio-economic development.

Between 1992 and 2004, the total population declined from 148.5 million people to 143.8 million, and the rate of decline has been accelerating since 2000. Two factors have driven this demographic decline: firstly a decrease in the birth rate, and secondly the increase in adult mortality (in particular for mid-age males).

As consequence of the falling birth rates, the decline in the child population has been particularly steep: the number of children aged 0-17 years decreased by 28 per cent, from circa 40 million in 1992 to 29.6 million in 2004. The number of children aged 0-4 years decreased by 40 per cent over the same period. By 2004 children represented slightly more than one fifth of the total population (although with large variations at the sub-national levels), compared with circa 27 per cent at the beginning of the 1990s.

A key factor behind the falling fertility levels has been the economic difficulties faced by families with children. Having a second – and particularly a third - child significantly increases the risk of a household living in poverty. President Putin has announced that new forms of support will be provided to mothers having more than one child.

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Natural resource exports have boosted economic growth but also fuelled regional inequalities

Russia is one of the richest and fastest growing countries in the region, with a GDP per capita of circa PPP \$10,000 in 2004 (circa US\$ 4,100 at the market exchange rate), and an average annual growth rate of circa 7 per cent over the period 1998-2004. Since the 1998 financial crisis, followed by the devaluation of the ruble, economic growth has been boosted by exports of natural resources and more recently by the spiraling increases in international oil prices. That has made growth uneven across sectors and regions: economic sectors have had varying rates of recovery, and the benefits of growth have not been felt to the same extent across all regions of the country. This has implications regarding inequalities in the “growth dividend” across the country.

Child Income Poverty: families with 3 or more children and families with children in rural areas and in the poorest regions face a high poverty risk

According to a World Bank (2005a) study, more than 20 per cent of the country’s population was living in extreme poverty in 1999 (on less than PPP \$ 2.15 a day). In the subsequent period of rapid economic growth, poverty rates gradually decreased to 9 per cent in 2002. By 2002, the child poverty rate (for children aged 0-15 years) was half of its 1999 level, i.e. it had fallen from 26 per cent to 13 per cent.

Despite the notable decrease in the child poverty rates, between 3 and 3.5 million of children were still living in extreme poverty in Russia in 2002.

There is growing evidence of disparities in child income poverty, between urban and rural areas, and between different regions of the country. Disparities can also be seen between families with one child and families with more than one child as well as nuclear and non-nuclear families.

Data on household consumption from the 2003 *National Survey on Household Welfare and Social Program Participation* (NOBUS survey) point to stark regional and urban/rural disparities in child poverty rates: the Far East Federal District had a child poverty rate which was three times higher than that for the Northwest Federal District.

Big cities (in particular St Petersburg) reported the lowest child poverty rates in the whole country, while rural areas had the highest poverty rates: averaging 27 per cent, compared with an average of 12 per cent in urban areas.

Circa 10 per cent of children live in large households (households containing 3 or more children), and this type of household has a poverty risk which is much higher than the average, in both urban and in rural areas. Poverty rates for this type of household have also declined at a much slower rate than those for other households in the 1998 to 2002 period.

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Slightly less than 30 per cent of Russian children live in families where at least one of the parents is absent: these children have a higher risk of income poverty than children living in households where both parents are present. The main reasons for absence of one parent are divorce/separation, and death of the father.

Reductions in income poverty have not yet been matched by parallel improvements in other indicators of child well being.

Non-income indicators of child well being confirm that disadvantage is more likely to be experienced by children in rural areas, in certain regions, and by children in large families and also that improvements have been uneven across the country.

Health: Russia had a under-5 mortality rate of 21 per thousand live births in 2003, a level similar to that of Albania, which has a per capita GDP per capita which about half that of Russia. Since the 1990s there has been practically no improvement in child mortality rates, and the World Bank (2005b) predicts that Russia is unlikely to achieve the MDG 4 goal of reducing child mortality by two-thirds between 1990 and 2015.

As with child income poverty, there are large differentials in infant mortality rates by region (oblast) with disparities increasing over time.

Of particular concern is also the high level of mortality among youth which is more than double of that registered in most of the countries of the region.

Education: Preschool enrolment has been maintained at high levels but has not reached the pre-transition coverage (69 per cent of children aged 3-6 were attending pre-schools in 2004 compared with 73 per cent in 1989). School enrolment rates for compulsory as well as upper secondary levels have been maintained at high levels. While differences in school attendance between rural and urban areas are slight, families with 3 or more children are less likely to send their children to upper secondary levels. Some concerns exist about increasing inequalities in the quality of education offered at schools, partly due to declines in, and decentralization of funding.

Housing: Housing deprivation – defined as overcrowded living conditions (less than 6 square meters per person), use of dirty fuels for heating, and lack of a water connection – is more common among children in rural areas and large families. While circa 20 per cent of children in urban areas suffer from some form of housing deprivation, the figure for low income urban households is almost 40, and for large households, 50 per cent. In rural areas, 58 per cent of children suffer from some form of deprivation, compared to circa 80 per cent living in low income households, and a similar proportion living in large households.

Children living in public care: alternatives being (slowly) developed, but numbers in institutions and being abandoned still high

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In spite of growing awareness of the adverse psychological and developmental effects of institutionalization, the share of children living in public care continued to rise from 1.2 per cent in 1998 to 1.4 in 2004. At the same time the share of children in foster care increased from 0.85 per cent to 1.2 per cent, indicating positive efforts by the government to promote alternatives to institutional care, but also suggesting continuing high rates of abandonment of children by their parents.

Public expenditure on health and education, and on income support to families with children

Levels of government spending in social services as a per cent of GDP are not low if compared with countries at similar level of GDP, but suffer by the fragmentation of the current public financing and delivery systems which contributes to inequalities in the coverage and the quality of public service in different oblasts.

The public expenditure on health was 3.9 per cent of GDP in 2004. The share of private expenditure in total health expenditure is still very high, at circa 41 per cent in 2003 and according to survey results, about one person in five who did not seek medical help when needed stated that the reason was the unaffordability of the services, while in rural Russia the main reason was the non-availability of a medical specialist in the area.

In education, there is evidence that decentralization has led to an increase in inequalities between oblasts in teaching quality and, as consequence, in students' learning achievements. In 2001, over 60 per cent of the educational budget was funded from municipal budgets, 19 from regional budgets and 18 from the central budget. Expansion of privately financed education has contributed to growing inequalities in the access and quality of education.

Expenditure on social assistance as a share of total public expenditure increased in 2001-2003 to 25 per cent compared to 18 per cent in the 1996-1998 period. According to the NOBUS survey data, in 2003 slightly less than four children in five were living in households receiving some kind of social security benefit, while about a third of children were living in households which receive pension payments. The main cash assistance program is means-tested, and benefits are distributed to households with income below the regional minimum subsistence level. Survey data show that the impact of the benefit in poverty reduction in 2003 was very limited, and that there were disparities in the targeting efficiency achieved across regions.

In May President Putin announced the government's intention to pay women a benefit of at least 250,000 rubles following the birth of a second child, and he has since stated that these benefits are to be tax exempt. The benefit is to be paid three years after the birth of the second child, and payouts are scheduled to start by 2010.

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