

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of economics



Diploma Thesis

The standards of living in Russia

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

BACHELOR THESIS ASSIGNMENT

Violetta Rudamanova

Economics Policy and Administration
Business Administration

Thesis title

The standards of living in Russia

Objectives of thesis

The aim of the bachelor thesis is to evaluate the standards of living in Russia.

The main aim will be concretized by partial aims:

- to analyse chosen indicators of standards of living
- to describe the different situation of Russian's regions

Methodology

This thesis will be divided into three parts.

The first part is a theoretical one and will be based on literature search. It will define the current state of knowledge in the field of standards of living.

The second part will rely on the theoretical part and it is the key component of the thesis. The author will use method of quantitative research such as statistical and mathematical methods. The researcher will use secondary sources of data from the statistical office and other databases.

The final part will conclude the results of the previous parts and discuss it with another author. The most important part will consist of partial conclusions, outcome, and findings.

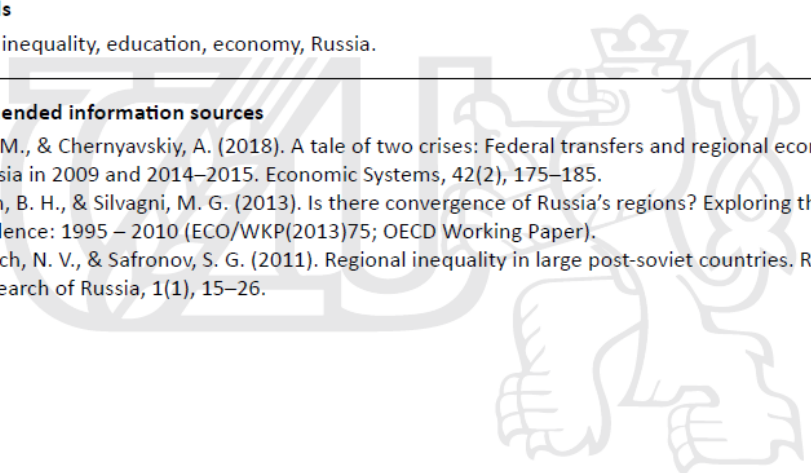
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Regions, inequality, education, economy, Russia.

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- Alexeev, M., & Chernyavskiy, A. (2018). A tale of two crises: Federal transfers and regional economies in Russia in 2009 and 2014–2015. *Economic Systems*, 42(2), 175–185.
- Lehmann, B. H., & Silvagni, M. G. (2013). Is there convergence of Russia's regions? Exploring the empirical evidence: 1995 – 2010 (ECO/WKP(2013)75; OECD Working Paper).
- Zubarevich, N. V., & Safronov, S. G. (2011). Regional inequality in large post-soviet countries. *Regional Research of Russia*, 1(1), 15–26.
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Declaration

I declare that I have worked on my diploma thesis titled "The standards of living in Russia" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the diploma thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on 12.03.21

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The standards of living in Russia.

Abstract

The components of the standard of living are being investigated. First part of the thesis is bibliographical research that evaluate all components of living standard. Analysis of individual components show the level of living standard more deeply. All these measurements show the current economic situation in Russian Federation. A correlation was made between two variables of living standard. Based on information from the past years, a prediction for average salary is made for 2021. The standard of living influence on quality of life and well-being of population, due to this fact the evaluation of this thesis is essentially. The results of evaluation are analysed in this work.

Keywords: living standard statistics, regional inequality, poverty, income and expenses, household savings, unemployment, quality of life, living wage.

Životní úroveň v Rusku

Abstrakt

V bakalářské práci je analyzována životní úroveň a její složky v Rusku. Nejprve byla zpracována literární rešerše, která se zabývá složkami životní úrovně. Následně byla provedena analýza aktuální ekonomické situace v Ruské federaci. S využitím analýzy jednotlivých složek bylo možné lépe pochopit životní úroveň. Jedním z použitých nástrojů byla korelace mezi dvěma proměnnými, které se používají k hodnocení životní úrovně. Na základě informací z minulých let byla vytvořena predikce průměrného platu pro rok 2021. Výsledkem práce je zhodnocení vlivu životní úrovně na kvalitu života a pohodu populace.

Klíčová slova: statistiky životní úrovně, regionální nerovnost, chudoba, příjmy a výdaje, úspory domácností, nezaměstnanost, kvalita života, životní minimum.

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1 Introduction

The aim of my topic «The standards of living in Russia» is to explore standards of living in my homeland and show why this degree of wealth is essential for developing economics. Also, based on data for previous years, I will make predictions for the year 2021. I have chosen Russia, as now I am living abroad and can see how different the situation in other countries is. I want to do research and base on it to highlight weak points of the components living standard.

First of all, my work will be helpful for studying and analysing Russian economics. The theme of my bachelor thesis is directly connected with the welfare of the population in Russia. At the same time, this research is worth doing because developing countries need to improve their standard of living, and mostly they have similar problems. Also, Russia is the biggest country in the world and its regions have different issues regarding living standards. I think it is a good example as it will touch different strata of the population.

According to the Cambridge Dictionary «the standard of living is the amount of money and comfort people have in a particular society». This level of wealth is different in different countries. The standard of living is formed from several factors. The main ones are incomes, expenses and savings of the population; living wage; poverty level; household and so on. Based on the official data of the Federal State Statistics Service, I will analyse the data that will be carried out in my work. At the same time, the studies will be formed on the rating indicators of the human development index in the Russian Federation adopted by the UN as the basis for the classification of economic well-being of various countries of the world.

2 Objectives and Methodology

2.1 Objectives

The **main aim of this bachelor thesis is to evaluate the standards of living in Russia**. The main aim will be fulfilled by the partial aims.

First partial aim is to conduct literature review. Part of the literature review will be dedicated to the current situation how COVID-19 impact the current standards of living in the Russian Federation.

The second aim is to analyse chosen indicator of the standards of living – income.

2.2 Methodology

This bachelor thesis is divided into three parts. The first part is theoretical one and it is literature review. Methodology for this part is based on bibliographic research and it is summaries of materials relating to impact of the standard of living on Russian economy.

The second part includes own analysis. I have chosen quantitative research and I am going to show that standard of living has a great impact on business and economy of the country. The standard of living applies not only to the economic part, but also to the social sphere. After all, the quality of life is the most important social category, which characterises the structure of human needs and the possibility of their satisfaction (Andreevna, 2017). Considering the quality of life of the population, an associative approach to the phenomenon connected with the crisis should be carried out, being the main goal of the country's socio-economic development. The second part of thesis also includes discussion with other authors.

The practical part includes exploration the components of living standards and comparison the situation in Russia and it's regions. I will use linear regression, due to creation the Seasonality and Trend Forecast to predict the average salary for 2021 year. Between income and expenses of Russian population I will make correlation analysis. After this correlation I will show vertical and horizontal analysis of income and expenses.

At the end I will summarise data and make a conclusion based on researches.

3 Literature Review

3.1 Components of the standard of living

In the Russian economy (however, like in all countries), there are some weak points which have to be solved. Some of them are reasons why Russia is still developing and not a developed country. I want to highlight one of the most important issues and show the significance of the standard of living for the Russian economy. The term "**standard of living**" was introduced by the UN in 1961. There are many definitions of living standards. The common one is as follows – The standard of living is the number of goods and services available to purchase in a country. At the same time, Podovalova and Abacumova claim, that – “The standard of living is the degree of satisfaction of the physical, spiritual and social needs of people, the provision of the population with consumer goods” (Podovalova and Abacumova, 1999).

Another term which people get confused with the standard of living is the **quality of life**. These two terms characterise life as a whole and are determined by the economic assessment and development of the individual and society. The difference is that the quality of life is a variety of abilities and satisfied needs of an individual, social groups and society as a whole, which predetermines their development and wellbeing. The standard of living is a monetary value of the resources necessary to ensure the quality of life of an individual, social groups and society as a whole. (Bobkov and Maslovsky-Mstislavsky, 2014)

According to the Federal State Statistics Service in Russian Federation (2018), the standard of living includes these seven factors:

- Income, expenses and savings of the population.
- Social security and social assistance.
- Differentiation of incomes of the population
- Living wage.
- Poverty rate.
- Living conditions.
- Consumer expectations of the population.

1. The quality of life and the development of the productive forces of Russia can be viewed through indicators of population **income, consumption and cost of living**. Also, the living standards must be considered within the framework of a respectable existence. Income, expenses and savings of the population are essential part of the standard of living, and they are inextricably linked with the standard of living. (Sadykov, 2014)

The income of the population is the sum of money and material benefits received or produced by households over a certain period of time.

2. Services that were provided in the process of **social services** are a kind of use value and affect the well-being of people. The welfare state must protect its citizens from various social risks. According to Machulsky's definition, risk is the likelihood of material insecurity due to loss of earnings, income from work or intra-family support for economic (unemployment), physiological (old age, disability, motherhood) or demographic (large families, loss of breadwinner) reasons (Machulsky, 2000)

3. According to the **differentiation of incomes of the population**, characterised by the level of material prosperity and represents the indicators of the number (or shares) of the resident population, grouped in specified intervals by the level of per capita money income. Further perspectives and welfare depend on how this distribution will be implemented.

4. The main point of a **living wage** is that ordinary people should be able to afford a basic, but decent, life style that is considered acceptable by society at its current level of economic development. People should be able to live above the poverty level and be able to participate in social and cultural life. (Anker, 2011)

5. **Poverty rate** - high levels of poverty and economic inequality are among the social problems of modern Russian society. Social-economic initiatives of the state should be based on existing in society economic stratification. Reducing poverty leads to improved quality of life and living standards respectively. (Bogomolova and Tapilina, 2005)

6. The Russian Federation is the largest country in the world, it is really difficult to determine **living conditions** in common. However, it is essential for identifying the standard of living. The specific of living conditions is housing – opportunity to live in an appropriate place. Unfortunately, not everyone has this opportunity in Russia. A lot of people live in disrepaired buildings or live in housing which are in unfavourable conditions. (Perschina, 2015)

7. Academic research is increasingly recognising the importance of high quality data on the **expectations of economic agents**. The most economic decisions involve uncertainty and therefore must take into account not only preferences but also expectations about the future. Expectations should lead to a variety of economic decisions made by households, including savings, investment, purchases of durable goods, wage negotiations, etc. (An overview of the Survey of consumer expectations, 2017)

However, not only the factors mentioned above characterise the standard of living. Economic factors, which include the value of the national income, have a huge impact on the standard of living. The level and dynamics of labor productivity are also an important factor in the growth of GDP and national income; therefore, the standard of living changes depending on the dynamics of labor productivity. In general, all factors in one way or another depend on the total resources available in the country for consumption and accumulation, which is the most fully measured GDP. (Prokushev and Lichonin, 2008)

3.1.1 **Living standards in the regions**

To make a comprehensive study, I would like to research the difference between standards of life that change from region to region.

Russia is the largest country in the world. There are lots of people, different climate conditions, levels of infrastructure development, and even mentalities and cultures. These differences have an influence on the welfare of citizens and their standards of living.

Also, the form of government is federation, which includes 85 federal subjects. This form of government leads to the fact that regions enjoy large independence from the federal center. Thus, theoretically regions conduct their own policies. They have their own parliaments, officials, legislative systems, constitutions, and courts. However, Russian federalism is considered to be asymmetric. (Osipov, 2019) The reason for it is that federal subjects have different levels of autonomy. Despite the statement that federal subjects have equal rights and status in relations with the federal center, as the Constitution claims, there are differences in welfare.

In this way, there are grounds for thinking that standards of living differ in Russia. Until recently, there has been much research into the problem of the interconnection of the economy and welfare in Russian federal subjects. So, I overview various articles and papers.

According to the scientists' opinion, to say that the problem of some regions' living standards is worrying would be an understatement.

Although some scientists claim that geographic conditions can be considered as the root cause of regional inequality, there is another opinion that it is not just about climate and geography. If one compares the Russian Federation and other large countries with a federal structure, for example, Canada and the United States, then you can notice a big difference. In Russia, the gap between the maximum and minimum Gross regional product (GRP) per capita is much bigger than in other large states.(Zubarevich & Safronov, 2011)

Thus, geography is not the only reason for this inequality. The main reason is considered to be the fact that the most developed regions are those where there are prerequisites and successful business experience (Lehmann & Silvagni, 2013). Where business is conducted at high costs, the standard of living is lower.

Belkina (2015) thinks that there are two types of factors that form the level of regional development. First type factors are notably **natural, for instance, minerals and other resources as well as geographical position**. Factors of this type are impossible to change. On the contrary, second type factors can be developed. There are such factors as the **level of human capital development, agglomeration effect, infrastructure, institutional environment**. State authorities and civil society can change these aspects by the means of thoughtful policy. The right strategy can reduce social inequality and thereby improve the standards of living, which will attract business and ensure the growth of GRP.

To improve and develop the second type of factors, politicians and officials should create conditions for investment in human capital, modernization of infrastructure and institutions. These conditions could lay grounds for shorting the gap between federal subjects (Alexeev & Chernyavskiy, 2018).

Another way to make regional policy more effective is to compensate the first type of factors. How paradoxical this idea may seem at first glance, it is not that implausible. For instance, there are a lot of uninhabited lands or territories with unfavorable climate conditions in the Russian Federation, so the decline in taxes may become a step to attract citizens to live there.

Belkina suggests the following classification of Russian regions that seems to be elaborate. The first group of federal subjects includes **postindustrial cities** such as Moscow

and Saint Petersburg. These regions are considered as the financial center where services are highly developed and human potential is high as well. Regions of the second group are famous for their **high-tech production and chemical industry**. This group includes the Leningrad and Moscow regions, some cities of the Urals. The third group contains federal subjects where a **high economic level depends on geographic position**. For instance, port cities, resort areas such as the Murmansk region and Stavropol region. The next group includes **regions specializing in the extraction, processing, and export of raw materials**, as well as products with low added value. This group embraces the Tyumen and Sakhalin regions, the regions of the Urals and Siberia, etc. The federal subjects of the last group include **regions that are distant from central Russia**. There is poor transport accessibility, poorly developed infrastructure, a fairly low level of human capital. Eastern Siberia, the Lower Volga region, North Caucasus are supposed to be in this group. This group includes the most economically vulnerable territories. (Belkina, 2015)

3.2 Regional inequality

The study of Institute of Social-Economic Studies of DSC of the RAS gives the following definition to the problem of the regional inequality: «Over the last dozen of years in Russia, a stable tendency polarization of the level of social-economic development has been formed of, and abrupt property-based segregation and differentiation of life of the population in different regions of the country» (Akhmeduev, 2017). First of all, there is no effective policy to control the equality between regions. There are no statements in the Constitution that oblige the federal center to maintain an equal level of the region's welfare. The regional policy seems to be inefficient in Russia although there is a strategy of regional development signed by the President.

The lack of an effective mechanism and instruments of the region's welfare control has led to the fact that the inequality is not reduced, but it also gets stronger. The gross regional product (GRP) per capita in regions differs by 4 times the average for the federal districts. Polarization between the ten regions with the highest and the ten with the lowest indicators of the size of GRP per capita is 6.6 times, and polarization between the most developed and the most underdeveloped is 41 times. (Akhmeduev, 2017)

One of the main reasons for these differences in GRP from region to region is the failure of **investment policy**. The allocation of industrial zones in Russia is uneven and

irrational. Because of this, in one region there may be preconditions for economic prosperity, while in another there will be an economic disaster. Low investment activity inevitably reproduces future inequality of regions. This leads to the increasing inequality between the Russian regions. (Carluer, 2005)

The Russian economy develops by the means of resource using, this is an extensive model. This leads to the fact that investments flow to these resource-rich regions. If Russia were a truly socially-oriented state, as claimed in the Constitution, then in the first place would not be resource development, but the development of human capital and potential. Then investments would be distributed much more rationally.

Another reason for reorienting investments from resource extraction is the need to save the environment. It is hard to overestimate the importance of ecology for living standards.

I also wrote about the impact of unemployment on living standards above, but now I would like to consider the problem of unemployment in the regions. In the regions of the North Caucasus, unemployment is chronic. In 2019, the indicator was 12-13% (Zubarevich, 2019), due to the pandemic in 2020 it increased to 16.1%

In 2015 in the North Caucasus Federal District, average per capita money incomes are 32% lower than the average Russian level and by 68% than in the Central District. Differences in the average monthly nominal wages across federal districts reach 2 times. (Akhmeduev, 2017)

The number of people below the poverty line in the regions is also incredibly different. The proportion of the poor population in Russia is 13.2%, and in eight regions of the country, it ranges from 21% (Kabardino-Balkarian Republic) to 38.2% (Republic of Tyva). The republic of Kalmykia rate is 33.6%, Republic Ingushetia - 31.9%. (Akhmeduev, 2017) It is impossible to explain why in some regions a third or half of the population lives below the poverty line, given that, according to the Constitution, every person should be provided with decent living conditions. Citizens cannot develop as individuals in such conditions. This is a **vicious circle** in which a crisis economy determines the poverty of citizens, and poverty leads to the fact that they cannot develop the economy because they have no money and resources.

The poverty of the regions also manifests itself in the dependence of the budgets of the subjects. As the 2015 study shows, most regions have a **budget deficit**, which is covered by subsidies from the federal budget (Alexeev & Chernyavskiy, 2018).

The statistics are striking since 75 out of 85 subjects are dependent on the federal center. In 55 constituent entities of the Russian Federation, gratuitous receipts from the federal budget exceed the average Russian level (18.1%). Thus, a favorable situation with the budget is characteristic only for 10 regions. In some constituent entities, financing in consolidated budget revenues ranges from 55.4% in the Republic of North Ossetia-Alania to 84.8% in the Republic of Ingushetia. (Akhmeduev, 2017)

Another factor that reveals the differentiation of economic development and welfare is the **cost of consolidated budgets per capita**. The average budget expenditures per person in Russia are 64.8 thousand rubles per year. However, in 10 advanced regions this index ranges from 516 thousand rubles (that is 8 times more than the national average level) to 88.4 thousand rubles (1.4 times more than the national average). In the 10 last subjects in this index ranking, the size expenses of the consolidated budgets are lower than the national average by 1.6 times (40.4 thousand rubles) up to 2.1-times (31.5 thousand rubles). (Akhmeduev, 2017)

Thus, budgetary expenditures per capita differ from 516.0 thousand rubles in Chukotka Autonomous District up to 31.5 thousand rubles times in the Republic of Dagestan. This is a 16.4-times difference which reflects the abyss between standards of living in regions. (Akhmeduev, 2017)

As I mentioned above, health is another important indicator of well-being, which is difficult to calculate. Health, **life expectancy** also differs in Russia from subject to subject.

In addition to the mortality rate, the indicator of potentially lost years is used to calculate the level of health. This indicator is based on the number of deaths and the age of people, which gives a complete picture of losses. (Zubarevich, 2019)

Research has explored what problems the regions with the highest potential lost years rate face in Russia. It has been proven that in the regions of this group the share of the buildings equipped with water supply, sewerage, and hot water supply is lower. Also, in these regions, the comfort of climatic conditions is lower.

In addition, **transport infrastructure** is poorly developed in this group of regions. And from this problem follows another which directly affects life expectancy. In regions with poor road infrastructure, it is more difficult to obtain medical care, including an ambulance. At the same time, the health care system affects the health of the population. This influence is estimated at 10-30% (Boytsov S, Samorodskaya I, and others, year 2017). Moreover, in such regions, people drink more alcohol and suffer from chronic advanced diseases.

3.2.1 Differences in education across regions

To make my study more coherent and versatile, I have decided to review literature that is connected with the problem of educational differentiation in Russian federal subjects.

To begin with, the population's education level is closely linked to the standards of living. Education has always been an indicator that points at a person's social standing. Only privileged people could have it for a long time in history. Unfortunately, this statement is still current in poor countries with high social inequality. In other countries, education does not point at a citizen's social status but gives an opportunity to develop human potential.

Traditionally, education and its level, availability, and quality are the elements of the potential of society. (Kulikova and Mikhailova, 2016). The interconnection between education and welfare level is quite understandable. **The higher the level of education, the higher the human potential** and the easier it is to build an effective economic system and increase the level of wealth of the population. An educated person knows his or her own rights, so a high level of education is also useful for civil society extension. Also, educated employees can use more rational materials and time resources. They also more successfully get used to technological, institutional, and social changes and innovations.

The state policy should be aimed to do nothing less than increasing the level of human capital in general, and education as its component, since this makes it possible to develop science-intensive sectors of the economy. Moreover, this step could not only increase the population's welfare and standards of living but also provide GDP growth and the development of the economy.

There is also an opinion that education can play an important role in improving the standards of living through the promotion of a healthy lifestyle. Education forms behavior

that is healthy and has advantages in the present and the future. Good health is also a factor of welfare, so they are closely connected (Novikov and Maslov, 2012).

Russian asymmetric federalism has its reflection on the educational system, and I am going to describe it. Until recently there has not been much research into this topic, but the Higher School of Economics in its paper presents persuasive arguments as to why the problem is important enough to study. (Gromov, Platonova and others, 2016). Moreover, scientists claim that ignoring interregional differences in the availability of higher education has serious risks.

Although, according to the OECD report, Russia is one of the countries with the highest rates in the number of people with higher education, there are some difficulties and challenges connected with Russian federalism and geographic conditions.

The overall rate of youth enrollment in higher education programs in Russia is 33%, but the situation in the regions varies greatly. In some subjects, for instance, Nenets Autonomous Okrug, there are no universities at all as well as in other hard-to-reach regions. On the contrary, in other subjects, for example, Kursk region, there is a highly ramified system of educational institutions and the rate of youth enrollment is almost 50%.

The authors of the research conclude that due to the different provision of universities, there is different accessibility of education.

The next aspect illustrating the inequality is **affordability of education**. It has already been mentioned that the problem of falling incomes of the population is noticeable in Russia. This fact provides the basis for thinking that students from different regions have various opportunities to afford education.

According to the Higher School of Economics research, the lowest level of financial education opportunities in the Republic of Dagestan, Republic of Ingushetia, and the Chechen Republic. There is a great gap between these regions and the leaders of the rank such as Saint Petersburg and the Amur region. Their affordability indicators are 4 times different that cannot be worrying. (Gromov, Platonova and others, 2016)

The difference between financial abilities in Russian regions was described. It was revealed that in many regions there is a poor correlation between incomes and the cost of tuition as well as campus living and other expenses. Such factors lay the sound foundations

for moving to more developed and favorable regions. Those who cannot afford to move are forced to change their learning trajectory. In this case, they either refuse higher education or choose a form of study that can be combined with work. Thus, quite often students leave their regions. This fact confirms the **uneven distribution of the educated population across the country**. Moreover, students often do not return to the regions from which they arrived. This is connected, first of all, with a shortage, and sometimes with an almost complete absence of modern urban infrastructures, low transport accessibility, poor environmental conditions, low wages, and a low level of social services in their hometowns. This leads to serious consequences. For instance, it can be overpopulation in some regions and population decline in others that makes a difference in standards of living.

The size of the Russian Federation also affects the transport accessibility of education. This factor is difficult to overestimate taking into account the educational system of the largest country in the world.

Scientists have measured the average distance to universities in the regions. It is 107 kilometers. In the most easily accessible region, this distance is equal to 8 kilometers. In the most difficult to access region the distance is 474 kilometers. Thus, inequality between regions in the availability of education is evident. (Gromov, Platonova and others, 2016)

According to this data, it can be concluded that in terms of transport access to education and affordability, there is a large gap between the Russian federal subjects. In this way, there is a significant difference between regions in the extension of the educational net as well as in the quality of the educational services. It is important to mark that among the regions with this indicator mostly restricted, there are not only sparsely populated regions, but also quite large and populous territories what makes things worse.

Also, financial capabilities in regions vary greatly. Lack of financial support, poorly developed infrastructure of universities, the high cost of education, and the limited number of state-funded places limit the opportunities for access to higher education for those students who come from low-income families. Underestimation of the factor of financial availability has significant risks. If getting higher education depends on the level of income, it can lead to the marginalization of population groups and the degradation of territories. Territorial inequality and low population mobility worsen the situation.

In this way, education level has a strong connection with standards of living, and it is obvious that the inequality of Russian federal subjects influences these aspects. Inequality in access to education leads to the migration of people to more promising regions. Another consequence is that some who cannot afford to move are forced to give up higher education, which makes them less socially protected and vulnerable to economic risks.

As Belkina thinks “The development of the system and the quality of education is the key to solving many problems of the Russian Federation, including regional ones”. (Belkina, 2015) The development of the education system and the educational level of the nation is the top priority for the Russian Federation. This strategy will help to solve the main Russian problems such as to reach a new influence level in international relations, raise the level of welfare of the population, increase employment and accelerate the growth of the national economy.

On the basis of the review, it can be concluded that there is a significant welfare inequality among Russian federal subjects. There is still not enough awareness of this major problem, because the Russian government has not introduced laws that would regulate the instruments and mechanisms of economic relations between the federal center and the subjects. There is no controlling system for the territorial distribution of economic forces. The government does not level the socio-economic development of regions and does not control the standards and quality of citizens’ life. Also, the unfair principle of territorial distribution of production has become the reason for the polarization and sharp stratification of the population. Investments continue to be made in a resource economy that deepens existing inequalities between regions.

Some federal subjects suffer from undeveloped infrastructure, poor medicine, and other vital aspects which are hardly provided. It reflects on people’s welfare, bad habits, and life duration.

The nowadays conditions for the imbalance of welfare in the regions can threaten national security and integrity. There is a likelihood that poor regions will separate because there is increasing discontent and growing calls against this inequality. Therefore, solving this problem should be the top priority problem for the government. Legislation related to this issue, investment and economic policies should be changed.

The issue of balanced development of regions can be resolved only by the power of the state. Private initiatives under the existing order of things will not be able to solve the assigned tasks, the market will not be able to settle.

3.3 Impact of COVID-19 on living standards

With the pandemic getting worse, it is more and more obvious that COVID-19 affects the world's economy greatly, Russian Federation is not an exception. Economy decrease influences on the population's welfare and standards of living leave the best to be desired.

I am going to explore changes that happened in 2020 because of the coronavirus spreading in Russia. I would like to research the role of the Russian government in economic regulation during the pandemic as well as the factors of welfare that are affected by the crisis. For example, environment, life duration, and mortality.

Firstly, I am going to observe the economic and welfare damage in general. For Russia, as for the whole world, this is a decrease in investment, an increase in inflation, a decrease in world prices for exported goods, a fall in the currency. Also, due to social distancing and lockdown, the costs of entrepreneurs and consumers fall. Large corporations go bankrupt, small businesses are under big pressure. For this reason, unemployment is on the rise. The tourism, cultural, and leisure sectors have been hit hardest. (Sheremet, 2020)

A big recession took place in industrial production as well as in the extraction of useful minerals. (Kalyakina and Avanesyan, 2020). The distribution of electricity, gas, and water also suffered. The decline was up to 4%. For the Russian Federation, one of the most negative factors of this crisis is a **sharp drop in world oil prices** due to a significant decrease in world consumption. (Balashov, 2020). As is known, the oil sector is one of the most profitable in Russia, the economy is extensive. Also, there are no other alternative energy sources developed. Thus, the decline in fuel demand hits the economy hard.

Economic depression exerts a great influence on the population's standard of living, so it falls down in Russia.

Coronavirus is a dangerous and not well-known disease, almost 2 million people are reported to have already died. That is demography that has been changing during the pandemic rapidly. I have noted the importance of the mortality rate as one of the indicators of living standards above. However, the coronavirus outbreak makes some adjustments.

During the pandemic, the mortality rate becomes more considerable because it reflects the **capability of the healthcare system** to accept challenges, and the healthcare system as known is an aspect that points at the country's welfare.

Mortality from coronavirus grows as well as mortality from diseases caused by this virus as a consequence. Many hospitals become hospitals for patients with coronavirus. Since other hospitals remain overloaded, many health checks and operations that were planned for a long time are not carried out. People delay their medical examinations, so their diseases develop, and that impacts on the mortality rate. There is no recent accurate data at the moment, but scientists predict that the mortality situation will become worse because of indirect reasons. (Kulkova, 2020)

Scientists forecast that the pandemic will have long-term demography consequences that will affect the welfare level of the Russian population. The birth rate will decline as the pandemic and crisis period is not the best time for family expansion. Also, lockdown leads to a decrease in immunity due to low activity and staying at home constantly. Therefore, the sickness rate and mortality level will increase due to low immunity.

A mortality increase is also expected as a consequence of the economic crisis. In Russia, there was already such a period during the 1990s. Then the economic crisis led to a long-delayed increase in the mortality rate. Until 2003, the leading causes of death were cardiovascular diseases and suicides. These are the consequences of depression, frustration, and stress that people were exposed to in difficult crisis times. Also, people often died of cancer, which some connect to the fact that health care costs in the post-crisis times are low. (Kulkova, 2020)

Thus, it is evident that the coronavirus pandemic affects Russian demography badly. The high mortality rate is expected to be long-term as well as a high sickness rate. Health level as one of the welfare aspects should be maintained by the government as a priority one.

Social differentiation and financial inequality, as it was pointed above, are topical problems in Russia. Due to the COVID-19 crisis, these problems get deeper. Inequality and poverty create an unprotected stratum of the population that has limited access to expressing an opinion. The wide gap between the rich and the poor leads to political instability and enmity in society. The distance between the poor and the rich caused by the pandemic crisis has become more significant in Russia. The wealth of Russian dollar billionaires during the

quarantine increased by 16%. And the real disposable income of Russians fell by 8%. This is a record drop since 1999. Thus, in times of crisis, the rich get even richer, and the poor only get poorer. (Sheremet, 2020)

The governments have become the most influential actors during the crisis. They are responsible for strategies that are called to short the pandemic impact.

The state's functions are economic, social, and political as well. So, the government has control tools that can lay down a sound foundation for stability even when there are lots of challenges. Since the coronavirus broke out, the healthcare system and social protection have become top priorities for the governments. Thus, global plans and strategies have been delayed because national interests, as well as life maintenance, are the most important now. (Sheremet, 2020)

Due to the pandemic, the number of unemployed and the mortality rate increased in Russia. Small businesses took a hit from the lockdown. The government has adopted a versatile anti-crisis program that may heal the economy and indirectly improve living standards. The targets for the plan are the reduction of the unemployment rate to less than 5% and ensuring the growth rate of the GDP at the level of at least 2.5% per year by the end of 2021. It is considered that the plan seeks to do nothing less than to accelerate the growth rate of the economy to 2.5%, investments – to 4.5%, real wages by at least 2.5%, the share of the population with incomes below the subsistence level should be less than in 2019 (13%). (Adilhodjaeva, 2020)

Although this plan may improve the current damaged standard of living, experts claim that the Russian government will not achieve its aim. (Manushin, 2020) Scientists believe that this plan offers targeted assistance to some organizations, rather than offering a general support scheme. It may lead to the fact that small businesses will not get profitable conditions to escape the crisis. As I have already mentioned, the **level of small business development** is one of the welfare indicators. The developed business has an impact on employment and GDP. Also, it reflects the degree of rights and freedom in the country. Thus, the government has to support small businesses efficiently, not to make businessmen bankrupts. More than half of the surveyed small and medium-sized entrepreneurs stopped their activities during the lockdown that lasted for several months. (Balashov, 2020) So, the necessity of governmental support is quite evident.

Also, scientists think that government has to provide social support to the population, develop the higher education system, provide loans to organizations, nationalize big business that is unable to continue its activities effectively, increase export sales, carry out digitalization, restructure healthcare to overcome the crisis and increase standards of living. (Manushin, 2020)

Thus, the state is the most powerful actor who can reduce COVID-19 pandemic damage. The Russian economy needs this reduction because since the pandemic started, there has been a welfare decrease. However, the urgent steps that the Russian government offers seem not that effective.

So, there are more and more increasing signs and indicators that coronavirus impact on Russian citizens' welfare is long-term.

The economic problems that have arisen recently because of the infection are worrying. The most profitable sectors of the economy such as oil and energetic ones are seriously damaged. Moreover, the tourism and hotel business suffered badly. The mortality rate as well as sickness rate increase and will be increasing for a long time. Also, there is a topical problem with unemployment. The gap between the rich and the poor gets wider. There is a growing concern because of social inequality. The urgent measures that the government offers to take are not as comprehensive and effective as they could be. So, the pandemic made living standards in Russia worse.

4 Practical Part

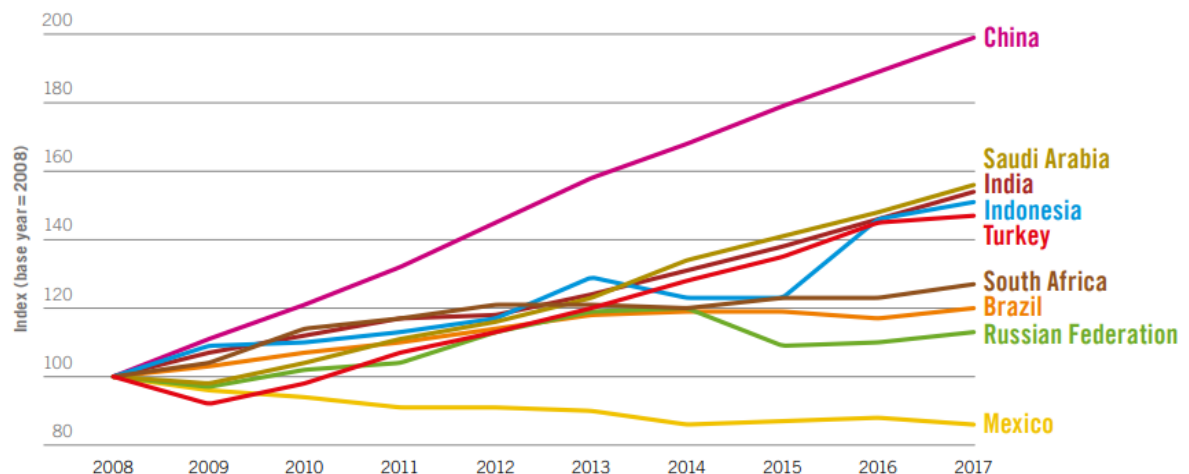
4.1 Income of the population

I would like to explore the factors which form the standards of living in detail. To do it I search the data of indexes which are mentioned above (incomes, social services, the differentiation of incomes, poverty rate, etc.).

The first index is the most important quantitative indicator – **monetary incomes, expenses, and savings of the Russian population**. This indicator includes the average per capita income of the population (per month), the real income of the population, volume and structure of expenses of the population, the volume of money savings of the population.

Statistics on this whole parameter in Russia in recent years leave much to be desired. After 2014, when the sanctions were imposed, there has been a decline in income. Because of sanction 2015 became a year when real wages fell 10.4%, this is the highest rate since 1999. (Gusareva, Kukharenko, 2016) The falling of oil prices also had a negative impact on wages since the Russian economy is very sensitive to such changes. For some time after the crisis positive but moderate growth was observed.

Figure 1 Average real wage index for emerging G20 countries, 2008-17



Source: ILO estimates.

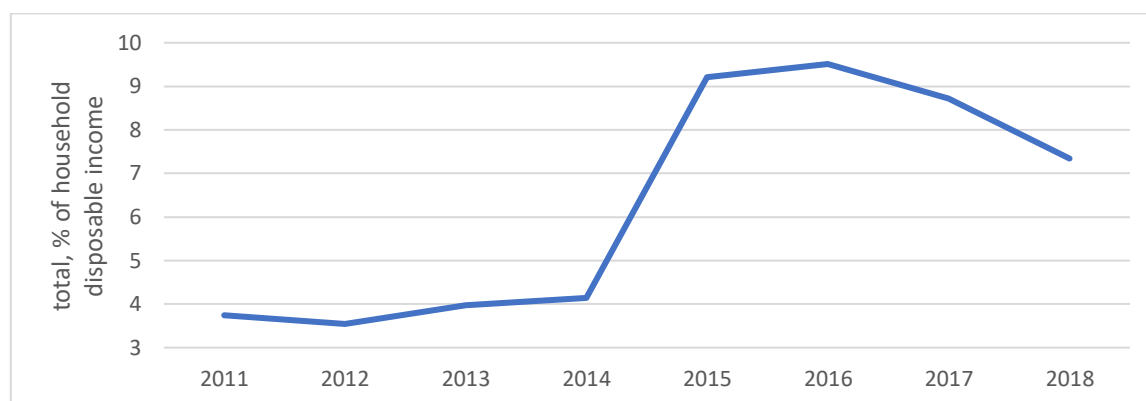
Source: Global Wage Report 2018/19 What lies behind gender pay gaps (ILO, 2019)

The figure 1 shows how real wage index in Russia behaved from 2008 until 2017. In the beginning, Russian Federation's index was gradually increasing and even overtook countries such as Mexico and Turkey. The growth was not so efficient like in China, but it

had potential until 2014 year. After this year average real wage index in Russia fell down (because of factors mentioned above) and developing of this index slowed down.

Besides the falling of real wages, there is a decline in the population's savings also (figure 2). In 2013, the growth was 3.8% per year, in 2014 - 0.3%, in 2015 - 10.1%, in 2016 - 6.6%, in 2017 - 4.6%, in 2018 - 1.3%. (Gordievich and Ruzanov, 2020)

Figure 2 Household savings (2011-2019)



Source: OECD, 2020

I mentioned some reasons for these declines – sanctions and the falling of oil prices, but there are also other reasons. First, depression in manufacturing and the deficit of the state budget, which is related to depression. The deficit does not make it possible to support citizens with a small amount of income. Secondly, the problem of unemployment raises. Because of it, there is a growing number of people that are supported by the government with subsidies, which affects the budget. Thirdly, inflation leads to the fact that savings of Russians melt and incomes fall. (Gordievich and Ruzanov, 2020)

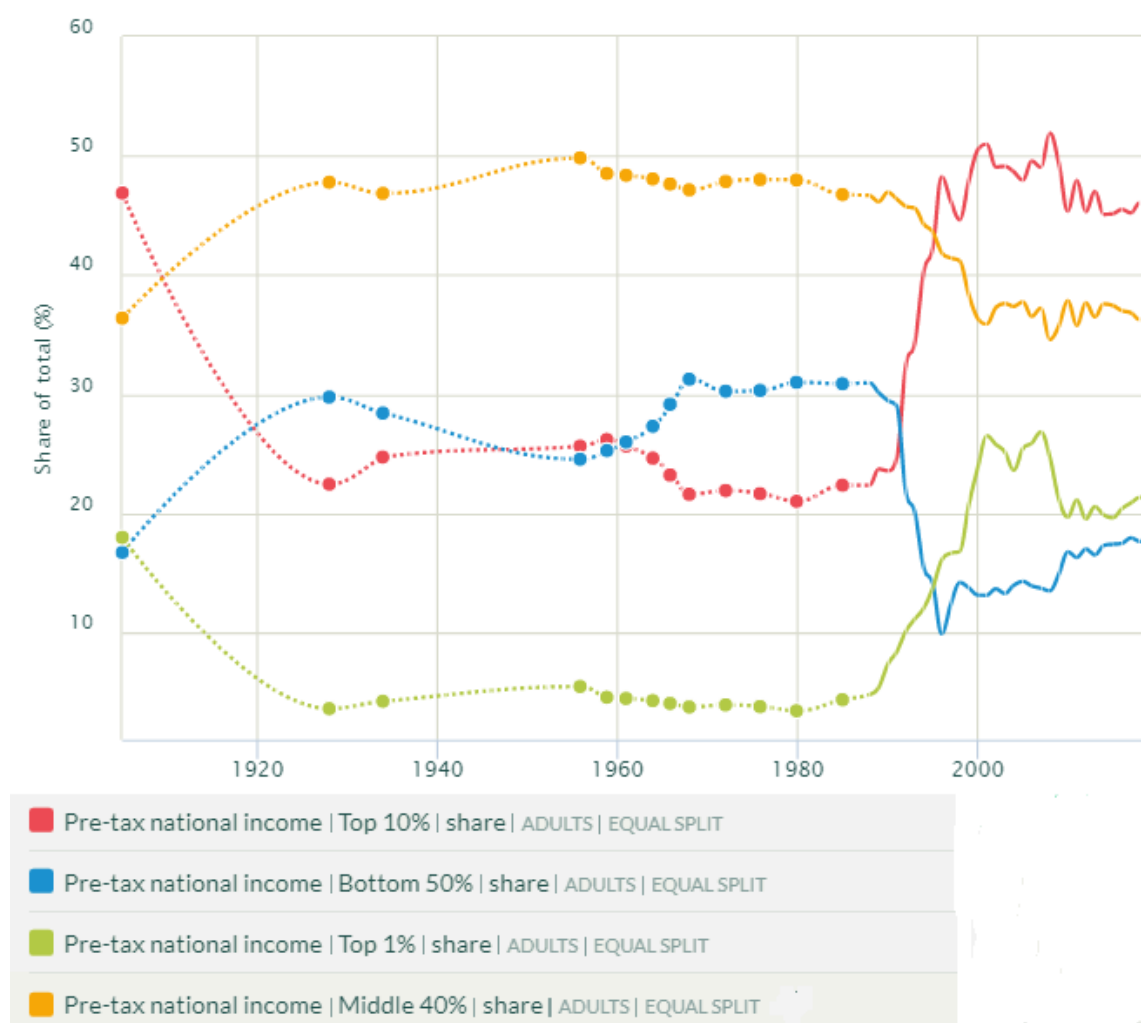
4.2 Poverty and Income inequality

The next index to mention is the number of the **populations below the poverty line**. The population below the poverty line includes citizens whose incomes are lower than the living wage. The living wage is legitimized by the government, and it is calculated from the summary of the basket of goods and payment for the necessary services. The cost of the basket of goods is required to preserve human health and ensure his life activity. This index differs from subject to subject in Russia. The filling of the basket depends on the region and climate conditions. In various regions, energy prices differ as well as even the average calorie

consumption. For example, in the northern regions, people need to consume more calories, which is taken into account during developing the basket of goods. The average cost of living per capita in Russia in the first half of 2020 is estimated at 11 468 rubles (€124.25). 19.4 million (or 13.2% of the population) citizens of Russia have income that is below this value. This figure is almost unchanged since 2016. (Goch, 2013)

Another factor that determines the standard of living is **income differentiation**. This aspect is important for assessing the social climate. When incomes are leveled out by the state tax policy, there is no confrontation in society. If the difference in income is significant, the situation in society is tense, there is a conflict and confrontation between the rich and the poor (figure 3). It may also indicate a wrong tax policy, corruption, systemic crisis of the political system, and false implementation of social policy. (Goch, 2013)

Figure 3 Income inequality, Russian Federation, 1906-2019



Source: [WID - World Inequality Database \(2021\)](https://wid.world/)

Income (per capita) of less than 7 thousand rubles per month in the first quarter of 2020 was received by 4.2% of the population of Russia. Income from 7 to 10 thousand rubles - 6.7%, from 10 to 14 thousand rubles - 11.4%, from 14 to 19 thousand rubles - 14.5%, from 19 to 27 thousand rubles - 19, 3%, from 27 to 45 thousand rubles - 24.6%, from 45 to 60 thousand rubles - 9.1%, from 60 to 75 thousand rubles - 4.5%, from 75 to 100 thousand rubles - 3.3%, over 100 thousand rubles per month - 2.4% of the total population. (Ovcharova, 2020)

Table 1 Average per capita monetary income of the population by districts of the Russian Federation, rubles / month

	2013	2014	2015	2016	2017	2018	2019
Central Federal District	33 499	34 825	38 832	40 200	41 897	43 687	46 921
Northwestern Federal District	28 719	29 997	32 726	32 907	33 643	34 955	36 855
Southern Federal District	28 210	31 125	35 019	35 785	36 947	35 478	37 949
North Caucasian Federal District	25 490	27 778	31 253	32 822	34 299	36 163	37 917
Volga Federal District	21 639	23 599	26 100	25 615	25 987	26 688	28 268
Ural federal district	21 563	23 997	25 317	26 435	27 348	28 475	29 845
Siberian Federal District	20 108	21 256	23 535	23 815	24 532	25 642	27 193
Far Eastern Federal District	18 616	20 332	22 544	22 275	23 018	23 253	24 386

Source https://rosstat.gov.ru/storage/mediabank/SWModOc7/urov_10subg-nm.xlsx

The richest district in Russia is obviously the Central Federal District (table 1). It happens because a lot of people migrate due to education, jobs and respectively higher salaries. The standard of living in this district is also better than in others in the Russian Federation.

From the table 1, we can conclude that incomes are really differentiated in Russia. There is a high percentage of the population whose wages are below the living wage or slightly higher than it. There are very few wealthy people, compared to those who have average or low wages. Such a difference in income points out the systemic problems of the Russian economy and their impact on the living standard.

4.3 Prediction of average cash income in 2021

Based on information above, I can make a conclusion on how important income is for satisfactory standard of living. It is important to analyze the situation with salaries in Russia in average. According to data from the Federal State Statistics Service, in the Russian Federation, I wanted to make a prediction for the year 2021 for the average per capita cash income of the population of the Russian Federation.

Table 2 Seasonal forecasting

Year	Quarter	Coded Time	D1	D2	D3	Salary	Salary forecast
2014	1	1	1	0	0	22457	99857
2014	2	2	0	1	0	27059	122894
2014	3	3	0	0	1	27965	157653
2014	4	4	0	0	0	32285	156607
2015	1	5	1	0	0	25364	225157
2015	2	6	0	1	0	29723	248194
2015	3	7	0	0	1	29946	282953
2015	4	8	0	0	0	36100	281907
2016	1	9	1	0	0	26646	350457
2016	2	10	0	1	0	30234	373494
2016	3	11	0	0	1	30540	408253
2016	4	12	0	0	0	36150	407207
2017	1	13	1	0	0	27763	475757
2017	2	14	0	1	0	31307	498794
2017	3	15	0	0	1	31325	533553
2017	4	16	0	0	0	37225	532507
2018	1	17	1	0	0	28937	601057
2018	2	18	0	1	0	32371	624094
2018	3	19	0	0	1	32512	658853
2018	4	20	0	0	0	38848	657807
2019	1	21	1	0	0	30164	726357
2019	2	22	0	1	0	34484	749394
2019	3	23	0	0	1	34997	784153
2019	4	24	0	0	0	41328	783107
2020	1	25	1	0	0	31479	851657
2020	2	26	0	1	0	32725	874694
2020	3	27	0	0	1	34698	909453
2020	4	28	0	0	0	42543	908407
2021	1	29	1	0	0		976957
2021	2	30	0	1	0		999994
2021	3	31	0	0	1		1034753
2021	4	32	0	0	0		1033707

Source: own calculation based on Rosstat, 2021

To predict average salary for the next year, I built multiple linear regression model. In the table 2, I added categorical variables for the representation four seasons. The table included three dummy variables, it will always be one less than we actually have. I used coded time from 1 to 32 instead of years because it is more appropriate for further calculations. With the help of this matrix, I constructed a multiple linear regression model.

Table 3 Regression Statistics (a)

<i>Regression Statistics</i>	
Multiple R	0,985035507
R Square	0,970294951
Adjusted R Square	0,965128855

Source: own calculation based on table 2

Multiple R is a correlation coefficient and used to measure the strength of relationship between two variables. The correlation coefficient in this case is equal to 0,985, and it means that the relationship is very strong. R Square – the coefficient of determination is the proportion of the variance in the dependent variable that is predictable from the independent variables. According to this calculation, R square equals approximately 96,5% and it is ability to find the likelihood of future events failing within the predicted outcomes. Adjusted R square compares the explanatory power of regression models, and it is equal around 0,965.

Table 4 Meaning of coefficients

<i>Coefficients</i>	
Intercept	32646,46429
t	321,015625
D1	-9275,381696
D2	-6011,683036
D3	-5749,841518

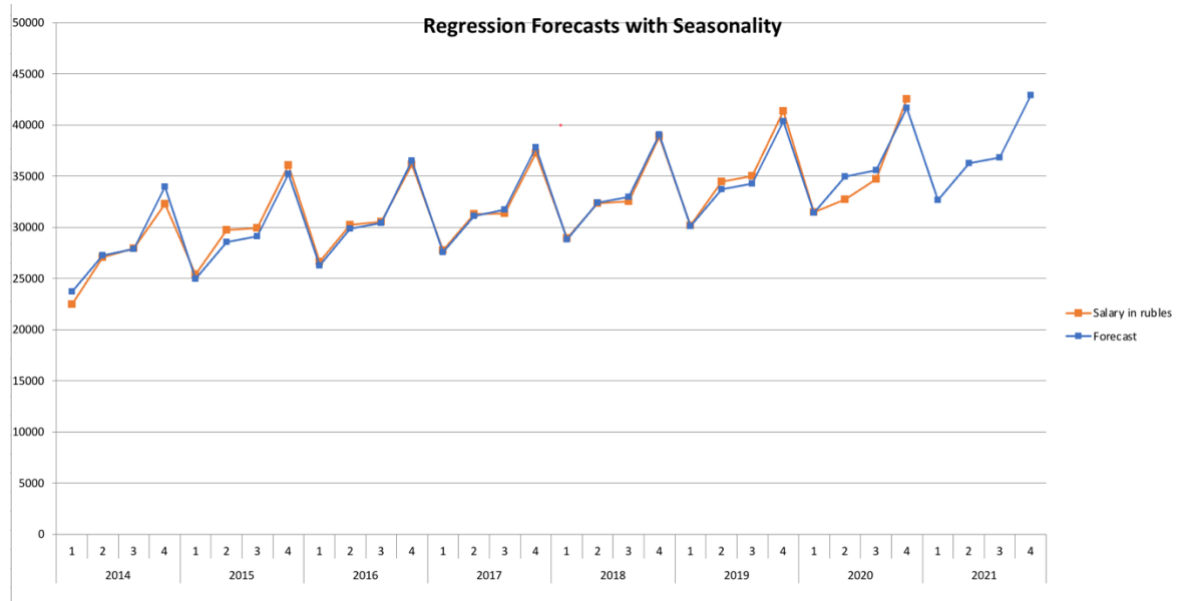
Source: own calculation based on table 2

The table 4 shows us all coefficients, which are needed for the forecast. Based on this data we can write the basic formula for making multiple linear regression equation. The D0 is an intercept, T = coded time; D1 = quarter 1; D2 = quarter 2; D3 = quarter 3.

$$Y = D0 + TX1 + D1X2 + \dots + DkXk$$

$$Y = 36253 + 321 * t - 9275 * d1 - 6011 * d2 - 5749 * d3$$

Figure 4 Russian Forecasts with seasonality



Source: own calculation based on Rosstat, 2021

The prediction of the 2021 was made with Seasonality and Trend Forecast with Regression because this method helps predict future values based on previously observed data. The salary is presented in rubles and on the graph, we can see that average cash income is increasing seasonality. The forecast of average per capita cash income has an upward trend; however, it is not accurate all the time because of influencing some external factors, which are difficult to predict.

The salary is given in rubles on the vertical axis. In 2014 the average salary began from 22457 rubles (€362, as 1 euro was equal to 62 rubles) and the maximum was in 2020 - 42543 rubles (€543, as 1 euro was equal to 78 rubles). At the end of each year, in the fourth quartile the salary has the maximum point, but in the first quartile it is the minimum. This difference is associated with the bonus salary system in many firms in the Russian Federation. Firms pay bonuses and bonuses at the end of the year. The main advantage of the bonus payment system is the ability to motivate the employee to work for the result. In trade and services, this system can indeed be very effective. (Shevchuk, 2013)

4.4 Regression of cash income and expenses of the population.

The income is a very important component of living standard, however, we cannot analyse it without expenses of the population. In this chapter I am going to show the correlation between these two variables and track the dynamic of income and expenses.

The table 5 below represents income and expenses of the Russian population from the year 2013 to the year 2021. The information about 2020-2021 was not given, that is why I had to make a prediction based on time series analysis.

Table 5 Income and expenses

Income and expenses of the Russian population			Difference
Year	Income (I)	Expenses (E)	I-E
2013	44 230 649 ₺	42 311 458 ₺	1 919 191 ₺
2014	47 309 223 ₺	46 023 100 ₺	1 286 123 ₺
2015	53 153 174 ₺	48 336 345 ₺	4 816 830 ₺
2016	54 325 250 ₺	49 566 155 ₺	4 759 095 ₺
2017	56 205 126 ₺	52 392 623 ₺	3 812 503 ₺
2018	58 458 735 ₺	55 986 697 ₺	2 472 039 ₺
2019	62 076 242 ₺	59 663 995 ₺	2 412 247 ₺
2020	64 949 451 ₺	61 102 863 ₺	3 846 588 ₺
2021	67 766 870 ₺	63 725 708 ₺	4 041 162 ₺
	<i>time series</i>	regression analysis	

Source: own calculation based on Rosstat, 2021

According to this data income of the population is increasing, and the same thing happening with expenses. Nevertheless, the difference and ratio between these two variables are changing. From 2015 people have more savings than in previous years. This is due to the crisis in the Russian economy, the manifestations of which were noticeable back in 2013. However, in 2015, Russians were faced with a reduction in real wages and pensions, prices rising in stores and unpredictable dynamics of the national currency.

The prediction for 2020 and 2021 presents further increase in income, but savings will reach the same amount as in 2015-16 years, and this statistic is not good for the Russian economy. If some people spend less, others will have less income. This situation can worsen the standard of living.

Table 6 Regression Statistics (b)

<i>Regression Statistics</i>	
Multiple R	0,974330648
R Square	0,949320212
Adjusted R Square	0,939184255

Source: own calculation based on data from table 5

The strength of the correlation coefficient between two variables (here are income and expenses) is very strong (the Multiple R is equal to 0,974). According to this calculation R square equal approximately to 94,93% and this ability to find the likelihood of future events (failing within the predicted outcomes) is essential for statistical research. The explanatory power of regression Adjusted R is high too – 0,939. With a high degree of confidence, the model reflects the real state of affairs.

The point of these calculation is to regulate average per capita income and expenses respectively, in order to prevent further decline in living standards.

4.5 The structure of cash income and expenses of the population.

For a holistic picture of the standard of living in Russia, it is necessary to make a vertical and horizontal analysis of reporting.

The table 7 shows a vertical balance analysis. In this type of analysis, the value of each indicator is divided by the line "total", which allows you to assess the contribution of a separate article to the final result. Such analysis makes it possible to assess changes in the weight of individual indicators as a result.

With the help of this table, it is clearly seen that income from remuneration of employees has more percentages in the last years. People receive more from this part rather than from any others. On the other hand, income from entrepreneurial activities is decreasing, and it is a huge problem for Russia.

Table 7 The structure of cash income and expenses of the population of the Russian Federation

	<i>as a percentage of the total</i>						
Income	2013	2014	2015	2016	2017	2018	2019
I. Remuneration of employees	55,1	54,9	52,8	54,0	55,1	57,4	57,7
II. Income from entrepreneurial and other production activities	7,0	7,0	6,5	6,4	6,3	6,1	6,0
III. Social payments	18,7	18,2	18,2	18,8	19,3	19,1	18,9
IV. Property income	4,7	4,8	5,1	5,1	4,6	4,6	5,1
V. Other cash receipts	14,5	15,1	17,4	15,7	14,7	12,8	12,3
incl. receipts not distributed according to the items of formation of the population's monetary income.	11,7	11,5	13,6	12,4	11,5	9,6	9,0
Vi. Total cash income (I + II + III + IV + V)	100,0	100,0	100,0	100,0	100,0	100,0	100,0
Expenses	2,7	3,6	3,7	3,3	3,2	3,2	3,3
I. Consumer expenses	80,8	82,0	77,2	77,5	79,1	80,7	80,8
II. Mandatory payments and miscellaneous contributions	11,9	12,3	11,2	11,2	11,4	12,4	13,0
III. Other expenses	2,9	3,0	2,5	2,6	2,7	2,7	2,4
IV. Total cash costs (I + II + III)	95,7	97,3	90,9	91,3	93,2	95,8	96,1

Source: https://rosstat.gov.ru/storage/mediabank/p26AUT56/urov_17g-nm.xlsx

The decline in this activity is indicated by the fact that people will move away from business more and more. Downsizing of small businesses leads to the inevitable emergence of monopolies, which has a bad effect on the economic situation in the country. The income from social payments has relatively small changes. The property income increased its weight significantly in 2019 compared to last year. The total cash costs shows, that the weight of total cash costs is increasing every year.

Table 8 The rate of income and expenditure of the population

	<i>as a percentage of the previous year</i>					
Income	2014	2015	2016	2017	2018	2019
I. Remuneration of employees	106,5	107,4	104,4	105,7	108,3	106,7
II. Income from entrepreneurial and other production activities	106,5	102,9	100,7	101,2	101,7	103,6
III. Social payments	104,1	110,6	105,9	106,1	102,8	105,4
IV. Property income	109,7	121,1	101,4	92,6	104,6	117,5
V. Other cash receipts	111,8	127,9	92,5	97,0	90,2	102,1
Vi. Total cash income (I + II + III + IV + V)	107,0	111,4	102,2	103,5	104,0	106,2
Expenses						
I. Consumer expenses	108,6	104,8	102,5	105,6	106,1	106,3
II. Mandatory payments and miscellaneous contributions	110,2	101,9	101,9	106,1	112,4	111,3
III. Other expenses	108,7	93,6	106,3	106,2	104,3	93,9
IV. Total cash costs (I + II + III)	108,8	104,0	102,5	105,7	106,9	106,6

Source: https://rosstat.gov.ru/storage/mediabank/p26AUT56/urov_17g-nm.xlsx

The table 8 shows a horizontal balance analysis – it means visualisation of changes that have occurred (in this table from 2014-2019). In other words, comparing of reporting indicators of one year with another. This table shows that income from entrepreneurial is higher in 2019 than in 2018 (103,6>101,7 respectively). Even though this indicator still losing weight in vertical analysis, we can see that perspective improves. Overall, the situation with all of these factors does not change rapidly. Smoother changes are less stressful for the standard of living.

According to horizontals analysis, expenses began to decline from 2014 to 2015 due to the crisis, people began to spend less and save more. Nevertheless, since 2016, costs have started to rise again. Vertical and horizontal analysis complement each other, these two tables allow to trace the dynamic of income and expenses in the analysed period.

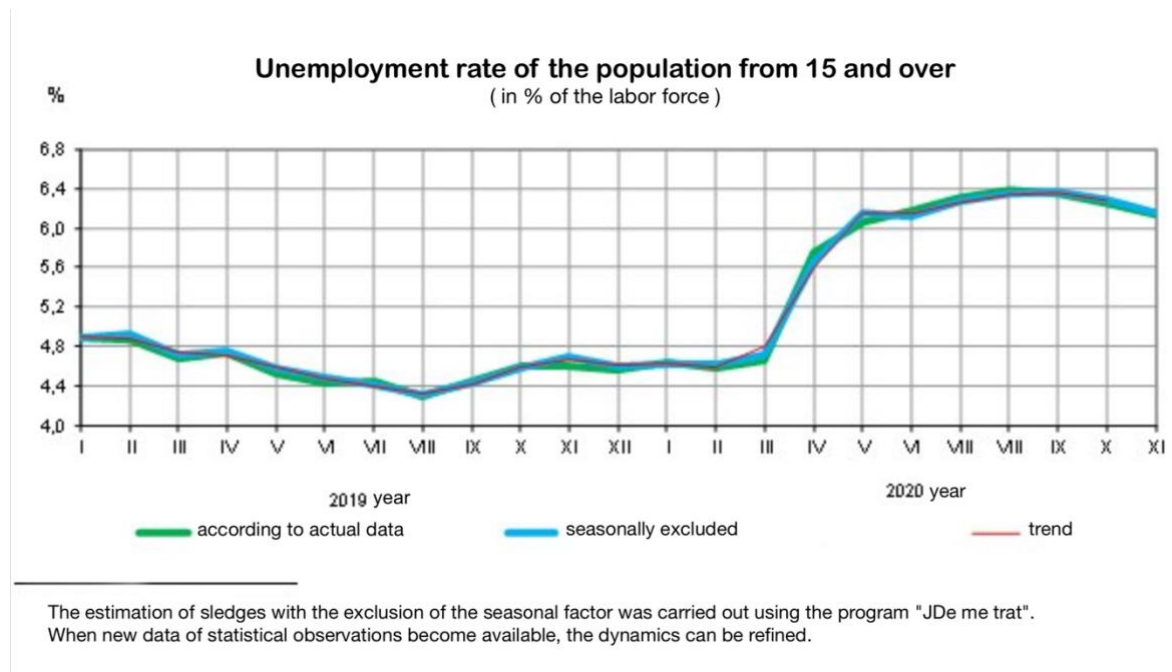
In conclusion, some indicators get better after years, while others require special attention (such as a decrease in entrepreneurial activity, and other factors analysed above). All components of income and expenditures of the population are subject to changes, and the goal of the state should be to adjust these indicators for the better for the economic component of the country.

4.6 Unemployment index

I have already highlighted some indicators of social policy (income differentiation, for example). Now I will touch upon another factor that shows the economic involvement of the population and directly affects the country's Gross Domestic Product. Within the framework of social policy, the state also determines the conditions for assistance to small and medium-sized businesses. Small business can increase employment and the income of the population. So, the state has to develop effective ways of interacting with the business. Unfortunately, in Russia this process is not yet sufficiently regulated. According to the Krasnoyarsk State Agrarian University research, Russian policy of supporting small and medium-sized businesses does not match with the interests and requests of the entrepreneurs and does not correspond to the developing economic policy of Russia. (Zyablikov and Koleda, 2018)

The Government builds an efficient mechanism of developing life standards. One of the ways to do it is to maintain a low unemployment rate and regulate the labor market. The unemployment index has a significant influence on the economy. If it is high, there is a decline in GDP, falling of consumer demand, reduction in savings, slowing down the investment process, decrease in supply, decline in production, loss of qualifications, and so on. If the unemployment rate is 2-4%, the economy has a growth. The current situation with unemployment in Russia is described in figure 5.

Figure 5 Unemployment rate



Source: https://rosstat.gov.ru/bgd/free/B04_03/IssWWW.exe/Stg/d02/241.htm

Now the unemployment rate has increased to 6.3%. There are lots of scenarios and prognoses about future statistics. Optimists claim that the growth of unemployment will stop at the present rate. Within the framework of this scenario, it is assumed that the Russian government will take effective measures and support entrepreneurs by reducing taxes or delaying payments. Pessimists think that it will increase to 10%. In case of the second forecast, the government is not supposed to support small and medium-sized businesses. Also, they think that the second lockdown is coming. The pessimistic prognosis predicts a deep crisis that will decrease the level of welfare. (Mukhina and Sindiyashkina, 2020)

5 Conclusion

The aim of my bachelor thesis was to evaluate the standards of living in Russia.

In the literature review I focused first on the components of living standard in general and how they are inextricably linked with the level of the economy in country. All of them are regulated by the government and show the sufficiency of the current economic situation in Russia. However, Russia is the largest country, and it is really hard to develop all regions in the same way, within the same speed.

At the same time, the COVID-19 influence on the world economy and Russia couldn't avoid it. All components of living standard suffered, and now economists have to focus more on the welfare of the nation, as to achieve favourable conditions for life in the Russian Federation.

In the practical part, the main aim was concretised. I have analysed chosen indicators of standards of living and described the different situation of Russian regions.

This bachelor thesis is essential for further economic development in Russia. Based on my research and predictions, people can avoid some mistakes, see the nearest future of living standards and improve the economic situation.

To sum up, the standard of living is one of the most significant parts of the economy, and at the same time it is quite a spread sphere. As the future economist, I understand how important it is to solve problems on time. All components of living standard should be explored more deeply in order to decrease inequality in Russia and develop economics.

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7 Appendix

The structure of cash income and expenses of the population of the Russian Federation							
<i>(Methodology dated 02.07.2014 No. 465 with amendments dated 20.11.2018 No. 680)</i>							
	<i>as a percentage of the total</i>						
Income	2013 year	2014 year	2015 year	2016 year	2017 year	2018 year	2019 year
I. Remuneration of employees	55,1	54,9	52,8	54,0	55,1	57,4	57,7
II. Income from entrepreneurial and other production activities	7,0	7,0	6,5	6,4	6,3	6,1	6,0
III. Social payments	18,7	18,2	18,2	18,8	19,3	19,1	18,9
1. Pensions and supplements to pensions	13,2	12,8	13,1	13,6	14,2	14,1	13,9
2. Benefits and social assistance	4,7	4,6	4,3	4,5	4,4	4,3	4,4
3. Scholarships	0,2	0,2	0,1	0,2	0,2	0,2	0,2
4. Insurance indemnities	0,6	0,7	0,6	0,6	0,6	0,5	0,5
IV. Property income	4,7	4,8	5,1	5,1	4,6	4,6	5,1
1. Dividends	2,6	2,8	2,2	2,4	2,3	2,6	3,0
2. Interest accrued on funds in bank accounts of individuals with credit institutions	1,9	1,8	2,7	2,4	2,1	1,9	2,0
3. Payment of income on government and other securities	0,2	0,2	0,2	0,2	0,2	0,1	0,0
4. Investment income (income from property of	0,0	0,0	0,0	0,0	0,0	0,0	0,1
V. Other cash receipts	14,5	15,1	17,4	15,7	14,7	12,8	12,3
incl. receipts not distributed according to the items of formation of the population's monetary income.	11,7	11,5	13,6	12,4	11,5	9,6	9,0
Vi. Total cash income (I + II + III + IV + V)	100,0	100,0	100,0	100,0	100,0	100,0	100,0
Expenses	2,7	3,6	3,7	3,3	3,2	3,2	3,3
I. Consumer expenses	80,8	82,0	77,2	77,5	79,1	80,7	80,8
1. Purchase of goods	60,4	61,4	57,3	57,7	58,4	59,7	59,8
2. Payment for services	17,3	17,4	16,8	17,5	17,9	18,1	18,0
3. Payments for goods (works, services) made abroad for cash and using plastic cards	3,1	3,2	3,2	2,2	2,8	2,9	3,0
II. Mandatory payments and miscellaneous contributions	11,9	12,3	11,2	11,2	11,4	12,4	13,0
1. Taxes and fees	6,8	6,7	6,3	6,4	6,7	7,1	7,1
2. Insurance payments	1,0	1,1	1,0	1,1	1,2	1,0	1,0
3. Contributions to public and cooperative organizations	0,4	0,4	0,4	0,4	0,4	0,4	0,4
4. Interest paid by the population for loans (including foreign currency) provided by credit institutions	3,8	4,1	3,5	3,3	3,2	3,4	3,4
III. Other expenses	2,9	3,0	2,5	2,6	2,7	2,7	2,4
IV. Total cash costs (I + II + III)	95,7	97,3	90,9	91,3	93,2	95,8	96,1
Savings							
I. Increase (decrease) in savings in deposits of resident and non-resident banks	6,0	-0,3	5,8	4,2	4,1	3,1	4,5
II. Purchase of government and other securities	0,5	0,5	0,5	0,1	0,1	-0,1	0,0
III. Increase (decrease) in funds on the accounts of individual entrepreneurs	0,0	0,1	0,1	0,1	0,2	0,2	0,3
IV. Increase (decrease) in cash from the population in rubles and foreign currency	0,6	2,4	-1,0	2,1	2,2	2,5	0,5
V. Expenses for the purchase of real estate	2,1	2,2	1,7	2,1	2,0	2,4	2,4
VI. Purchase of livestock and poultry by the population and peasant (farm) households	0,2	0,2	0,2	0,2	0,2	0,2	0,2
VII. Increase (decrease) in debt on loans	5,2	2,6	-1,7	0,2	2,4	4,7	4,5
VIII. Other savings	0,1	0,1	0,1	0,2	0,4	0,5	0,4
IX. Total increase in population savings (I + II + III + IV + V + VI -VII + VIII)	4,3	2,7	9,1	8,7	6,8	4,2	3,9

The rate of income and expenditure of the population						
<i>(Methodology dated 02.07.2014 No. 465 with amendments dated 20.11.2018 No. 680)</i>						
	<i>as a percentage of the previous year</i>					
Income	2014 year	2015 year *	2016 year	2017 year	2018 year	2019 year
I. Remuneration of employees	106,5	107,4	104,4	105,7	108,3	106,7
II. Income from entrepreneurial and other production activities	106,5	102,9	100,7	101,2	101,7	103,6
III. Social payments	104,1	110,6	105,9	106,1	102,8	105,4
1. Pensions and supplements to pensions	103,5	113,6	106,0	108,3	103,0	104,6
2. Benefits and social assistance	105,0	104,3	106,7	100,2	104,0	107,8
3. Scholarships	102,8	100,7	105,0	104,0	105,5	108,6
4. Insurance indemnities	111,2	101,0	99,1	99,4	88,5	107,2
IV. Property income	109,7	121,1	101,4	92,6	104,6	117,5
1. Dividends	115,8	89,3	111,7	96,6	120,0	121,3
2. Interest accrued on funds in bank accounts of individuals with credit institutions	100,5	168,0	92,3	90,2	90,6	117,1
3. Payment of income on government and other securities	124,9	120,0	123,4	73,6	60,4	18,3
4. Investment income (income from property of policyholders)	73,8	555,8	46,6	119,3	200,7	124,9
V. Other cash receipts	111,8	127,9	92,5	97,0	90,2	102,1
incl. receipts not distributed according to the items of formation of the population's monetary income.						
	104,8	132,2	93,0	96,3	86,3	99,8
VI. Total cash income (I + II + III + IV + V)	107,0	111,4	102,2	103,5	104,0	106,2
Expenses						
I. Consumer expenses	108,6	104,8	102,5	105,6	106,1	106,3
1. Purchase of goods	108,8	103,7	103,0	104,6	106,3	106,3
2. Payment for services	107,2	107,4	106,5	106,2	104,7	105,8
3. Payments for goods (works, services) made abroad for cash and using plastic cards						
	111,7	110,2	72,4	126,4	111,6	108,9
II. Mandatory payments and miscellaneous contributions	110,2	101,9	101,9	106,1	112,4	111,3
1. Taxes and fees	106,1	103,5	104,6	107,6	112,2	108,9
2. Insurance payments	119,1	108,2	108,9	110,9	121,5	112,0
3. Contributions to public and cooperative organizations	108,2	102,9	104,4	106,3	109,8	109,6
4. Interest paid by the population for loans (including foreign currency) provided by credit institutions						
	115,6	97,4	94,7	101,5	109,8	116,2
III. Other expenses	108,7	93,6	106,3	106,2	104,3	93,9
IV. Total cash costs (I + II + III)	108,8	104,0	102,5	105,7	106,9	106,6
Savings						
I. Increase (decrease) in savings in deposits of resident and non-resident banks	-4,9	-2 337,3	74,3	101,5	78,9	153,9
II. Purchase of government and other securities	111,9	109,0	12,7	110,6	-214,9	-24,0
III. Increase (decrease) in funds on the accounts of individual entrepreneurs	219,3	64,3	208,8	203,6	107,3	133,7
IV. Increase (decrease) in cash from the population in rubles and foreign currency	415,2	-43,7	-212,1	109,9	119,2	22,1
V. Expenses for the purchase of real estate	113,2	84,5	125,2	100,2	127,9	101,8
VI. Purchase of livestock and poultry by the population and peasant (farm) households	104,5	109,7	101,9	103,6	96,3	101,7
VII. Increase (decrease) in debt on loans	53,7	-73,9	-10,6	1 416,7	200,9	102,0
VIII. Other savings	226,5	120,9	168,8	178,8	139,1	95,0
IX. Total increase in population savings (I + II + III + IV + V + VI - VII + VIII)	67,0	374,9	98,8	80,1	64,8	97,6
2015- excluding KFO						