

Chapter 17

Russia and the Baltics: Poverty and Poverty Research in a Changing World

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Introduction

The growing economic crisis that preceded the collapse of state socialism and the break-up of the USSR was accompanied by a growth in poverty – and a belated recognition on the part of the Soviet government that poverty existed in the USSR. The transition to a market economy has been accompanied by an enormous further increase in poverty in Russia and, indeed, in most of the other successor states of the former Soviet Union (FSU).

The growth in poverty has led to an increase in its political importance and hence to an increase in government concern. This has not, however, resulted in any great increase in the amount of academic research on the subject carried out by domestic specialists. And it has certainly not resulted in any substantial theoretical innovation in the field. But there has been important new research on: the definition of poverty lines; determining the incidence of poverty and its causes; devising social policies to contain and alleviate poverty. Much of the impetus for this work has come from international agencies, primarily the World Bank. Those who collaborate with consultants supplied by the World Bank or other agencies are exposed to recent Western research on poverty, to Western concepts, and to Western measures. The ongoing transmission of ideas is laying the groundwork for future original contributions by specialists from the FSU.

Poverty and socialism

The countries covered by this review are special for three reasons. First, until the collapse of the USSR in December 1991,

they did not exist as independent states. Second, as constituent republics of the Soviet Union, they were parts of a socialist state – or at least of a state that proclaimed itself to be socialist. Finally, since achieving independence they have all – or almost all – announced their intention to abandon socialism and central planning and have embarked upon the process of transition to a market economy. These features mean that the new states that have emerged from the FSU share a common – and special – history. They also face problems not experienced by more well-established countries. There is neither room nor time in this paper to explore all the implications of this uniqueness. But it is worth mentioning briefly the following three issues: the legacy of Soviet ideology; the consequences of the relative isolation of the Soviet academic community; and the implications of the Soviet policy heritage.

Ideology

In Soviet eyes, socialism was a progressive ideology. This meant that a socialist state was committed to solving the social problems that disfigured capitalism. Party propagandists liked to claim that, certainly by the 1960s, the USSR had made considerable strides towards the goal of creating a just and equal society. As a result, it was suggested that there could be no poverty. Furthermore, if there was no poverty, there could be no justification for the academic study of the phenomenon.

This claim perhaps oversimplifies the situation in the USSR. During the Khrushchev period, it was recognized that the country had inherited a range of social problems from Stalin; these included poverty. Attempts were made to devise policies to cope with them and some academic specialists were encouraged to study them. (At this time the authorities encouraged the development of sociology.) But it was difficult to “call a spade a spade”. It was argued that Soviet social problems were different in nature from those to be found in a capitalist system. One did not talk of “poverty” in the USSR but used a variety of euphemisms instead. Later, under Brezhnev, such camouflage was not enough. Researchers found it more difficult to publish analyses of social problems such as poverty; and this work was discouraged in other ways. On the whole, the Communist Party succeeded in determining the social science agenda. Certainly very little published research on the causes or consequences of poverty in the USSR appeared in the period 1965–85 or 1990. As a result, neither Russia nor any of the other successor states of the FSU possesses a body of experienced poverty analysts. Nor is

there a body of literature to which policy makers and others can turn.

The most prominent exception to this assessment is the work of N. M. Rimashevskaja. Starting in the late 1950s she studied problems associated with inequality in earnings and incomes. She has prospered; in the late 1980s she became head of a separate institute, the Institute for the Study of Socio-economic Problems of the Population (ISEPN). This organization and its staff constitute one of the poles of Russian professional work on problems of poverty and social policy. The other source of poverty analysis in the Soviet Union in the 1970s and 1980s was the Research Institute of the State Committee on Labour and Wages. This organization was responsible for the calculation of the so-called *biudzhnet minimuma material'noi obespechennosti*, the quasi-official poverty line, in 1965.

Isolation

In the late 1980s, even so-called specialists in the field of poverty research had limited knowledge of the international literature, of recent developments in thinking about policy, of new approaches to the measurement of poverty, and so on. This intellectual isolation was reinforced by two other features of the development of Soviet social science. First, the computer revolution had barely penetrated the USSR. Soviet economists or sociologists did not possess personal computers; many of them even had difficulty gaining access to mainframe machines. Even where they did so, they had few user-friendly software packages to help them analyse their data. Second, the authorities made little attempt to release relevant data regularly or coherently. As a result, Soviet specialists had relatively little experience at hands-on analysis. In this area, the position in republic capitals and most provincial cities was worse than in Moscow and (possibly) Leningrad.

Policy

The FSU nations share a common history in the field of social policy, particularly in anti-poverty policy. Concern about the scale and extent of poverty in the USSR was first expressed in the late 1950s. This was part of Khrushchev's attempt to cope with the legacy of Stalinism. It resulted, among other things, in the adoption of a minimum wage. In the 1960s, it was argued that this policy had failed – there was still substantial poverty. There appears to have been some argument about whether to raise the minimum wage further or to introduce a means-tested benefit. In

1968, the first of these alternatives was adopted – for fear of the impact of benefits on work incentives. Not until 1974 was a limited income supplement programme initiated. (This was payable to families with children under the age of 7 years where per capita income was less than 50 roubles a month. The benefit was set at 12 roubles per child per month.) This approach influenced thinking about anti-poverty policy in many if not all of the successor states.

In the late 1980s, the government introduced other anti-poverty measures – particularly in connection with the attempt to raise consumer goods prices and reduce the burden of subsidies. These programmes led to a bewildering array of ad hoc payments to which families were entitled. Many of them were still being paid by governments in successor states in 1993 or 1994.

Poverty research in transition

The previous neglect of poverty as a topic for academic research has continued into the transition period – certainly in Russia. This situation has several causes. First, it reflects in part the demoralization of the scientific community in the wake of the economic crisis of the early 1990s. The institutes of the Academy of Sciences network have seen their funding fall sharply; this has been translated into substantial reductions in salaries. Newly impoverished scholars have neither the incentive nor the energy to embark upon a new research agenda.

Second, the economic crisis and the collapse of the old Soviet state also resulted in the cessation of much of the routine data-collection activities of the government. Much of the old programme of social monitoring no longer makes a great deal of sense. On the one hand, in the face of very rapid inflation, the old indicators have lost much of their meaning; for example, when nominal wages may increase ten-fold or even a hundred-fold over a twelve-month period, one can learn little from an annual census of wages. On the other, the change in institutions and, in particular, the move to a market economy have undermined the value or even the meaning of traditional data series. Inevitably, this deterioration in accuracy and reliability of statistical information has affected the quality of academic research in Russia – and the ability of scholars to explore new issues.

Two other factors have intensified the data problems facing social scientists in the FSU. The fiscal crisis from which almost all governments have suffered has caused governments to reduce real expenditure on data collection and, possibly more, on its dissemination. And privatization, even when only partial, has

led former state enterprises (and private individuals) to be much less willing to cooperate with the statistical authorities.

The FSU has had no tradition of open publication of official statistics; many standard statistical series that were routinely published in other countries were classified or secret in the USSR. If statistics revealed a negative trend or a politically embarrassing development, publication was suspended. (This was what happened to infant mortality rates for example, when they showed an unwelcome increase in the second half of the 1970s.) Old habits die hard. The Russian government has still not established a regular programme of publication of economic and social information. The availability of particular pieces of information may be denied at almost any time. And what is released is often not in a form that is appropriate for analysis using modern statistical methods and information technology.

As a result, little serious scholarly work on poverty – or many other issues in the field of social policy – is being undertaken in Russia's academic institutes or universities. The situation is not, however, completely blank. Policy needs have inspired some work. For example, the Ministry of Labour commissioned a team from ISEPN to develop a new subsistence minimum in collaboration with consultants from the World Bank (Popkin, et al. 1994). A new research institute, headed by the former prime minister Yegor Gaidar, has been exploring regional aspects of inequality and poverty (Surinov and Kolosnitsyn 1994). The Central Council of the Trade Unions has continued to calculate an independent index of the cost of living – and hence its own poverty line. Various institutes in Moscow and in different provincial cities conduct public opinion surveys or other studies that deal, *inter alia*, with the standard of living and poverty. In view of the history of research on poverty in the FSU and considering the problems involving access to data outlined above, it is not surprising that much of this work is of dubious quality.

The position in other parts of the FSU seems essentially the same. In none of the new states has there been a tradition of research on poverty; nowhere is there any substantial body of well-trained and experienced researchers in the field. All or almost all of the new states have experienced difficulties in collecting – and disseminating – reliable data on incomes, expenditures, and prices, which are an essential precondition for successful empirical work on poverty.

In most states, the work that has been done in the field has been inspired by the needs of policy. Often it has been organized in conjunction with consultants hired by international agencies.

(The World Bank and, to a lesser extent, the International Monetary Fund have played an important role here.) But there has also been some autonomous politically inspired work (such as, for example, the monitoring of the cost of living undertaken by the Russian trade union movement). Finally, as in Russia, much of the work on poverty that has been undertaken since independence is of doubtful quality.

In all FSU states the impetus for further research on poverty is policy driven. It is linked to the "social safety-net" programmes that governments have wished to introduce or have been persuaded to adopt and to the burden that these place upon the fragile fiscal balance. Until recently, such research has been partially funded by the IMF, the World Bank or the European Union (EU), through such programmes as TACIS. This state of affairs is likely to persist for at least another year or so. Finally, this research is often undertaken by Western consultants; inevitably, such specialists have little prior knowledge of the FSU nations and their problems.

Concepts of poverty

For all its limitations, the USSR did have a concept of poverty. In certain respects it differed markedly from those developed in market economies in the past fifty years or so. This concept constitutes the intellectual heritage of all the countries of the former Soviet Union. Since the collapse of communism and the break-up of the so-called Soviet empire, individual countries have moved away from this heritage and, under pressure from international agencies such as the World Bank, have developed concepts of poverty that correspond more closely to those familiar to policy makers and scholars in Western Europe. In this section I describe the Soviet poverty concept; I also describe the development of a new concept of poverty that has taken place in Russia since 1991 (or even somewhat earlier). The experience of other member states of the FSU is similar to that of Russia and is discussed somewhat more briefly as well.

A common intellectual heritage: the MMS budget

In the late 1950s and 1960s, a degree of official concern was expressed about the position of particular groups in Soviet society. This led to the development of the so-called *biudzhët minimuma material'noi obespechennosti*, the minimum material security budget (the MMS budget), which functioned as a

quasi-official poverty line until 1991. The budget was intended to reflect the minimum levels of consumption needed to “reproduce simple labour power” – that is, to sustain an unskilled worker. A panel of experts determined what quantities of various goods and services such a worker might need to maintain the specified standard of living for himself and for his notional family. In this exercise, nutritionists were consulted over the quantities of food to be included in the consumption basket; other quantities appear to have been chosen fairly arbitrarily – although some attention was paid to what was available on the Soviet consumer goods market and to patterns of expenditure as revealed by the family budget survey.

The basket was then priced at official state prices, making some allowance for the higher prices to be found on kolkhoz markets. This constituted the MMS budget. In the published research report, some allowance was made for regional variations in prices. Also, the calculations revealed some economies of scale in consumption: the cost for a single individual was set at 58 roubles a month; for a notional family of four it was 204 roubles. No more sophisticated attempt at determining equivalence scales was published (McAuley 1979: ch. 1). This calculation formed the basis for the adoption of 50 roubles a month per capita as the quasi-official poverty line in 1968. This figure remained the benchmark until the mid-1980s.

For Soviet scholars and policy makers (and hence, initially, for those in the successor states of the FSU) poverty was a needs-based concept. (The first reference to either a rights-based or a consensual definition of poverty in the Russian language literature appeared in an article that I published in *Sotsialisticheskii trud* in 1991.) Poverty was relative rather than absolute – although policy makers were slow to adjust their poverty line to changes in either the cost or the standard of living. Little attempt was made to reflect the actual consumption patterns of the poor. Little attempt was made to allow for differences in need within the family or for economies of scale in consumption.

The official view appears to have been that poverty was the result of low wages or large families. Hence, the appropriate response to poverty was to raise the minimum wage and to provide child benefits for those with large families. In the 1960s and early 1970s, academic specialists managed to convince policy makers that poverty might also be a consequence of family breakdown or inadequate labour-force attachment. As a result, the Soviet social safety-net was extended and the social insurance system was redirected to cope with current need rather than to provide incentives for long-term labour-force participation.

The view was widespread in the USSR that the “deserving” poor were either old or very young. If those of working age were poor, it was probably because they were unwilling to work – through idleness, alcoholism, or some such other reason. This view persisted right up to the end of the USSR and beyond (it has broken down as a result of the sharp fall in real incomes during the last few years). These attitudes influenced the shape of anti-poverty policy in the Soviet Union and form part of the common heritage of the states of the FSU.

The new Russian concept of poverty: the subsistence minimum

The economic crisis of the 1980s induced a change in official attitudes towards poverty in the USSR. In 1989, for the first time the prime minister admitted in the Supreme Soviet that poverty existed in the Soviet Union. This attitude has carried over into contemporary Russia. Indeed, poverty and the decline in living standards have become something of a national obsession, discussed at all levels of government and in the press.

More formally, the Russian government, in conjunction with the World Bank has developed a new approach to the determination of poverty. It now publishes an estimate of its minimum subsistence level regularly. Furthermore, adjustments in the minimum wage and the minimum pension are linked to this calculation – although neither is explicitly indexed to the so-called official poverty line. The government also publishes estimates of the incidence of poverty.

In addition, the IMF, the World Bank, and UNICEF each continue to study poverty in Russia. For the first two organizations, these studies form part of a general involvement with the country and, informally at least, affect judgements about the conditionality conditions to be attached to support. UNICEF has embarked upon a more formal monitoring of economic and social conditions in both Eastern Europe and parts of the CIS, reflecting its concern about the impact of transition on the position of children in the region.

A lot of space is devoted to poverty and changes in the standard of living in the daily and periodical press. The topic has attracted a lot of attention – and a fair amount of bad analysis – from journalists. It has not yet led to any radical and sustained academic discussion, either about the nature and causes of poverty or about the problems involved in its measurement.

The new official poverty line

At the end of 1989 or the beginning of 1990, the Soviet government agreed to a request by the Group of Seven (G7) that the three major international economic agencies – the IMF, the World Bank, and the Organization for Economic Cooperation and Development (OECD) – should conduct a study and assessment of the Soviet economy with a view to providing multilateral assistance. This study criticized the Soviet approach both to the definition and measurement of poverty and to the provision of a social safety-net. In response, the government agreed to commission research towards the determination of a new subsistence minimum (*prozhitochnyi minimum*), more in line with accepted international practice. In the end it was carried out by Barry Popkin from the University of North Carolina together with Marina Mozhina from ISEPN and Alexander Baturin, a nutritionist from the USSR Academy of Medical Sciences. Russia inherited the results of this study after 1991.

The new subsistence minimum is derived following a procedure similar to that used by Orshansky in determining the US poverty line. It is based on a food basket that guarantees an appropriate number of calories a day and whose composition corresponds to the recommendations of the World Health Organization (WHO) and the Food and Agriculture Organization (FAO). The basket is also supposed to conform to Russian tastes and to the realities of the Russian market. (This has caused some conflict because Russians – and particularly members of the Parliamentary Committee on Social Security – did not agree with the WHO's desire to reduce sharply the proportion of calories to be derived from fats.) This basket was costed at Russian market prices and the total was grossed up to allow for other essential components of subsistence about which fewer scientifically derived requirements exist – clothing, shelter, and so on.

In 1992, it was decided that on average, households could be expected to spend some 68 per cent of their income on foodstuffs (for pensioners the figure was 83 per cent, for children it was 73–74 per cent and for adults of working age 62 per cent (Popkin et al. 1994: 67). This figure for food expenditure is much higher than in other countries that follow a similar approach. But it was chosen with Russia's conditions in mind. First, it was argued that Russia was only just embarking upon the transition to a market economy and, as a result, a substantial part of consumers' expenditure took place at controlled prices; this referred to housing and the cost of most utilities. Second, it was pointed out

that, in the last years of Soviet rule, households had engaged in the stockpiling of soft goods and durables; they could be expected to draw down these stocks for a year or so.

The new subsistence minimum specifies a concept of poverty that is based on needs; it is relative in that, in principle, the multiplier factor should be adjusted as the country becomes richer. Furthermore, it provides an answer to policy problems: what part of the population should receive some additional support and, perhaps, how much support should they receive? But it is deficient in a number of ways, and it may need to be extended or modified in the future.

First, and uncontroversially, I believe, as the ambit of price control is changed, the "multiplier factor" must be adjusted. Since the government has gone some way towards the deregulation of rents, this adjustment is urgent. Second, the food basket that lies at the heart of the subsistence minimum pays too little attention to geographical variations in tastes and the availability of foodstuffs. This may need to be modified. Third, Russia is a large country and only partly connected, resulting in significant regional differences in the cost of living and the structure of relative prices. Finally, economies of scale in consumption and differences in need of different categories of people raise the issue of whether an equivalence scale should be adopted.

Comparison between new and old poverty lines

Table 17.1 shows how the new subsistence minimum evolved over the years 1992–4. It also shows how the minimum differs in value from the old MMS budget. In the spring of 1992, the subsistence minimum was set at 1,031 roubles a month per capita; a year later it had risen to 8,069 roubles a month – a 7.8-fold increase. In March 1994, the subsistence minimum was reported to be 60,388; the increase over the same month in the previous year was 7.5-fold. This is a reflection of the very rapid rates of inflation from which Russia has suffered since independence.

In March 1992, the value of the MMS budget was reported as 2,617 roubles a month per capita, some 2.5 times as large as the new subsistence minimum. In June 1993, the MMS budget was valued at almost 37,000 roubles, still more than double the subsistence minimum. Some idea of the problem with the MMS poverty standard can be obtained from the following figures drawn from estimates of the distribution of income in the second half of 1992 (McAuley 1994):

	August 1992	November 1992
Median (roubles)	2,642	4,519
Ninth decile	4,898	8,203
MMS budget	4,883	8,500

These figures show that in 1992 some 90 per cent of the population were living in families with a per capita monthly income below a poverty line derived according to the old Soviet methodology. This may give some indication of the scale of the collapse in living standards. It cannot provide a meaningful guide for policy.

Table 17.1 The evolution of the poverty standard:
Russia, 1992-94

	Subsistence minimum (Roubles/month)	Minimum consumption budget (Roubles/month)
<i>1992</i>		
March	1,031	2,617
June	1,639	4,097
September	2,163	5,449
December	4,282	10,694
<i>1993</i>		
March	8,069	20,891
June	16,527	36,984
September	28,183	n.a.
December	42,800	n.a.
<i>1994</i>		
March	60,388	n.a.
June		
September		

Sources: rows 1-6 - McAuley (1994: Table 5.1); rows 7-8 - Surinov and Kolosnitsyn (1994: 4); row 9 - *Sotsial'no-ekonomicheskoe polozhenie Rossii. Yanvar'-April', 1994*, Moscow: Goskom RF po statistikep, 1994: 68.

The concept of poverty in the rest of the FSU

The countries of the FSU inherited the MMS budget as a concept of poverty. Since independence, each has tended to move away from that standard. The impetus for change has usually come from the World Bank or the IMF in the context of a country assessment. And the Bank's pressure has in turn often been connected with a desire to rationalize the social protection

programmes provided by the new government – and to relate them more closely to the state's fiscal capacity. The Ukraine will serve to illustrate the changes in the FSU countries.

Until the end of 1991, the Ukraine used the same quasi-official poverty line as the rest of the FSU – the MMS budget. In 1988, this was set at 78 roubles a month per capita. In 1992, the newly independent government commissioned a new poverty study (employing essentially the same methodology), which established the following poverty line, in January 1993 prices (Kakwani 1994: 36):

Food products	9,490 coupons
Non-food goods	2,992
clothes and footwear	1,488
hygiene and medicine	391
household	1,113
Services	1,103
Taxes, etc.	669
Poverty standard	14,345 coupons

In this budget, the total cost of the basket (the poverty line) is some 1.5 times the cost of food. This is higher than the ratio in the new Russian minimum subsistence standard. It is also higher than recommended by the World Bank's consultants. In view of the depth of the crisis being experienced in the Ukraine and taking account of the extensive subsidies being paid in such sectors as housing, health care, education, and public transport, they suggested a multiplier of 1.25 (Kendall et al. 1993, cited in Kakwani 1994: 37). The Kendall multiplier implied a poverty standard (in January 1993 prices) of 11,862 coupons a month per capita.

The MMS budget of 78 roubles a month per capita in 1988, when adjusted for price inflation, yields a poverty line of 11,878 coupons a month. Thus, the old Goskomstat poverty line is almost identical to the Kendall standard.

Data sources

Information about earnings and incomes in the USSR came from one of four sources. For earnings there was a census of enterprises held periodically after 1956 and quinquennially after 1976. This recorded earnings for all employees for the month of March. For incomes, the main source was the family budget survey (FBS). The shortcomings from which this suffered have been described at length: as a result of faulty sampling design the

poor were under-represented, average incomes were overstated, and inequality was underestimated (Atkinson and Micklewright 1992: 263–69). There have also been periodical surveys of family composition, income, and housing conditions. The first of these was conducted in 1958; others were conducted in 1967 and 1972. Towards the end of the Soviet period they appear to have been organized every three years. Although the sample used was larger than that for the FBS, it suffered from many of the same weaknesses (McAuley 1979: 54). For all their shortcomings these three sources of data were organized on an All-Union basis. Therefore, they constitute a source of data on the distribution of income, on poverty, and on inequality in each of the successor states of the FSU. They also provide a methodological starting point for whatever income-monitoring programmes the new governments have adopted. The final source of data is the various academic surveys conducted by Soviet economists and sociologists. Although these can provide much interesting information on conditions in particular towns, few provide Union-wide data – or even data that might cast light on the position in more than one republic.

Since the break-up of the USSR the data-gathering activities of the successor states have diverged – not least in the area of earnings, incomes, and poverty. In Russia the FBS continues to operate. But it has been supplemented by a longitudinal monitoring survey designed to a large extent by World Bank consultants. Unfortunately, the government does not publish extensive results from either of these. Nor does the World Bank. Goskomstat also collects information on earnings.

In the Ukraine the government continues to undertake a family budget survey that is essentially the same as the one that operated under the Soviet government. (It is reported, however, that households in the Ukraine, as in Russia, are less willing than previously to cooperate with the statistical authorities and that this has reduced the reliability of the figures derived from this survey.) So far, the Ukrainian FBS has not yet been supplemented by an alternative monitoring survey initiated by the World Bank.

In Kyrgyzstan, however, the World Bank has carried out one wave of a longitudinal monitoring survey. It intends to do the same in Uzbekistan in 1996 or 1997. In principle, the Bank believes that its monitoring surveys should replace the FBS as the source of statistics on income and consumption – and hence on poverty. But this has not yet happened in any of the newly independent states. Many governments have indicated the desire to maintain the FBS.

How widespread was poverty in the USSR in the final pre-crisis decade, 1980–90, and how has it evolved since the collapse of communism?

Measurement

Poverty in the crisis decade, 1980–1990

Table 17.2 introduces three alternative relative poverty lines. The first of these is defined as 60 per cent of average per capita income; this is often used in studies of less developed countries. The second notional poverty line is defined as 50 per cent of average per capita income; this is the level conventionally assumed for advanced industrial societies. Finally, the table proposes the quasi-official poverty line derived from MMS budget studies.

The table shows, first, that in 1980 the 50 per cent poverty line was almost the same as the quasi-official one first set in 1967. This suggests that when it was first established the Soviet MMS budget provided for a relatively generous standard of living. In 1985, the quasi-official poverty line was approximately equal to 60 per cent of average earnings. Again, since the USSR was an industrialized state, this suggests a relatively generous poverty standard. Finally, in 1989, inflation had eroded the generosity built in to the notional poverty standard: the quasi-official MMS budget was again approximately equal to 50 per cent of average per capita income.

Table 17.2 Poverty in the USSR, 1980–9

Year	Poverty line 1 (R/month)	Head count (million)	Poverty line 2 (R/month)	Head count (million)	Poverty line 3 (R/month)	Head count (million)
1980	61.5	42.0	51.3	23.6	50.0	19.3
1985	78.6	57.5	65.5	35.2	75.0	49.6
1989	97.4	66.8	81.4	41.7	81.0	39.5

Source: Cols 1–4 and col. 6 calculated from *Sotsial'noe*, (1991: 117); col. 5 from Rimashevskaja and Rimashevskii (1991: 123).

Notes:

^aPoverty line 1 is defined as 60 per cent of average monthly per capita total income;

^bPoverty Line 2 is defined as 50 per cent of average monthly per capita total income;

^cPoverty Line 3 is the value of the quasi-official *biudzhet minimal'noi material'noi obespechennosti* for the year in question.

The table also shows how the numbers with incomes below the notional MMS budget changed over the decade. In 1980, approximately 20–23 million people fell into this category; this was some 7.5–9 per cent of the population. By the end of the decade, the numbers with incomes below the MMS budget (or 50 per cent of the average) had risen to 40–42 million – 14–14.5 per cent of the population. The numbers with incomes below 60 per cent of the average rose from 42 to 67 million (16 per cent to 23 per cent of the population) over the decade. In these terms at least, the growth in poverty started well before the collapse of the Soviet Union in 1991.

The figures in Table 17.2 relate to the population of the USSR as a whole. It has not proved possible to locate estimates of the level of poverty by republic in 1980. But such figures have been estimated for 1989 and the results are given in Appendix Table 17A.1. The table reports two estimates of the regional distribution of poverty in the USSR. First, poverty is defined relative to 50 per cent of average per capita income for the USSR as a whole. Second, an estimate has been made of 50 per cent of per capita income in each republic. In the table, estimates are given of the distribution of poverty relative to this regionally specific poverty line.

In 1989, relative to the All-Union poverty line, some 14.6 per cent of the population lived in households with a per capita income of less than 81.4 roubles a month. Three-fifths of these were to be found in just three republics: Russia, the Ukraine, and Uzbekistan. Whereas 8 per cent of the population of Russia had incomes below the national poverty line, almost half of Uzbekistan was below this level. In fact, all the Central Asian republics had more than one-third of their population with per capita income below the notional poverty line; so did Azerbaijan. The position in Kazakhstan, Georgia, and Armenia also deserves mention: between one-sixth and one-fifth of the population in each of these republics appeared to have been poor.

The picture changes significantly when we consider poverty relative to republic-specific poverty lines. In terms of this standard, the head count of poverty drops from 42 million to 32 million and its geographical distribution changes too. Not surprisingly, poverty rises in those republics with per capita income above the national average; it falls in the poorer republics of Central Asia and the Transcaucasus.

Table 17.3 attempts to determine poverty changes in the FSU relative to a fixed standard. It is taken from a forthcoming study by Branko Milanovic at the World Bank. It uses a different approach to the definition of a poverty line, starting from the

Table 17.3 The evolution of poverty in the FSU: selected Republics, 1987/88–1992/93

Republic	Head count				Poverty gap, 1992/93
	Percentage		Millions		Percentage of GDP
	1987/88	1992/93	1987/88	1992/93	
Russia	2	31	3.0	46.2	2.4
Ukraine	2	12	1.0	6.3	0.7
Belarus	1	41	0.1	4.2	3.9
Kazakhstan	5	–	0.8	–	–
Uzbekistan	24	–	4.8	–	–
Latvia	1	21	0.03	0.5	1.4
Moldova	4	44	0.2	1.9	5.7
Lithuania	1	50	0.04	1.9	4.8
Kyrgyzstan	12	–	0.5	–	–
Turkmenistan	12	14	0.4	–	–
Estonia	1	40	0.02	0.6	3.7

Source: Milanovic forthcoming: Table 5.1.

Poverty line = \$PPP120 a month per capita at 1990 prices.

proposition that the poverty line should be set at 4 international dollars per capita a day at 1990 prices. This is then converted into local currency at the purchasing power parity (PPP) exchange rate taken from the UN's international comparison project. Finally, the 1990 local currency poverty standard is inflated or deflated by the cost of living index to obtain the figure for other years. Thus, the table seeks to determine the incidence of poverty relative to a fixed poverty line, one that was intended to ensure a constant command over the volume of consumption goods that could be acquired both in time and in the different parts of the FSU.

Before looking at the available figures on the evolution of poverty in the FSU, it is worth making two points about the level of living implied by this standard. Milanovic observes that "The amount of \$PPP4 per capita a day is a relatively high poverty line. It is four times higher than the World Bank line of absolute poverty" (Milanovic forthcoming: ch. 5, p. 11.). This minimum, it should be noted, was substantially less than the quasi-official poverty lines devised by Soviet authorities. As we have seen, in 1987/88 the MMS budget was set at some 78–84 roubles per capita a month; the \$PPP4 a day standard was worth only 54 roubles a month. (On the other hand, the Milanovic standard was indexed to the price level and by 1992 or so the two standards had substantially converged).

There are three noteworthy features about the figures given in Table 17.3. First, only some of the successor states are listed, and the entries for some of these are incomplete. This is an indication that the data on which the table is based are incomplete – and unreliable. Nevertheless, the second feature is striking, and well-established: a universal and significant increase in poverty occurred between 1987/88 and 1992/93. Some of the increases have been enormous in percentage terms. In Latvia, the proportion of the population judged to be in poverty according to this standard increased twenty-fold, from 1 per cent to 21 per cent of the population; Belarus had a forty-fold increase! Third, Milanovic claims that, given the scale of poverty, the estimated poverty gap is very small. (That is, the incomes of the poor fall short of the poverty standard by a relatively small amount; the poor are bunched at or near the poverty line.) Since poverty is shallow, one can infer that “unlike in Latin America, the poor do not represent a distinct ‘underclass’; their educational achievements seem reasonable and not too different from the rest of the population; their access to social services, ownership of consumer durables and apartments is also close.” If output recovers and incomes rise in the reasonably near future, “large numbers of the current poor could be pulled up above the current poverty line” (Milanovic forthcoming: ch. 5, p. 17). For Russia at least, this claim has been disputed (McAuley, 1994: 24).

Poverty in Russia, 1991–1994

Table 17.4 provides estimates of the way in which poverty in Russia has evolved since the collapse of the Soviet Union – when

Table 17.4 The incidence of poverty: Russia, 1991–1994

Date	Poverty line (roubles/month)	Head-count ratio (%)	Poverty gap (% of GDP)
1991	190	11.4	–
1992			
March	1,031	23.4	0.59
June	1,639	23.1	1.13
September	2,163	18.9	1.23
December	4,282	15.7	1.85
1993			
March	8,069	34.7	1.05
June	16,527	24.7	1.43
October	32,400	28.8	3.76
1994			
April	66,536	10.7	–

Sources: rows 1–8 – Braithwaite 1994: Table 1); Row 9 *Sotsial'no-ekonomicheskoe polozhenie Rossii (ianvar'-aprel' 1994)* Moscow: Goskom RF po statistike, 1994: 68.

defined in terms of the new subsistence minimum. The table shows that in 1991, just before the collapse of the Soviet Union, the *prozhitochnyi* minimum was set at 190 roubles a month per capita. At this level, some 11.4 per cent of the population was judged to be poor. By March 1992, the head count ratio had more than doubled to 23.4 per cent. A year later, in March 1993, it had increased by a further 50 per cent or so to 34.7 per cent. According to official statistics, in April 1994, the poverty rate had fallen sharply and stood at only 10.7 per cent of the population. This improvement has been challenged. Surinov and Kolosnitsyn (from the Gaidar Institute) claim that in the summer of 1994 an estimated 23 per cent of the population had per capita incomes below the subsistence minimum (Surinov and Kolosnitsyn, 1994: 4). These figures should be compared with those given by Milanovic in Table 17.3. He suggests that, according to the \$PPP4 in 1990 prices standard, the poverty rate in Russia in 1993 was 31 per cent; this is of the same order of magnitude as the estimates reported in Table 17.4.

Table 17.4 also reports estimates of the poverty gap. This refers to the extent to which the incomes of the poor fall short of the poverty line, and is an attempt to measure the intensity of poverty. The figures in the table express the aggregate poverty gap as a percentage of GDP. They show, not surprisingly, that the increase in poverty in 1991–2 resulted in an increase in the poverty gap. More interestingly, the gap continued to increase throughout 1992 – even though the head-count ratio fell in the second half of the year. This implies that poverty intensified: the incomes of the poor fell further below the poverty line.

Between the winter of 1992 and the spring of 1993, the head-count ratio more than doubled, but the poverty gap fell markedly. This means that, although a lot more people declined into poverty, the incomes of the poorest members of society were raised. They became less poor, as it were. This improvement was not maintained, however, and by the autumn of 1993, the poverty gap was higher than it had ever been. Data have not been located on what has happened to the intensity of poverty in the last year or so. The figures would probably show something of the same seasonal pattern; they would probably also show an overall decline in the gap, a fall in the head-count ratio, and a slowing in the rate of inflation. This should have allowed government anti-poverty policy measures time to improve the position of the poorest.

If there are significant seasonal variations in the measured poverty gap, this could help to explain the difference between the estimates given in Table 17.3 and Table 17.4. It could be that

Milanovic's estimate relates to a different month in the year. But it is doubtful that the full difference can be explained in this way. Also questionable is the inference that poverty in Russia is shallow. Figures on the share of total income received by different quintiles of the population (see Appendix Table 17A.2) show that the share of total income received by the bottom 20 per cent of the population fell from 11 per cent of the total in 1992 to 7 per cent in 1993; it was still only 8 per cent in 1994. Also, in the third quarter of 1992, some 11 per cent of the population (or almost one-third of the poor) had a per capita income that was less than 50 per cent of the subsistence minimum.

Poverty in Ukraine, 1990-94

The only source of data on the distribution of income in the Ukraine is the family budget survey, and the following information comes from this source. It is important to point out that this survey has been heavily criticized because its sample design under-represents the poor. (Atkinson and Micklewright, 1992; McAuley 1979). Taking the figures at face value, however, Table 17.5 shows that in 1990 some 11 per cent of the population lived in families with incomes below the (somewhat inflated) official poverty line of the new government; in 1991, this had fallen to less than 9 per cent. If we take the poverty line recommended by the World Bank, the incidence of poverty in 1990 was as little as 5.5 per cent; in 1991 this had fallen to 3.2 per cent. The collapse of the USSR resulted in an enormous increase in the level of poverty. According to the World Bank standard, it increased to 17 per cent of the population; according to the official poverty line almost 30 per cent of the population were in poverty. Since

Table 17.5 Poverty in the Ukraine, 1990-1992

	1990	1991	1992
<i>Ukraine standard^a</i>			
Poverty line in current prices	100	188	2,846
Head count (%)	11.5	8.8	29.75
Poverty gap	2.3	1.3	6.86
<i>World Bank standard^b</i>			
Poverty line in current prices	83.1	155.7	2,356.4
Head count (%)	5.5	3.2	16.88
Poverty gap	1.0	0.4	3.45

Sources: Kakwani (1994: 37).

Notes:

^a 14,345 coupons in January 1993 prices.

^b 11,862 coupons in January 1993 prices.

real wages fell sharply in 1993 and 1994, one must assume that the incidence of poverty has continued to increase.

Table 17.5 also contains estimates of the poverty gap in the Ukraine for the years 1990–92. They suggest that in 1992 this was substantially higher than the figure given by Milanovic. There is, however, some confusion over this: Milanovic is clear that the denominator in his estimate is GDP; Kakwani is not specific – and he may have used personal income. If so, then his estimates should perhaps be halved before being compared with those of Milanovic.

Poverty in Kyrgyzstan

As data in Appendix table 17A.1 show, before 1991 Kyrgyzstan was one of the poorer republics of the FSU. In 1989 over 38 per cent of the population lived in families whose per capita income was less than 50 per cent of the All-Union average. It is claimed that in 1992 some 35 per cent of the population were found to be poor – using the official family budget survey and the officially defined minimum consumption basket of goods (presumably the MMS budget). In May 1993, the proportion of the population in poverty according to this standard had risen to as much as 80 per cent. (Falkingham and Ackland 1994: 2).

As a result of these developments, the Kyrgyz government, together with the World Bank, undertook the development of a new poverty standard. This followed a methodology similar to that adopted by Russia in the calculation of its subsistence minimum. The team that undertook the work, led by same consultant (Barry Popkin), proposed two standards: the low-cost budget amounted to 659 som a year per capita (of which it was assumed that 522 som were spent on food), the high-cost budget was set at 1048 som a year per capita of which 830 som were to be spent on foodstuffs. Both of these budgets are priced in October 1993 prices. In what follows, use is made of the minimum pension as a notional poverty line. In October 1993, this was set at 32 som a month – or 384 som a year.

In addition to developing a new subsistence minimum for Kyrgyzstan, in 1993 the World Bank, in conjunction with the government of Kyrgyzstan carried out an independent household budget survey, which included a representative sample of 1,937 households (9,066 individuals). The following data are taken from this Kyrgyzstan multipurpose poverty survey (KMPS).

The survey showed that mean per capita income in Kyrgyzstan was 119 som a month. Mean expenditure was somewhat higher –

Table 17.6 Poverty in Kyrgyzstan, 1993

	Households		Individuals	
	Head-count ratio (%)	Poverty gap ratio (%)	Head-count ratio (%)	Poverty gap ratio (%)
<i>Poverty standard:</i>				
<i>Income</i>				
Low-cost	53.9	27.9	62.7	33.8
High-cost	71.5	41.3	77.7	47.6
<i>Expenditure</i>				
Low-cost	25.2	11.6	29.5	14.0
High-cost	39.7	19.5	45.4	22.7
<i>Minimum pension:</i>				
<i>Income</i>				
Per capita	33.7	16.2	41.7	19.9
Equivalent	23.1	10.6	27.5	12.1
<i>Expenditure</i>				
Per capita	13.6	6.4	16.4	7.8
Equivalent	9.5	4.2	11.0	4.9

Source: Falkingham and Ackland (1994: Tables 4, 5, 6a, and 6b).

189 som. When some allowance was made for the size and composition of households – using the OECD equivalence scale – mean income per equivalent adult was 157 som a month and expenditure per equivalent adult was as much as 251 som a month.

As the figures in Appendix Table 17A.3 show, the KMPS showed that both income and expenditure were very unequally distributed in Kyrgyzstan. Gini coefficients in the range 0.5–0.7 are rare, if not unheard of, among the industrialized states of Western Europe. But income was more unequal than expenditure. Further, per capita income and expenditure were more unequally distributed than equivalent income or expenditure.

Falkingham and Ackland draw attention to the low correlation between income and expenditure:

Using the standard Pearson Correlation Coefficient on ungrouped data for both total household income and expenditure, we find that the association between the two indicators of welfare is surprisingly low, with a correlation coefficient of only 0.2.

(Falkingham and Ackland 1994: 19).

Estimates of both the head-count ratio and the poverty gap using both high-cost and low-cost poverty standards and both income and expenditure are given in Table 17.6. They imply that between one-quarter and almost three-quarters of households in

Kyrgyzstan were poor. Because large families are more likely to be poor than small ones, the estimates of individual poverty are higher than those for households; they suggest that between almost one third and almost four-fifths of the population were poor.

Falkingham and Ackland suggest that expenditure was better observed than income, and that significant amounts of income were omitted, especially among the least well-off. For this reason, they believe that expenditure is a better guide than income to welfare in Kyrgyzstan. They also favour the high-cost subsistence minimum. They conclude, therefore, that some 45.4 per cent of individuals or 39.7 per cent of households were in poverty in October–November 1993.

In October 1993, the minimum pension in Kyrgyzstan was 32 som a month. Using this as a poverty line and comparing it with the distribution of both per capita and equivalent income, Falkingham and Ackland conclude that between one-tenth and one-third of households or one-tenth and two-fifths of individuals were living in poverty in Kyrgyzstan at the end of 1993. Their preferred estimate using this standard is 16.4 per cent.

Table 17.6 also gives estimates of the poverty gap ratio for each of the “head counts”. It is not clear how the poverty gap is measured – the estimates are so high that it is unlikely to be GDP. Thus, these figures are not comparable with those given by Milanovic. They indicate that poverty is substantial and not “shallow”.

Poverty in the Baltic Republics

Estonia

In 1992 and the first half of 1993, the Estonian government continued to use the MMS budget as the basis for its anti-poverty policy (Kutsar and Trumm 1993: 132). In September 1993, the government passed a decree establishing a poverty line of 280 EEK a month. The government also set out procedures for adjusting the poverty line in accordance with changes in the cost of living. This new Estonian poverty line is based on a physical subsistence minimum, very much along the lines used in Russia and Kyrgyzstan (Viies 1993: 14). Some academic researchers have also made use of a notional poverty line defined as 50 per cent of median income – or expenditure (Kutsar and Trumm 1993: 137).

According to the old MMS budget standard, some 20 per cent of the population was poor in August 1992, whereas in May of

the same year the proportion had been as low as 7.5 per cent (Kutsar and Trumm, 1993: 137). A year later, the head-count ratio was still only 20 per cent – but this figure was relative to the government's new (and more stringent) poverty standard (Viies 1994: 19). Viies also reports that poverty was associated with large family size, incomplete families, and unemployment.

The formulation of anti-poverty policy in Estonia has been complicated by ethnic politics. Because Estonians believe that a disproportionate share of the poor are Russian, the government has been unwilling to establish and maintain a universal safety net (Kutsar and Trumm 1993: 132).

Latvia

In 1992 and 1993, the Latvian authorities continued to make use of the system that they had inherited from the USSR for the study of poverty and inequality. Only in November 1993 did the government specify an official poverty line. This was set at 22.3 LVL a month per capita. Families with incomes below this level, however, must satisfy additional criteria before they are entitled to state assistance (Cice 1994: 4). In 1993, some 75 per cent of persons had incomes that fell below the subsistence minimum – that is the old MMS budget corrected for changes in the cost of living (*ibid.*: 9).

The position of Russians in Latvia is perceived to be different from that in Estonia. Poverty is “spread mainly among Latvians . . . non-citizens who arrived illegally during the Soviet occupation [i.e. Russians] are mainly connected with private structures” (Cice 1994: 10). The groups who have taken advantage of new market opportunities are not poor.

Lithuania

Lithuania was the first Baltic republic to break away from the old Soviet methodology for the study of living standards, poverty, and inequality. The government adopted a new budget survey framework as early as March 1992 (Budreikaite 1994: 1). A year later, in 1993, it introduced a new method of defining the poverty line. This too followed the physical subsistence model favoured by the World Bank and adopted in Estonia, Russia, and Kyrgyzstan (among other successor states). As a result, in August 1993 the minimal living standard (MLS) was set at 54.5 Lits a month per capita (Budreikaite 1994: 11).

At this standard, poverty in Lithuania was less acute than in Estonia. In September 1993, some 14.5 per cent of the population had incomes below the MLS standard. Budreikaite

believes that this figure understates the real incidence of poverty in Lithuania.

Explanations of poverty

The risk and incidence of poverty

In Russia in 1992, the incidence of extreme poverty was greatest among children between the ages of 7 and 15 and adults under the age of 30. These two groups accounted for half of all those with per capita incomes less than 50 per cent of the poverty line. On the other hand, the risk of extreme poverty among young adults was only modestly higher than in the population as a whole. On certain plausible assumptions, the probability that a randomly chosen young adult has an income of less than half the subsistence minimum is only 0.13; for a randomly chosen individual the probability is 0.11.

More generally, one can note that both the incidence and the risk of poverty among children are high: almost half of all children live in families with incomes below the subsistence minimum. They make up almost one-third of the poor. They also make up more than one-third of the extremely poor. But these figures need to be treated with caution: no allowance has been made for differences in the needs of persons of different ages – nor for economies of scale in consumption.

Women – of either working or pensionable age – are at no greater risk of being poor than the population as a whole; and they are half as likely to be extremely poor. The incidence of poverty among men of pensionable age is low partly because the risk is low in this social group and partly because men aged 60 and above make up only five per cent of the population (women of pensionable age account for 14 per cent).

One significant feature of the growth in poverty in Russia is the fact that a high proportion of the new poor are actually in employment. For example, the World Bank reported that in 1992 some 63 per cent of the heads of households adjudged to be poor were in employment (Russia 1993: 13). In 1993 the proportion was 66 per cent (Milanovic, 1994: 40). Milanovic shows that substantial numbers of employees descended into poverty because their earnings failed to “keep up with” inflation – and hence with the cost of the subsistence minimum. He shows that, between 1987 and 1990, average earnings were between four and five times the deflated value of the 1990 poverty line; by the beginning of 1993 they had declined to less than three times the poverty line (adjusted for changes in the cost of living). In

1992–3, the average pension was more or less equal to the poverty line. As a result, many families fell into poverty – even when both spouses were in employment. Milanovic shows that a somewhat similar situation developed in the Ukraine: by the beginning of 1993, average earnings were less than twice the poverty line (Milanovic 1994: 41).

Milanovic does not speculate on why earnings have followed the path that they have, but two observations can be made. First, before 1992, wage rates were determined centrally in both the Ukraine and Russia. In Russia, this process has been largely retained for the so-called budget sector. Pay scales here are determined bureaucratically and have been changed relatively infrequently; changes in earnings have tended to lag behind changes in the cost of living. Further, attempts to restore fiscal balance resulted in pressure to keep wages down in the state sector. In the so-called productive sphere, managers have enjoyed more autonomy over the determination of wages since the end of the 1980s. Here too, the financial constraints that have followed from the collapse in output have induced enterprises to restrain wage increases; this policy has been reinforced by the government's tax on excess wage increases. Take-home pay has also been affected by monetary chaos: enterprises have not always been able to pay their workers on time. Wages paid in arrears are not indexed – which can imply a substantial fall in real incomes when inflation is running at up to 20 per cent a month. The decline in real wages has meant that firms have been able to maintain employment at a higher level than would otherwise have been possible.

Inequality and the growth of poverty

This chapter has argued that the transition from the Soviet Union to independent countries has been accompanied by a decline in income and a growth in inequality and that these two processes have resulted in an increase in poverty. This section provides somewhat more detail.

Table 17A.2 reports changes in the distribution of income in Russia between 1992 and 1994. There was a sharp fall in the share of income accruing to the lowest quintile of the population, a significant fall in the share of the second quintile, little change in the shares of the third and fourth quintiles, and a significant increase in the share of the top quintile. In other words, the poor are poorer and the rich much richer. This is reflected in an increase in the Gini coefficient by almost a half – from 0.22 to 0.31.

Table 17.7 The growth in poverty: FSU, 1987-93 (millions)

	Cause			Total
	Decline in income	Growth in inequality	Demographic change	
Baltic states	1.3	0.9	0.0	2.2
Russia	8.5	18.9	0.9	28.3
Rest of FSU ^a	9.3	1.8	0.2	11.3
Total	19.1	21.6	1.1	41.8

Source: Milanovic (1994: 35).

Note:

^aExcludes Central Asia and the Transcaucasus.

Three "causes" for an increase in poverty are offered in Table 17.7: income decline, inequality increase, and demographic change. The last exists because if population grows or contracts, other things being equal, some of that growth (contraction) will occur among the poor. So far as the parts of the FSU covered by the table are concerned, demographic factors have played only a minor role in the growth of poverty. Had Milanovic been able to extend his calculations to cover Central Asia, the picture might have been somewhat different.

Between 1987 and 1993, the number of persons in poverty in the FSU (excluding Central Asia and the Transcaucasus) increased by about 42 million. Two-thirds of this increase was in Russia. Since there were significant increases in poverty in some Central Asian states, this conclusion possibly overstates the importance of Russia in the growth of FSU poverty. The table also shows that the experience of Russia differs from that of the rest of the FSU. In Russia, more than twice as much of the increase in poverty could be attributed to increases in inequality as to the collapse in income; for the rest of the FSU the position was reversed. In the Baltic states, the decline in output was responsible for almost two-thirds of the increase in poverty; in the rest of the CIS it accounted for more than four-fifths of the total increase. At least for Russia, this analysis suggests that economic growth alone will not reverse this increase in poverty.

The determinants of poverty in Kyrgyzstan

Kyrgyzstan, one of the smaller republics of the FSU, is interesting for two reasons. First, it is the only Central Asian republic for which we have detailed and representative data. Second, it is the only republic for which we have analyses using western concepts

and modern statistical techniques. However, the picture it reveals would probably be repeated in the rest of Central Asia and in much of the Transcaucasus.

The Kyrgyz Multipurpose Poverty Survey (KMPS) asked respondents a range of other questions that allow the exploring of the composition of the poor and the examination of hypotheses about the determinants of poverty. First, poverty in Kyrgyzstan is more prevalent in rural areas than in towns. The exact household figures are:

	<i>Headcount</i>	<i>Poverty gap</i>
Urban	28.7	11.5
Rural	48.1	25.5
All Kyrgyzstan	39.7	19.5

(Falkingham and Ackland 1994: 26)

Second, although Kyrgyz and Uzbek households were substantially poorer than Slav households, more than a quarter of the latter had expenditures that put them below the high-cost subsistence budget.

Conclusion

The problem of poverty and anti-poverty policy has become an issue of some political significance in all the successor states of the FSU. The old MMS budget inherited from the USSR, yields levels of poverty so high as to preclude meaningful relief. As a result, all governments have undertaken or commissioned research into the specification of a new, more modest subsistence minimum. Where such work has been completed, it has usually been done in conjunction with consultants provided by or through the World Bank. In Russia at least, there has been some independent locally organized study of poverty; similar work may exist in other successor states. However, much of this is based on dubious statistical sources and employs questionable methodologies.

Second, the economic crisis that has accompanied the transition to a market economy has resulted in a sharp fall in output – and hence in average income – in all republics. In most, this has been accompanied by an increase in inequality as some individuals reap windfall gains or losses and because some people have adapted more quickly to the opportunities afforded by the new economic environment. These two developments have resulted in a substantial increase in poverty in all of the successor states of the FSU.

Third, most of those groups that were at greatest risk of poverty in the Soviet Union remain at great risk in the successor states. These include children, especially those in large families, and women, particularly those who are heads of households. The elderly, if they live alone, are also quite likely to be poor. Since the collapse of the Soviet Union new groups of poor have emerged. There are the unemployed. There are also substantial numbers of employed workers whose wages are now too low to keep them and their families above the poverty line. These include many of those employed directly by the state – teachers, nurses, hospital orderlies, and so on; they also include unskilled and semi-skilled workers in manufacturing, many of whom are women. A more varied poverty population now exists in the FSU.

Appendix

Table 17A.1 The incidence of poverty: USSR and republics, 1989

Republic	All-Union (poverty line = 81.4 roubles/month)			Republics		
	Head count		% of USSR	Republic- specific poverty line ^a (roubles/ month)	Head count	
	% of republic	Million			Million	% of USSR
Russia	11.5	7.8	27.4	90.7	17.6	54.2
Ukraine	5.0	9.6	11.9	79.1	4.3	13.2
Belarus	0.6	5.9	1.4	87.8	0.9	2.7
Uzbekistan ^b	9.9	49.4	23.6	48.2	[2.6]	—
Kazakhstan	3.3	20.0	7.9	73.1	2.4	7.4
Georgia	0.9	17.2	2.1	76.9	0.8	2.5
Azerbaijan	2.7	38.7	6.4	57.8	1.3	4.0
Lithuania	0.2	4.1	0.5	84.6	0.2	0.6
Moldova	0.7	16.4	1.7	72.8	0.5	1.5
Latvia	0.1	4.3	0.2	100.1	0.3	0.9
Kyrgyzstan	1.7	38.7	4.0	54.5	0.6	1.8
Tadjikistan	2.9	56.7	6.9	39.6	—	—
Armenia	0.6	19.2	1.4	69.7	0.4	1.2
Turkmenistan	1.5	40.8	3.5	54.0	0.5	1.5
Estonia	0.0	3.4	—	107.5	0.2	0.6
USSR	14.6	41.9	100.0	—	32.5	100.0

Source: calculated from *Sotsial'noe* (1991: 119).

^aRepublic-specific poverty line defined as 50 per cent of average per capita monthly total income, estimated from data on the distribution of income in the source.

^bFor Uzbekistan and Tadjikistan, the poverty line fell into the lowest (open) interval of the distribution; it was not possible to interpolate and estimate the incidence of poverty in these two republics.

Table 17A.2 The distribution of money income by population quintile: Russia, 1992-1994(%)

Money income received by:	1992	April	
		1993	1994
First (lowest) quintile	10.6	6.8	7.8
Second quintile	15.3	11.6	12.7
Third quintile	19.2	16.4	17.3
Fourth quintile	23.8	23.2	23.4
Fifth (upper) quintile	31.1	42.0	38.8
Total	100.0	100.0	100.0
Gini coefficient	0.217	0.353	0.311
Ratio of average incomes of first and tenth deciles	3.7	9.7	7.5

Source: *Sotsial'no-ekonomicheskoe polozhenie Rossii (ianvar'-aprel' 1994)* (Moscow: Goskom RF po statistike, 1994: 66).

Table 17A.3 The distribution of income and expenditure: Kyrgyzstan, 1993 (%)

Quintile	Per capita		Equivalent ^a	
	Income	Expenditure	Income	Expenditure
First	1.8	2.5	2.0	2.7
Second	4.8	6.9	5.1	7.2
Third	8.3	12.0	8.6	12.7
Fourth	14.4	20.4	14.7	20.8
Fifth	70.7	58.2	69.6	56.6
Total	100.0	100.0	100.0	100.0
Mean (sum per month)	119.1	189.4	157.0	251.2
Gini coefficient	0.678	0.548	0.665	0.531

Source: Falkingham and Ackland (1994: Tables 1 and 2).

Note:

^a Calculated using the OECD equivalence scale: first adult = 1; additional adults = 0.7; children under 14 years of age = 0.5.

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