

# Human development in Putin's Russia

## What the data tell us

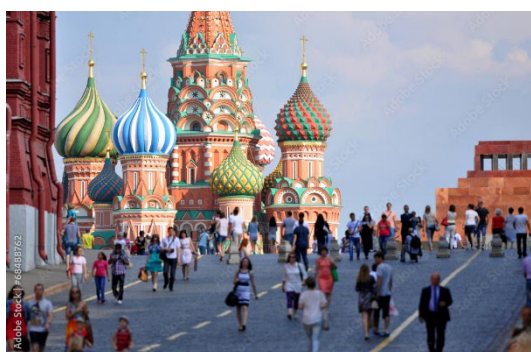
### SUMMARY

While the UN Human Development Index, which assesses progress in the standard of living, health and education, ranks Russia among the 'very high human development' countries, other data suggest a more nuanced reality.

Russia has gone from Soviet-era egalitarianism to extremes of wealth and poverty. Economic growth during the first decade under Vladimir Putin's leadership slightly reduced the gap between rich and poor, but inequality is still higher than in most developed countries. Factors such as corruption and low taxes for the rich exacerbate the income gap. Free public healthcare and a relatively inclusive education system apparently mitigate inequality. However, many hospitals are ill-equipped, and universities struggle to compare with foreign counterparts.

Since 2014 and the invasion of Crimea, Russians' living conditions have deteriorated. Russia's war of aggression on Ukraine and the imposition of Western sanctions is already placing a burden on the poorest members of Russian society, as prices increase and staple goods begin to run out. The social contract between Russians and Putin, often considered as one in which citizens ceded certain freedoms and civil liberties in exchange for stability and prosperity, is now under strain.

*This briefing is partly based on and updates previous EPRS publications on [socioeconomic inequality](#) and on the [education system](#).*



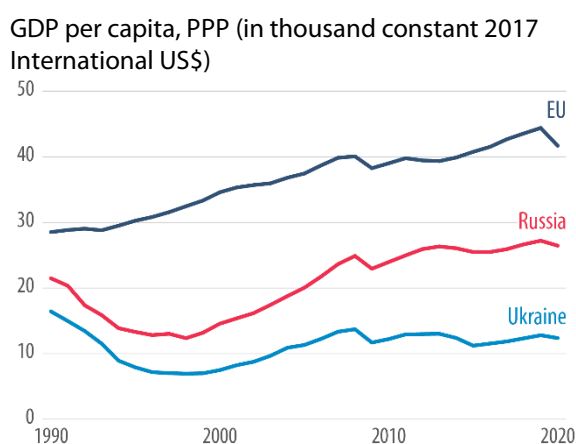
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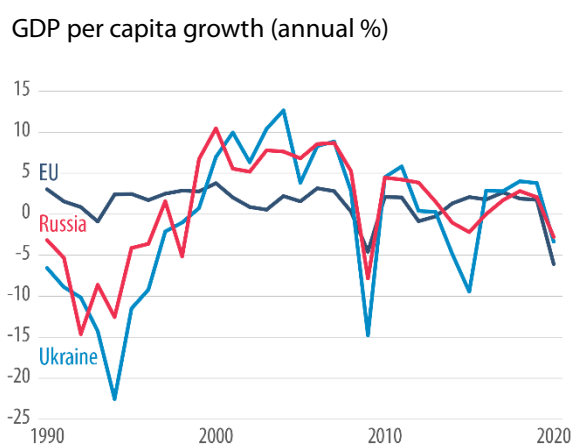
## Introduction

Vladimir Putin is serving his fourth term as Russian president. He has now been at the helm for over 22 years, if we factor in his tenure as acting president over the first months of 2000 and his premiership from 2008 to 2012. Russia's gross domestic product (GDP) was on an ascending trend during Putin's first years in office, but did not reach its 1990 levels until 2006. Later, the global drop in [oil prices](#) and the imposition of [Western sanctions](#) following the annexation of Crimea pushed Russia into recession between 2014 and 2016. The country had been on a path of recovery since then (except at the peak of the Covid-19 pandemic), but economic [growth](#) before the war of aggression on Ukraine was still far below what it had been during the first decade under Putin (see Figure 1 for data until 2020; in 2021, Russia's economic growth bounced back to [+4.3 %](#)).

Figure 1 – GDP per capita and its annual growth in EU, Russia and Ukraine



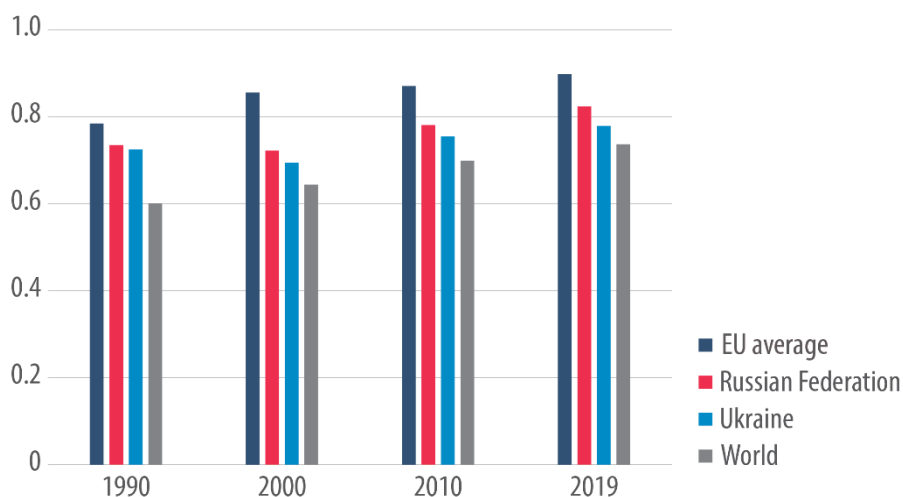
Data source: [World Bank](#), 2022.



Data source: [World Bank](#), 2022.

The United Nations Development Programme (UNDP) [Human Development Index](#) (HDI) measures how countries' well-being improves in [three dimensions](#): a decent standard of living (gross national income per capita), a long and healthy life (life expectancy), and knowledge (education). In 2000, Russia was considered a country with 'medium human development', ranking 62nd out of 173 countries ([HDI 2002](#)). Since then, [Russia](#) has progressed in all [three dimensions](#): in the latest index ([HDI 2020](#), 2019 data), it ranks 52nd out of 189 countries; its score of 0.824 (see Figure 2) ranks it among the 66 countries with a '**very high human development**'.

Figure 2 – Human Development Index scores for EU, Russia, Ukraine and the world



Data source: [UNDP](#), 2022 – EU and Ukraine data are given for comparison.

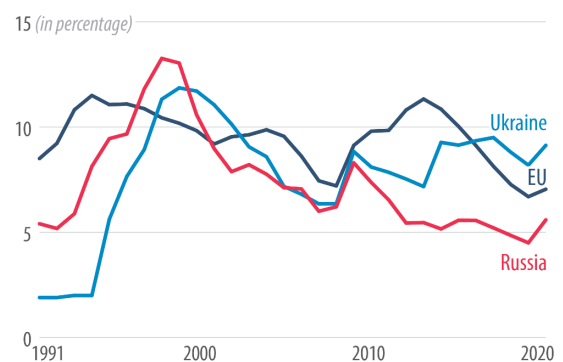
The HDI allows for comparisons with other countries but does not reflect inequalities within the same country; since [2010](#), the UNDP inequality-adjusted HDI (IHDI) addresses this concern, by taking into account how average human development progress is distributed among the population. As a result, [Russia's IHDI](#) is 0.740, a loss of 10.2 % compared to the HDI. However, this loss is less than the average loss in other countries with very high human development (-10.9 %, from an HDI of 0.898 to an IHDI of 0.800), suggesting that human development in Russia is rather well distributed. Russia is also among the countries with higher equality between [women and men](#) in terms of HDI achievements.

However, given that the UNDP takes into account only a limited set of indicators and that data sources may vary among countries, these indicators are [not meant to capture the bigger picture](#), such as short-term variations or overlapping inequalities. Other indicators and factual data tell a different story about Russia's achievements in terms of living standards, health and education.

## Income and wealth

The [relatively egalitarian situation](#) in the Soviet Union changed dramatically in the early 1990s, as economic reforms turned the planned economy into a capitalist free market. Worsened by the recession at the time, unemployment increased sharply. Since [2000](#), growth and reforms in the labour market halved unemployment from 10.58 % in 2000 to 4.5 % in 2019; in 2020 the first wave of the coronavirus pandemic pushed it to 5.2 % (see Figure 3). Even after 2014, most Russian employers responded to the then financial crisis by [cutting wages](#) rather than laying workers off. As a result, the effect on income was spread more or less equally across all employees, rather than being concentrated among those who lost their jobs.

Figure 3 – Total unemployment: Russia, EU and Ukraine (% of total labour force)



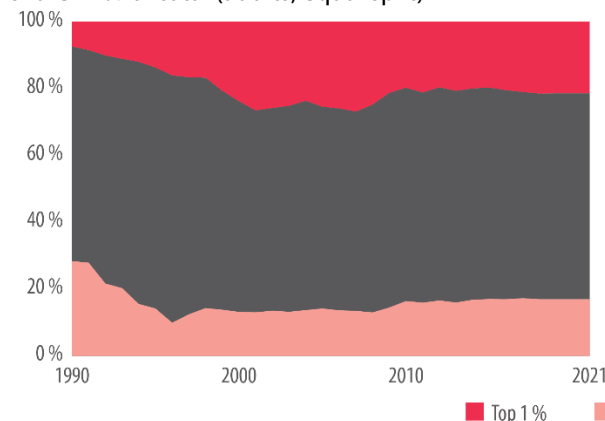
Data source: [World Bank](#), 2022. EU and Ukraine data are given for comparison.

**Income inequality** however remains very high, compared both with the Soviet era (see Figure 4) and with other countries (see Figure 5). In 2020, the richest 1 % of the Russian population received more than one fifth of the national income, while enjoying favourable [tax rates](#).

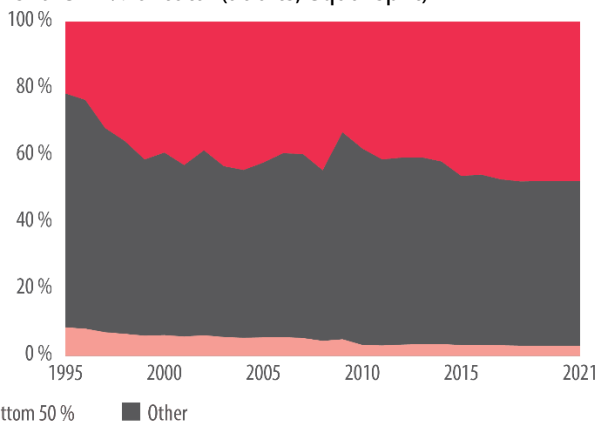
**Wealth inequality** has also increased over the past two decades, with nearly half of the total wealth held by only 1 % of the population in 2020 (see Figures 4 and 5).

Figure 4 – Income and wealth inequalities in Russia over time

Pre-tax national income: top 1 % and bottom 50 % share in % of total (adults, equal split)



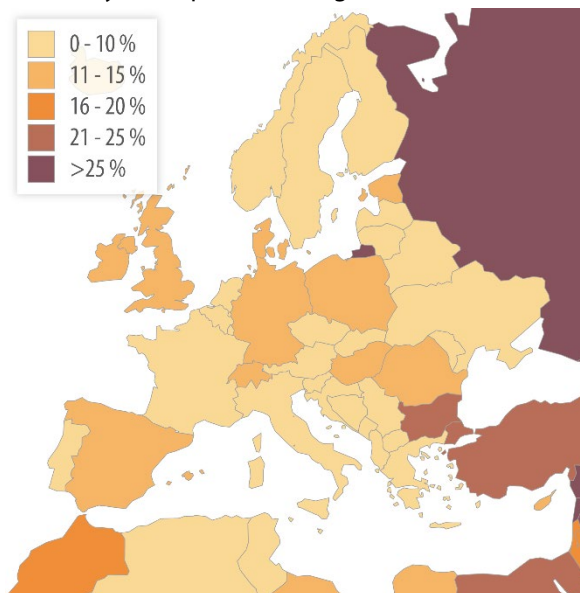
Net personal wealth: top 1 % and bottom 50 % share in % of total (adults, equal split)



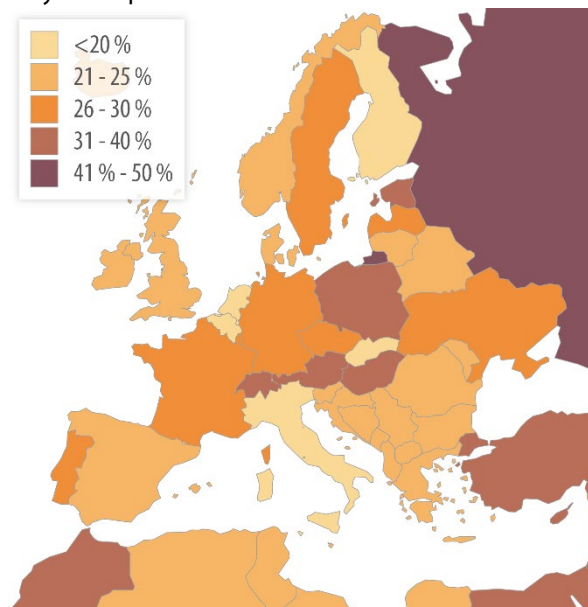
Data source: [World Inequality Database](#), 2022.

Figure 5 – Income and wealth inequalities in Russia and Europe in 2021

Share (%) of the total pre-tax national income received by the top 1 % with highest incomes



Share (%) of the total net personal wealth detained by the top 1 % wealthiest



Data source: [World Inequality Database](#), 2022.

These figures probably understate inequality, given that they do not take account of the huge wealth kept in offshore accounts or assets. [Novokmet, Piketty, and Zucman](#) estimate that this represented US\$800 billion in 2015, as much as the total financial wealth 'held by the entire Russian population in Russia itself'. According to the authors, a handful of Russian businesspeople hold most of this offshore wealth.

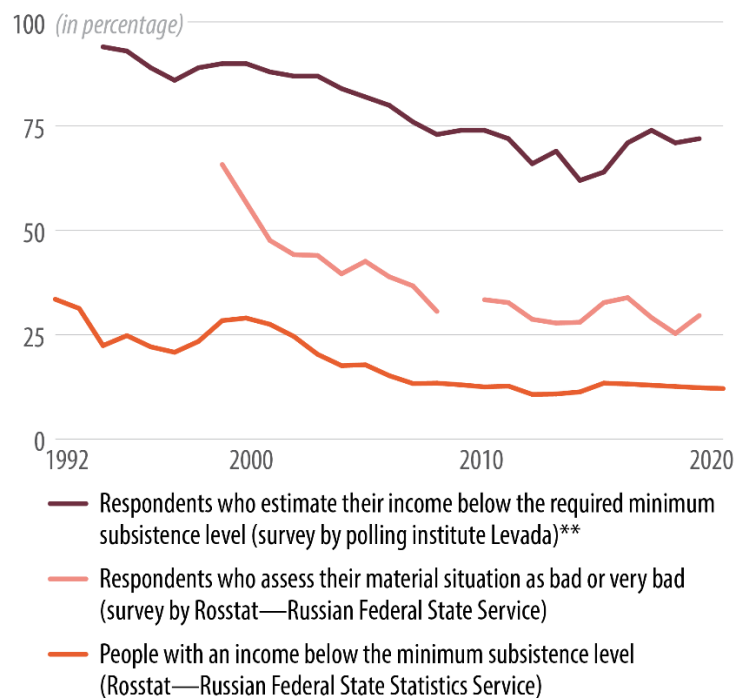
Russian [oligarchs](#) acquired [considerable riches](#) through the privatisation of large state-owned companies under President Boris Yeltsin<sup>1</sup> and lucrative contracts with the state under Putin. According to [many sources](#), these riches have largely been accumulated through [corruption](#) and [allegiance to Putin](#) – some of them are now under [EU](#) and international [sanctions](#).

At the other end of the spectrum, the [poverty](#) rate [declined](#) from a quarter of the population living below the nationally determined poverty line in 2002, to one tenth in 2012. The poverty rate then slightly increased (see Figure 6).

The Russian government has set itself a [target to halve poverty](#) between 2018 and 2024; according to a February 2020 [note by the World Bank](#), this could only be met with a GDP growth of 4 % – such growth has not been experienced since 2012 (see Figure 1).

In line with several other authors, Martin Brand suggests that 'social inequality in Russian society or the unequal distribution of income and wealth [can be masked](#) when poverty is defined [as in Russia] in terms of an absolute threshold'.<sup>2</sup> The Multidimensional Poverty Index ([MPI](#)) would better identify deprivations in all three HDI dimensions (standard of living, health and education), but the Human Development Report Office and the Oxford Poverty and Human Development Initiative cannot calculate Russia's MPI 'due to a [lack of relevant data](#)'. However, according to a 2019 survey by Russia's federal statistical office ([Rosstat](#))<sup>3</sup> – cited by [M. Brand](#) – 48.8 % responded they had enough money for food and clothing but not for consumer durables, 16.1 % found it difficult to buy clothing and to cover housing costs, while 1 % declared they had not even enough money for food. Other polls also suggest that a large share of the Russian population has a sense of deprivation (see Figure 6).

Figure 6 – Official and perceived poverty in Russia: A huge gap



Data source: [ETH](#), 2020; \*\* The [Levada Center](#) is a [non-government](#) Russian research organisation.

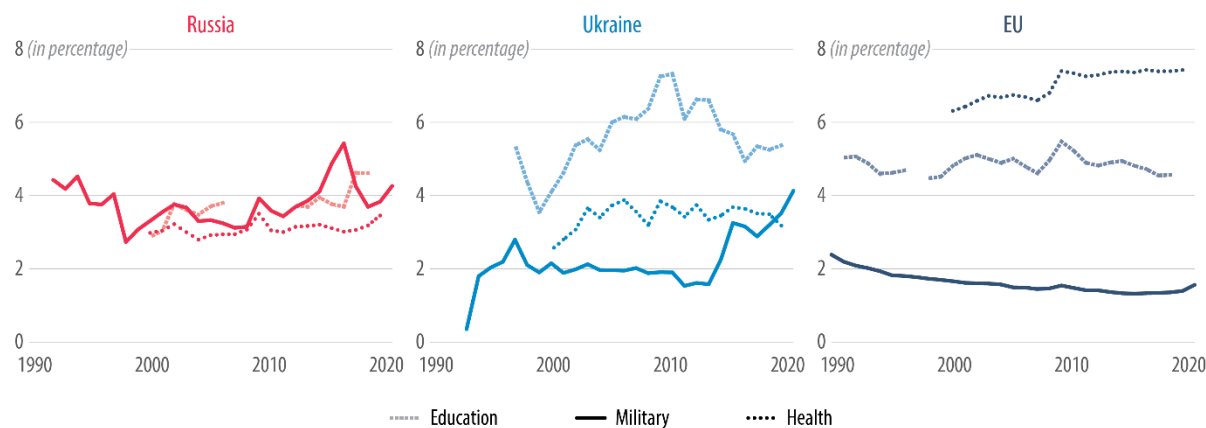
Russia's war on Ukraine and the imposition of Western sanctions hit hard the least privileged in Russia: prices grew considerably during the first month of the war, already [surpassing](#) the expected whole-of-year target – according to the BBC, Russia's economic ministry acknowledged that the annual inflation rate [jumped 14.5 %](#) in the week of 11-18 March. Staple foodstuffs have become significantly more expensive, and consumers are reportedly [stocking up](#), despite claims by the government that there is [no risk of a food shortage](#). After the outbreak of the war and the first round of Western sanctions, the [ruble had plummeted](#), but it then [recovered](#) after the Central Bank raised the interest rate to 20 % and put a ban on currency transfers abroad. Making [forecasts](#) is difficult as it depends on the duration and further impacts of the war, as well as the conditions and timing for lifting the sanctions.

## Healthcare

Public healthcare in Russia is [free](#) and [funded](#) both by the federal and the regional budgets (and partially through contributions to a mandatory insurance fund). While Moscow and St Petersburg have state-of-the-art hospitals, in other parts of the federation hospitals are reportedly [in a worsening state](#), with a lack of modern equipment and long waits for certain treatments. Access to healthcare institutions is particularly difficult in rural areas, where their number [fell by 75 %](#) between 2005 and 2013. It [has not improved](#) since, given also the [additional strain](#) placed on the healthcare system by the [coronavirus pandemic](#). [Russia's health capacities](#) have more weaknesses than other European countries, notably as concerns preparedness to future epidemics or pandemics, but in this regard, they perform as well as those of most other upper-middle-income countries, as shown by the [Global Health Security Index](#).

Sanctions do not apply to medical equipment and medicines. The problems experienced in this regard date back to the time when regulations designed to favour national industry, coupled with underfunding, led to [a shortage](#) that local producers could not cover. Furthermore, as a result of the war, foreign drugs and medical equipment risk being in short supply and becoming more expensive, as their [delivery is more difficult](#). After Russia's invasion of Ukraine, some global pharmaceutical companies have decided [to stop clinical trials](#) in Russia, thus delaying the emergence of new drugs on the Russian market. The countries that rely on the Russian vaccine against Covid-19, [Sputnik V](#) – financed by a [fund](#) now under Western sanctions – face supply problems.

Figure 7 – Public spending in Russia, Ukraine and the EU on health, education and the armed forces

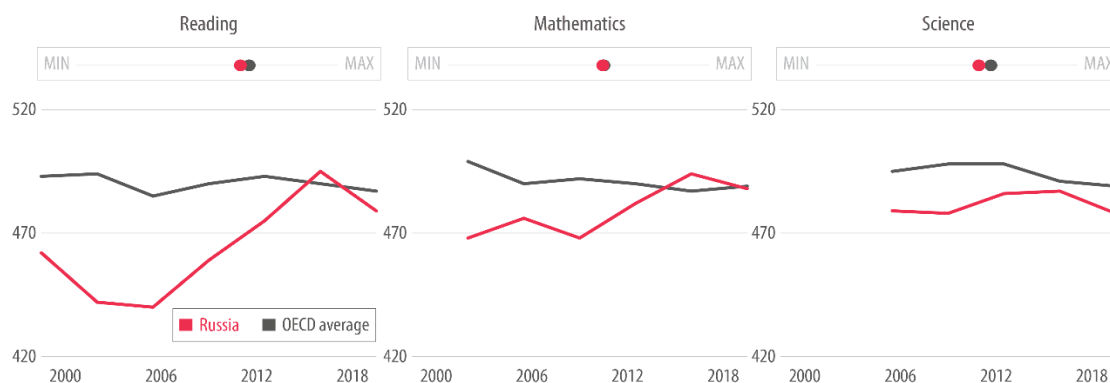


Data source: [World Bank](#), 2022 (from the WHO, UNESCO, and SIPRI) – EU and Ukraine data are given for comparison.

## Education

Under Putin, Russia quickly caught up with the OECD average on school skills, but fell back after 2015. Although education is underfunded (see Figure 7), the OECD's latest Programme for International Student Assessment (PISA) [survey](#) suggests that Russian 15-year-old pupils have maths, reading and science skills very close to the average for OECD countries (see Figure 8) – other assessment programmes such as [TIMSS and PIRLS](#) show even better achievements. Moreover, Russian schools score particularly well in terms of inclusiveness: gender, social and migration backgrounds influence educational performance less than in most of the other countries surveyed.

Figure 7 – Russia's 15-year-olds' ability to use their knowledge and skills



[PISA scores](#) – Average performance of all 15-year-old students in Russia, regardless of the school type and grade attended compared to OECD average - Data source: [OECD](#), 2018 (accessed 20 April 2022).

In 2018, 69 % of women and 55 % of men, aged 25-34, had a [tertiary degree](#), while the OECD averages were respectively 52 % and 39 %. However, this does not provide an assessment of the [quality of higher education](#). [Russian universities](#) lag behind their western European counterparts. Not a single one makes it into the top 150 of the 2022 Times Higher Education (THE) [world university rankings](#); Germany, by comparison, has 15. The best-placed Russian university ranks 158th and there are only six Russian universities in the THE top 500, despite recent [efforts](#) to better finance selected universities and to attract international students.

In line with [several other analysts](#), Sergei Guriev finds that 'in the long term, Russia's main problem is the deterioration of human capital', due to the weaknesses of the education system and the emigration of skilled workers. This, according to them, might lead in the short to medium term to difficulties for Russia to innovate and find new sources of economic growth.

Several European universities have [suspended cooperation](#) with their Russian counterparts over the war against Ukraine. The European Commission announced on 4 March it had also [suspended payments and contracts](#) in research, science and innovation cooperation with Russia, notably with the 78 Russian entities involved in Horizon 2020 projects. European universities have denied statements by Russian officials accusing them of expelling [Russian students](#).

## Social outcomes

The [Social Progress Index](#) (SPI) developed by a global [non-profit](#) organisation headquartered in the United States, provides an interesting picture of the social situation in Russia under Putin.<sup>4</sup> Contrary to the HDI, the SPI is independent of economic indicators – except for the sake of comparing countries with a similar GDP per capita. The SPI combines social and environmental indicators – including on civil liberties – which cover most of the world's regions. In the latest SPI (2021), [Russia ranked overall 62nd](#) out of 168 countries surveyed. Compared to peer countries with a comparable GDP per capita, [Russia's](#) performance in the [three dimensions](#) that characterise social progress according to the SPI is as follows:

- **average on the 'foundations of well-being'** and three of its components: *access to basic knowledge*; *health and wellness* (except on premature deaths for non-communicable diseases); and *environmental quality*, regarding the fourth component *access to information and communication*, Russia performs poorly, due to strong media censorship (154th best practice globally);
- **poor on 'basic human needs'** (78th globally), notably because of its poor performance in *personal safety* (141st), which encompasses death from interpersonal violence (147th), political killing and torture (143rd), perceived criminality (88th) and transport fatalities (78th). While Russia is average on *water and sanitation* (41st) and *nutrition and medical care* (55th), child stunting remains higher than in comparable countries. Another component of basic human needs is *shelter* (70th) which notably shows strong public dissatisfaction with housing affordability (96th);
- **little opportunity for all individuals to reach their potential** (76th globally) notably because of a severe lack of *inclusiveness* (137th) – due to an inequality of political power by socioeconomic position (139th), by gender (133rd), and by social group (101st), as well as strong discrimination and violence against minorities (129th) and a very low acceptance of gays and lesbians (118th). *Personal rights* (131st), such as political rights, access to justice, and freedoms of expression or of religion are extremely restricted. *Personal freedom and choice* are average (50th), even better than comparable countries for the security of employment (16th), but with a strong perception of corruption (118th). *Access to advanced education* appears better than in comparable countries (20th) but with little academic freedom (132nd).

[Emigration](#) and [unauthorised demonstrations](#) by Russians indicate again what some described after the September 2021 parliamentary elections as the feeling that:

*the Russian government [has failed in recent years](#) to deliver on the social contract that emerged in the mid-2000s, according to which citizens ceded certain freedoms and civil liberties in exchange for stability and economic growth, putting the government on a collision course with the Russian people.*

However, according to analyses before the war, very few [specialists](#) expected 'either the collapse of the regime or its democratization' despite economic and social challenges. A majority of Russians still [appear](#) to [genuinely support](#) President Putin's 'special military operation' in Ukraine – reportedly with a [strong divide](#) between generations. Whether social outcomes after the war might [weaken](#) President Putin's position or [not](#) remains a debated topic among analysts.

## ENDNOTES

- <sup>1</sup> Notably under the infamous '[loans for shares](#)' scheme, which allowed insiders to acquire shares in state-owned companies at knock-down prices in exchange for lending money to the government.
- <sup>2</sup> A new regulation of November 2021 introduces a new poverty measure. It is now 'more similar to the measurement of poverty usually adopted in other European countries. It is similar in three aspects: first, it uses income as welfare aggregate; second, it uses a relative rather than absolute poverty line; and third, it adjusts poverty measurement to family composition'. (World Bank, [Russia economic report](#), December 2021)
- <sup>3</sup> In 2013, an [assessment](#) by the OECD concluded that 'Russia's official statistics are compiled with a high degree of professionalism and now have a solid legal basis, but their scope, timeliness and international comparability needs to be improved'. However, in 2017 [Rosstat's reliability](#) was questioned after it was placed under the oversight of the Ministry of Economy.
- <sup>4</sup> The SPI exists only since 2013 and cannot track the evolution of the trends it seeks to capture in Russia since Putin came to power.

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