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Luxembourg Income Study Working Paper Series

Working Paper No. 479

**On Public Support for
Working Parents in Russia**

Zhanna Kravchenko

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On Public Support for Working Parents in Russia

Alleviating poverty and constructing gender roles

Zhanna Kravchenko¹

Abstract

Families with children appear among both the “traditional” and “new” poor in Russia. On one hand, having one or more dependent household members has traditionally been recognised as an economic risk. On the other hand, working parents of young children are often among those “employed poor” which constitute one of the specific characteristics of the Russian poverty. Family policy is constituted by both selective and universal means of social provision. It is aimed at (1) poverty relief and (2) managing social-economic risks resulting from a role conflict related to individual’s duties as workers and caregivers. This study is aimed to explore the transformation of the structure of family policy provision from the early 1990s to early 2000s, expressed by changes in criteria for eligibility and levels of provision, as well as in effects on poverty levels among families with children. It will be focused on two elements of family policy – parental leave regulations and financial transfers.

Introduction

Poverty became a widely discussed social problem in Russia with the beginning of the processes of socio-economic transformation in the early 1990s. It has remained a widespread phenomenon even now, almost twenty years later, despite the positive trends in country’s economic developing. There are different ways to define poverty, ranging from “objective” measurements of income and minimum levels of subsistence to “subjective” experiences of wellbeing (for more on methodological aspects of calculations see Ferrer-i-Carbonell and van Praag 2001). Despite disagreements on the definition of poverty, most of the researchers in the field agreed that Russian population has experienced a dramatic decrease in wellbeing, both economic and social, during the whole decade of the 1990s.² According to early estimates by the World Bank, a tendency towards general worsening of the conditions for economic activity was observed for all groups of the population due to fall in industrial production, property restructuring and unemployment (The World Bank 2000). Rapid inflation, dramatic changes in the structure of prices and long periods of irregular wage payments directly decreased purchasing power of the population increasing the number of groups of the population qualified as poor. Not all of these groups could benefit from the economic growth recorded from the late 1990s, and inequality rates continued to increase (UNICEF 1999).

On the policy level, the number of instruments available to counteract poverty effects includes financial assistance, privileges and services. All these measures were introduced long before the transformation began as means of redistributing incomes.

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² Some researchers suggested that poverty was inherited from the Soviet system of welfare provision which was aimed to provide only the most elementary commodities, reproducing low levels of wellbeing by virtue of a unified system of income redistribution (Jarošenko 1994; Jarygina 1998).

Instruments for calculating poverty lines and measuring poverty level were developed and applied during the Soviet period, although for ideological reasons the term “poor” was substituted with the term “low income” (*maloobespečennyj*) (Jarygina 1998: 28). Emergence of new socio-economic risks and accelerating decrease in wellbeing required introduction of explicit and more comprehensive policy on social support in post-Soviet Russia.

Today, the provision of public schemes of social assistance is based on two opposite principles of selection. First, some categories of the population are considered to be a priori vulnerable and therefore eligible for a wide range of social privileges. Such privileges are designed to support the “traditional poor”, i.e. pensioners and disabled, single parent families and families with more than two children. Secondly, those who do not belong to these groups but prove the need for public assistance can also be provided with support as well. Due to low wage levels, long periods of irregular payments and unemployment some parts of economically active population have appeared among the “new poor” eligible for public financial assistance according to the latter principle. Along with these selective principles, some universal social policy schemes are also targeting the problem of pauperisation of the population, and especially families with children.

Attempts to reform the system of social assistance have been made on different occasions, ranging from tightening the criteria for means-testing to transforming the traditional privileges into monetary equivalents. This study is aimed to explore the transformation of the structure of family policy provision from the early 1990s to early 2000s, expressed by changes in criteria for eligibility and levels of provision, as well as in effects on poverty levels among families with children. It will be focused on two elements of family policy – parental leave regulations and financial transfers. In the following sections I first briefly present the theoretical background of the study, outline data sources and some methodological aspects of the analysis. Then I proceed to the presentation of parental leave model, financial support model, following their development after dissolution of the Soviet state. In the final part I analyse the role of these schemes of financial support for poverty relief and reconciliation of work and care practices.

Theoretical Approach, Data and Method

In this study two approaches to understanding and analysing public policy are employed: (1) focusing on how public policy functions (tools and instruments of public intervention, structures, procedures and institutional forms); and (2) attempting to evaluate the policies outcomes “from the viewpoint of the objectives pursued” (Knoepfel et al. 2007: 9). There are different viewpoints on how public policy is initiated: either as a response to acute social problems, or as an instrument serving interests of certain social groups (ibid.) It could be added that definition of social problems (not only the means of solving them) is subject to interpretation, and these two perspectives are complementary and can be combined in research of public policy.

The study employs a narrow definition of family policy as a complex set of public welfare policy measures aimed at both poverty relief – being a subcategory of social policy – and managing social-economic risks related to individuals performing their duties as parents and participants of the labour process (both female and male). Families with children appear among both the “traditional” and “new” poor. On one hand, having

one or more dependent household members has traditionally been recognised as an economic risk. On the other hand, working parents of young children are often among those “employed poor” that constitute one of the specific characteristics of the Russian poverty. Family policy includes both selective and universal means of social provision.

Parental leave and childcare allowances are directed to families at different stages of their development and performing two different functions – serving as a temporary *replacement* of income at the childbirth and as an income *supplement* when the child/ren grow older, normally from the age of one and a half. But they both are equally important for reconciliation of work and family practices and poverty relief. In order to observe family policy regulations and implementation in detail, the overview of the current legislation and some previous research will be presented below.

Many studies isolate the wellbeing of certain groups of population, e.g. retired people or children, from the households they belong to and analyse how benefits affect their individual financial resources (e.g. Bradbury and Jäntti 1999; Prus and Brown 2006; UNICEF 2006). The aim of this study is instead to examine the relation of child presence in a household and public assistance to ease the financial load and foresee or overcome the risk of poverty. For this purpose I have used data from three kinds of sources: official statistics regulating documents, and Luxemburg Income Study (LIS), waves 1992, 1995, and 2000. With the following analysis I examine whether the present schemes of financial support provide any significant supplement for family’s incomes and whether it has an incentive for one of the family members to withdraw from the labour market in order to care for children, or if they encourage working activity. The methodology of the survey design and data collection procedures has changed during the years of its operation, necessary methodological notes will follow.

The analysis of income data is carried out in two steps. First, the share of financial transfers in family’s incomes is estimated throughout the selected time period. Then, the effect of financial assistance for the population’s poverty rates is measured. For both purposes, a comparison of incomes among households of different size and composition is employed. It allows the poverty status of families of various sizes and compositions to be compared on an equal basis, as the needs of households grow with each additional member but – due to economies of scales in consumption – not in a proportional way. To make such a comparison possible, adjustments were made with the help of an equivalence scale, which assigned each type of households a value in proportion to its needs. The factors commonly taken into account when assigning these values are the size of the household and the age of its members. There is no one generally accepted method for calculating equivalence scale.³ I have chosen LIS equivalence scale which equalises incomes of different households dividing the disposable net income by square root of the number of household members.

Parental Leave Model

In the circumstances of increasing impoverishment of the population, access to the labour market and opportunities for uninterrupted professional activity plays an especially important role. An important aspect of family’s economic independence is related to the opportunities to combine parenthood with gainful employment and to counteract possible negative implications related to necessary leaves from work for both men and women. In

³ A wide range of existing scales was reviewed by (Atkinson, Rainwater and Smeeding 1995).

this respect, parental leave is one of the crucial policy solutions. Such public measures may be adopted with the explicit goal of increasing employment options or in response to largely unrelated social and economic needs, for example, to promote infant health, secure women's employment opportunities, provide income security or reduce gender division in the allocation of household work (Gornick, Meyers and Ross 1997: 2). Many researchers have pointed out that the potential influence of parental leave benefits on the structure of family-work relations depends on the size, duration and actual target group of such benefits. Schemes of entitlement can involve mothers only, in which case they may still contribute to labour market participation, but not necessarily diminish inequalities between professional and household work. Similarly, when fathers are included, whether benefits are family or individually based can be important. The former means that parents decide themselves on the distribution of the parental responsibilities, whereas in the latter case the division of labour is predetermined. Although parental leave can increase attachment to the labour market in the short term, long-term parental leave can limit career opportunities and thus negatively affect women's labour supply (Duvander, Ferrarini and Thalberg 2005; Ferrarini 2003).

Historically the Soviet welfare project was characterized by a strong emphasis on public support for dual-earner family model (Kravchenko 2008; Motiejunaite and Kravchenko 2008). As it was mentioned above, the collapse of the socialist regime caused shrinking of the overall system of social provision and assistance in Russia, however, the sphere of family policy remained relatively intact and is still intended to provide an opportunity for both men and women to actively engage into waged employment (Table 1).

Table 1 here

The system was established in its present form in 1989, when Soviet women became entitled to a paid leave of absence for 10 weeks prior to giving birth, and for 8 weeks afterwards (Baskakova 1998). Thereafter, they were eligible for up to 70 weeks of partially paid leave, which is still available to women with an employment record of no less than one year prior to the birth (all women under 18 years of age are entitled to benefit regardless of their work record), with a flat-rate social insurance allowance. They also became entitled to take a leave of absence for an additional 78 weeks without any financial support. Moreover, an annual vacation during the period of their wife's paid maternal leave is available to employed men; they can also claim additional leave (partially paid or unpaid). This rule makes the vacation available upon request, regardless of the vacation lists which are usually determined at different organisations a long time in advance.

Other relatives, taking care of the child during the first three years of his/her life, can also make use of additional leave. If the mother or another person taking care of the child during the additional partially paid leave makes a specific request, she/he can remain at work part-time and still have the right to the same allowance (Verchovnyj Sovet SSSR 1990). Working mothers are also entitled to take special breaks during work to rest and feed their children. These are meant to occur no less than once every three hours, and for no less than 30 minutes. Such breaks are included in the woman's working time, with an average wage rate being paid during them (Kodeks Zakonov o Trude RSFSR 1992: article 169).

Today, Russian legislation also provides opportunities for part-time employment for pregnant women and women with children under 14 years of age. The woman's employers are obliged to establish a shorter working day or week at her request, with payment being made according to the time actually worked or according to her performance (ibid.) In agreement with their employers, women have the right to establish a flexitime working arrangement (Goskomtruda SSSR 1984). Working mothers with children under 12 years of age can apply for additional paid vacation (3 days per year), additional unpaid vacation (2 weeks per year) and are entitled to an annual vacation during the summer season (Sovet Ministrov SSSR 1981). The size of the payment during the leave of absence is calculated on the basis of the woman's wage during the 12 months prior to her departure. For those, who have worked for less than the required time period, the calculation of the allowance is based on the size of the minimum wage, established by Federal law (Federal'nyj Zakon N 180-FZ 2005).

There are no statistics on the average or typical usage of parental leave in the Russian Federation. The Max-Plank-Institute, with reference to the Social Insurance Fund (*Fond Social'nogo Strachovanija*), reports that the average number of months taken by those who were on parental leave until their children were 1.5 years of age in 2004 was 5–6 months (Max-Plank-Gesellschaft 2006), which comprises roughly 30 per cent of the allowed time. Russian survey data revealed a much larger figure according to which the average length of maternity leave was 15.5 months out of the available 18,⁴ and it fell with each subsequent child. No information is available on the use of parental leave by fathers.

There are also some significant implications of the parental leave of absence for parents' retirement prospects. The current Russian pension system has two pillars, combining a basic public and individually funded scheme. This also weakens the position of the parent who temporarily withdraws from the labour market to take care of a child. Although part-time employment is not very common in Russia, the income loss during the period of parental leave is an issue of concern. The period legally established as the leave of absence is regarded as if it were a period of continuing work when the basic pension is calculated (Federal'nyi Zakon № 173-FZ 2001). However, no mechanism has been developed to make the benefit pensionable and contribute to the accumulation of future pension benefit.

The model of parental leave that is practiced in Russia today, in terms of its key features comes very close to what Karin Wall (2007) has called a "one-year" gender-equality-oriented model, in that it guarantees a relatively short period of paid leave, combined with very high levels of female labour force participation. However, as distinct from in the countries that the author presented as examples of this model (Sweden, Iceland, Denmark, Slovenia), in Russia gender-equality in care is not an issue for policy-makers. No special means are employed to stimulate sharing the parental leave between the parents, in practice, turning it into a maternity leave.

Financial Support Model

Financial support for families in the form of money transfers from public funds to individual recipients, or indirect tax privileges, affects the performance of parenting roles

⁴ This data was obtained from a survey conducted in one of the Russian regions, Novgorodskaja oblast' in 2003 (Archangel'skij et al. 2005).

and responsibilities. The intention of cash benefits is to supplement the income of families with children, to compensate them for the additional costs connected with the enlargement of the family unit, to substitute for lost earnings and extra expenses when children are very young and require constant care. Another goal is equalizing income distribution, regardless of which one of the parents is entitled to benefits. Flat-rate transfers ensure the same treatment for all citizens, while wage-related transfers direct assistance to those in need, providing redistribution through the state budget (the latter can be seen in terms of the targeting policy in Russia). Different kinds of cash assistance may or may not be means tested, dependent on the labour force attachment, reflect the family structure or be applied universally. Measures of economic provision and assistance for families with children can be classified according to the type of redistribution instruments into: (1) compensation for the cost of the children, *child benefits*; and (2) compensation for the provision of care and associated work, *marriage subsidies*, provided in the form of tax concessions, tax allowances, tax credits, and citizenship- or employment-based cash benefits.

A few words can be said about the role of tax reductions in the redistribution systems of the selected countries. In Russia the tax legislation has placed equal demands on employees with different family statuses. Nowadays the local administration is empowered to provide tax allowances, but this does not apply to income tax, which is deducted by the Federal authorities. As for the direct cash transfers,⁵ during the Soviet period the whole system of welfare provision was based on the individual work record, where social citizenship was equated with employment, and where cash support was universal, although very small and directed to certain categories of family, such as single mothers, families with three and more children, and military servants. The increased pauperization of the population at the end of the Soviet era resulted in the expansion of benefit receivers. In 1990 a means-tested child allowance was first introduced, along with monetary compensation for clothes, which were provided at the work/study place of a mother.

At present the available benefits include: 1) lump-sum benefits at birth (ca 166.2 Euro); 2) monthly benefits during parental leave during the first 1.5 years (ca 13.9 Euro); 3) universal benefits for families with children aged 1.5–16 years old (ca 2 Euro); 4) special benefits for single mothers (ca 4 Euro); and 5) benefits for those children whose parents avoid paying alimony (ca 3 Euro).⁶ All these benefits are still related to employment status. Since 1998 the management of child allowance has been delegated to the municipal social service agencies and provided on the basis of a personal application. Similar requirements relate to housing subsidies: families must have a total income lower than a legally established ceiling, which varies between different regions. This subsidy is not provided as a transfer, but rather entitles individuals to a reduction in their housing

⁵ In this text, the terms family and child allowance/benefit are interchangeable.

⁶ It is difficult to directly determine the size of the benefits in Euro, as they have been continuously adjusted to inflation and a 1998 currency denomination. Here, the latest available data is used for 2005 (Goskomstat 2005: 201), expressed in Euros using the currency rate established by the Central Bank of the Russian Federation on 16.01.2008. In 2005, the size of the benefits can also be expressed as a percentage of the minimum subsistence level for the corresponding socio-demographic groups: 2) 20.9 per cent; 3) 2.9 per cent; 4) 5.8 per cent; and 5) 4.4 per cent respectively (author's calculations based on Goskomstat (2005: 201-202)).

and communal expenses. The income level required for the status of being poor and thus having a right to benefits is means-tested on the basis of the minimum subsistence level.⁷

One can detect a certain restructuring that has taken place in the size and composition of social allowances in Russia. The size of allowances has been occasionally adjusted to take account of inflation and following increases in the level of the minimum wage. For instance, public spending on all family related benefits decreased from 77.3 per cent of total social spending in 1991 to 34 per cent in 2002, among which spending on child allowance decreased from 71.8 per cent to 18.5 per cent during the same time period. The spending on lump-sum assistance at birth increased from 4.1 per cent in 1991 to 6.7 per cent in 2002, while spending on flat-rate benefit during parental leave increased from 0.2 per cent in 1991 to 4 per cent in 2002. The ratio of the monthly flat-rate benefits for 1 child in relation to the minimum subsistence level fell from 12 per cent in October 1994 to 3.7 per cent in the 4th quarter of 2002 (Goskomstat 1996: 198; Goskomstat 2005: 201-202).⁸ However, the change in the ratio of child-care allowance during the 1.5 years of maternity leave was not that dramatic: 30.6 per cent in 1994 and 24.5 per cent in 2003. This fluctuation can be explained not only by the tightening of means-tested regulations, but also by the appearance of new forms of financial support against a background of socio-economic crisis (for example, unemployment benefits).

The analysis of governments' general spending in selected areas has traditionally been an important part of any comparative strategy in welfare policy research. Dramatic differences in public spending can be observed between different countries, supporting the traditional argument which links together general national economic prosperity and the level of commitment to public welfare provision. However, the trend of increasing all social expenditure has coincided with a gradual decrease in the share directed to family policy in Russia (Table 2).

Table 2 here

Unfortunately, the data (Table 2) does not include expenditure on pension benefits, although the rest of the social security transfers are counted (unemployment, temporary disability, sickness insurance, etc.). Neither does it illustrate the delays that have occurred in the payments since 1998 or their unsystematic indexation. However, it is necessary to highlight the observation that the share of expenditure has been reducing in Russia, partly due to the transformation of a universal benefit into a means-tested one in 1999, and also partly because of the increasing payments being made to other categories of the population. The relatively unchanged level of spending during 2000–2001 brought to an end a period of declining government expenditure on families with children.

⁷ On 1 January 1998 a Federal Law 'On the subsistence level in the Russian Federation' (Federal'nyj Zakon № 134-FZ 1997) came into force. The size of the subsistence level is used by governments of all levels as a general measure of the standard of living and is based on the prices for an established minimum of food and non-food goods, services and obligatory contributions. In Russia, the lists of these goods and contributions are revised every five years. The size of the subsistence level is calculated for the whole country and its regions separately every third month. It is used for establishing the size of the minimum wage and various flat-rate social benefits (for example, the minimum pension benefit and student stipends). The measure is used by local social assistance services to test the eligibility of applicants. People with incomes below the minimum subsistence level are considered to be poor and entitled to social assistance.

⁸ Similar results are presented in the MONEE database, published in UNICEF (1999).

Analysis of Family Policy Effects for Poverty Relief

The size of household in Russia is registered at an average of 2.7 persons (Goskomstat 2002; UNECE 2003). 54 per cent of LIS sample are households with children, among which over 90 per cent are households with two earners in 1992 and 1995, and only 45.7 per cent in 2002. To understand the variation of income levels between families of different size, how they have changed over time and whether some additional burden is associated with having children, I have examined the equalized income distribution (Figure 1).

Figure 1 here

The results confirmed initial expectations of general decrease in disposable income over time for all the categories in question. The drop in wealth for families with children was significant and continued so over time. In 1992 differences between households with no children and those with one or two were not observable, whereas those families with three and more children were clearly bearing a heavier load of expenses with lower incomes. Their disposable incomes lagged behind those of the other three categories by more than one fifth. Such a relatively equal distribution between the first three categories was changed after 1992 and never achieved again in the future. The fact that in 1995 and 2000 childless households had less income in their disposal compared with the households with one or two children can be related to a dramatic decrease in financial security for the retired persons, majority of whom have reported living without children. Income gap between the first three groups, on one hand, and those with three and more children, on the other, had increases in 1995, but gradually grew smaller by 2000. It is likely, that the families with more children were the first to loose in incomes when decrease was a general tendency for all groups, but they turned out to benefit the most from the actual income growth that was first registered in 2000 and continued from then on (Table 3).

Table 3 here

The replacement capacity of the social transfers, including family policy measures, differs substantially. LIS data provides an opportunity to examine the share of various income sources in disposable household income. Here I have examined it from two perspectives: for different household types (Figure 2) and for different income groups (Figure 3). Since family policy – in the definition used here – primarily targets working parents and has a strong impact on female employment (Leira 1992; Lewis 1992; Sainsbury 1994; 1996), two additional categories were used when comparing income structures of different household types, distinguishing between all households and those with two earners.

Similar to the general distribution of incomes (Figure 1), distribution of benefits' share in net incomes was somewhat equal between different types of households (Figure 2). A slightly smaller proportion in the structure of incomes of dual-earner households can be explained by the larger amount of incomes two partners were bringing into the family. The smallest proportion of benefits in incomes of households with one child only (all survey years) is likely to be explained by larger incomes in general. Having only one child also requires lesser spending on members that do not earn themselves. The largest impact of benefits on incomes of households with three children can be explained by the fact that employment attachment of one of the family members may be weaker (and therefore less rewarded) due to necessity to care for many children. A few benefits

combined – for each child separately – create such an effect that families with larger number of children are receiving stronger support, as they are more likely to appear among the more needy.

Figure 2 here

When examining the discrepancies between different income groups in relation to the replacement rates of family allowances (Figure 3), one can notice the striking effects of early years of the transformation processes in comparison to the later period when economic growth has already given some results. There are differences in income among those eligible for the financial support, and only for the poorest 10 per cent of them were receiving considerably large share of income replaced in 1995 and 2000. In 1992, although the level of benefit provision in Russia was low, there was no dramatic difference between income-groups; inequality had not reached its peak yet, and even for the poorest cluster the benefits replaced around 10 per cent of the income.

Already in 1995 the poverty of the first five clusters is more vivid, with the poorest one receiving over 55 per cent of the generated income in benefits. Again, this is most likely not to be a measure of the generosity of the financial assistance, but rather an evidence of the effect of pauperization. Although by 2000 the replacement rates have dropped for these most parts of population, large discrepancies still remained in place. Since 1998, the child allowance became means-tested and targeted for the poorest workers with children. This decrease in replacement rates may seem counter-intuitive, if it is not taken into account that it was followed by the first improvements in economic performance and consequent increase in general incomes since the beginning of the reforms, but even more importantly that the benefits were lagging behind inflation.

Figure 3 here

It has been observed that poverty correlates with age and family formation in a cyclical fashion (Kangas 1999), and that it is more likely to strike when a person/household has a dependent family member. Here (Table 4), the possibilities offered by the LIS database were utilised to compare poverty rates of families with children, in comparison to all households on average, and the poverty alleviation effects of family-related benefits, by juxtaposing households receiving the benefits (before/and after) with those that do not receive them for some reason. As results show, there was a considerable increase in poverty rates for all households between 1992 and 1995, approximately six per cent, and minor drop by 2000, one per cent.

Table 4 here

The lowest fluctuations are observed for households that receive the family benefits, in the category “after benefits”, which deserves a special attention. First, the effect of the benefits can be noted: it is not large but constantly growing, 0.6 per cent in 1992, 3.4 per cent in 1995 and four per cent in 2000. Compared to families with children that do not receive any family related benefits, the effect of the means tested procedures can be observed, i.e. the fact that family benefits are attached to employment, enlarged the category of the population below poverty line by leaving some of the poorest without financial support, by about two per cent.

These findings are not surprising in light of the specificities of country’s economic performance during the selected period, and the impact of the socio-economic transformation on all aspects of welfare. High poverty rates and the discrepancies at different time points are explained by these overall differences. Another more important

observation is, however, that as in many other countries, cash transfers are not used to cover all child expenses. This financial assistance is a rather small complement and not a substitute in any way to general household revenues.

Conclusion

With this study I aimed to explore the transformation of financial assistance for working parents as a part of family policy implementation in Russia during the most turbulent years of the reforms. The empirical evidence suggests that the structure of financial provision recognises workers role as child-bearers and results in an explicit policy framework, which protects the right for a leave of absence from work, temporal substitute of income and additional benefits. It is a dynamic system, changing along with the transformation of other societal systems, not always coherent, and with different implications for different parts of the target population. Parental leave regulations were introduced to secure parents' attachment to the labour market, increase the probability of quick return to work, and/or return to the same employee. At the institutional level, the system recognizes women's employment rights as being equal to those of men and provides them with opportunities to obtain an individual income and social security. At the same time, the concept of care as a primarily female responsibility has not been challenged in Russia. Women have incentives to engage in paid labour, because the social security system treats them as workers, but men are not encouraged to be carers, which in the long run contributes to unequal income distribution and potentially contributes to the feminisation of poverty.

Although in the Soviet era a claim was made that the state assumed full responsibility for social provision, the infrastructure for such support was insufficient even before the post-Soviet transformation had began. In circumstances of financial instability, the social sphere was not a priority for Russian legislators. The benefits introduced to reduce the burden of economic collapse for families with children proved to be insufficient. The availability of schemes with means-tested financial support aims to compensate for some of the costs related to raising children and addresses the problem of low incomes but has no effect on the employment of parents of young children. The entitlement regulations require the applicant to be employed and earn an income below the officially established level. This way they do not have an incentive for women to withdraw from the labour force, since the benefit anyway replaces a small share of the household's expenses.

Prior to the major economic transformation and socio-economic segregation of the mid-1990s, support for families in Russia with a different number of children was generally the same and not particularly generous, as social assistance was provided via other sources (such as non-cash distribution of services, for example). The new realities of the transformation period required a public response to the pauperization of families with children. Considering the fact that there was a decrease in the amount of family benefits provided throughout the decade, the high pick of 35 per cent of the replacement rate for families with three children in 1995 illustrates the level of poverty of these families. Moreover, the reduction in the replacement rates for all categories of families in 2000 most probably results from general increase of the wage incomes, rather than decrease in the level of provision.

The most recent research on poverty illustrated that the positive trend towards a

relative improvement in poverty rates for households with children continued, being one of the highest among CIS countries (UNICEF 2006: 7). To provide a comprehensive picture of the effects of family policy it is necessary to make a link between the institutional framework and individual experiences and evaluations in relation to financial measures. I can thus conclude by arguing that Russia implements a family policy aiming at sustaining dual-earner family model, but does not perform very well when it comes to poverty relief.

Table 1. *Summary of Parental Leave Regulations, 2005*

legislated job protection	yes
earnings related paid parental leave	18 weeks
wage replacement rate	average wage during the last 12 months
coverage	100 per cent of employed women
flat rate extended leave	70 weeks
size of the flat-rate benefit	8.2 per cent of average wage*
specifically paternity leave	no

Source: Goskomstat (2005: 201-202; 2006).

Note: * in 2005, the average wage was 8,554.9 rubles/month. The size of the benefit was 700 rubles/month.

Table 2. *Family Benefits Expenditures*, in percentage to total social expenditures*

1991	1995	1996	1997	1998	1999	2000	2001
77.3	54.4	49.6	46.5	35.3	37.7	33.8	34.9

Source: Goskomstat (2005).

Note: *this includes pregnancy and birth-related benefits, parental leave, child allowance, benefits for handicapped children

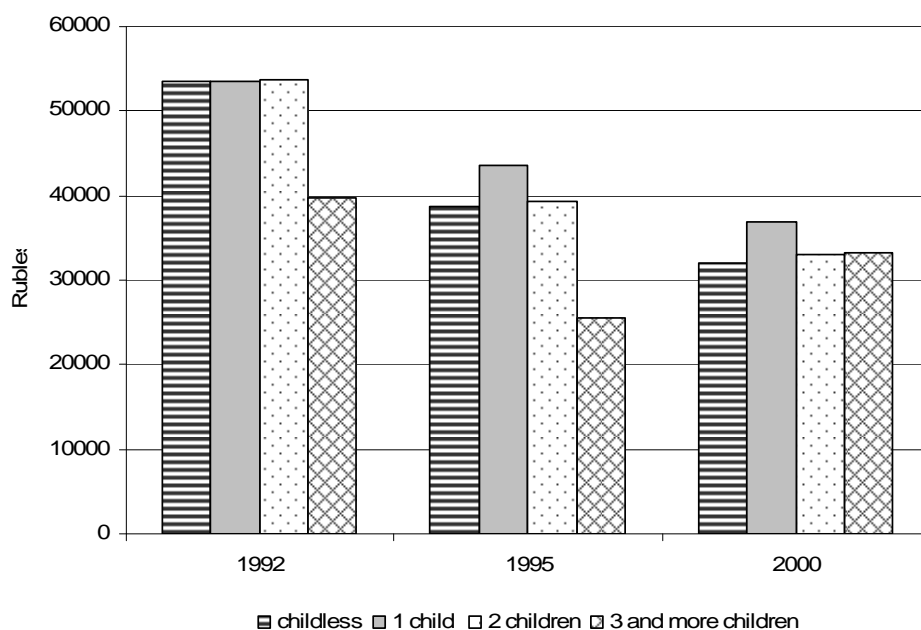


Figure 1. Income Differences Between Households By Household Type

Source: LIS, author's calculations.

Notes: This data compares net disposable income. All income variables were adjusted to inflation by the data provider for each corresponding year.⁹

Table 3. Annual Income Growth, in percentage to previous year

1995	1998	1999	2000	2001	2002	2003	2004
85.0	84.1	87.7	112.0	108.7	111.1	115.0	109.9

Source: Goskomstat (2005: 185)

⁹ The deflation factors correspond to the month of the survey. In 1992: June=1.0; July=1.07; August=1.16; September=1.34; October=1.76; November=2.23; December=2.8. October was the latest actually used. In 1995: October=158.48; November=165.93; December=173.4, adjusting data for the 40, 41 and 42nd month after base of June 1992. However, income data for 2000 were not adjusted using 1992 rubles. For this year, LIS received nominal values which were adjusted for inflation inside the year 2000 only. To keep the link between 1995 where the base was June 1992, LIS provides this factor in the variable 'hslot1' which was included in the calculations. More detailed note can be found in the "lissification" table: <http://www.lisproject.org/techdoc/rl/harmrl00.xls>. In order to avoid having very few observations for households with more than three children, top-coding was applied at a maximum of three children.

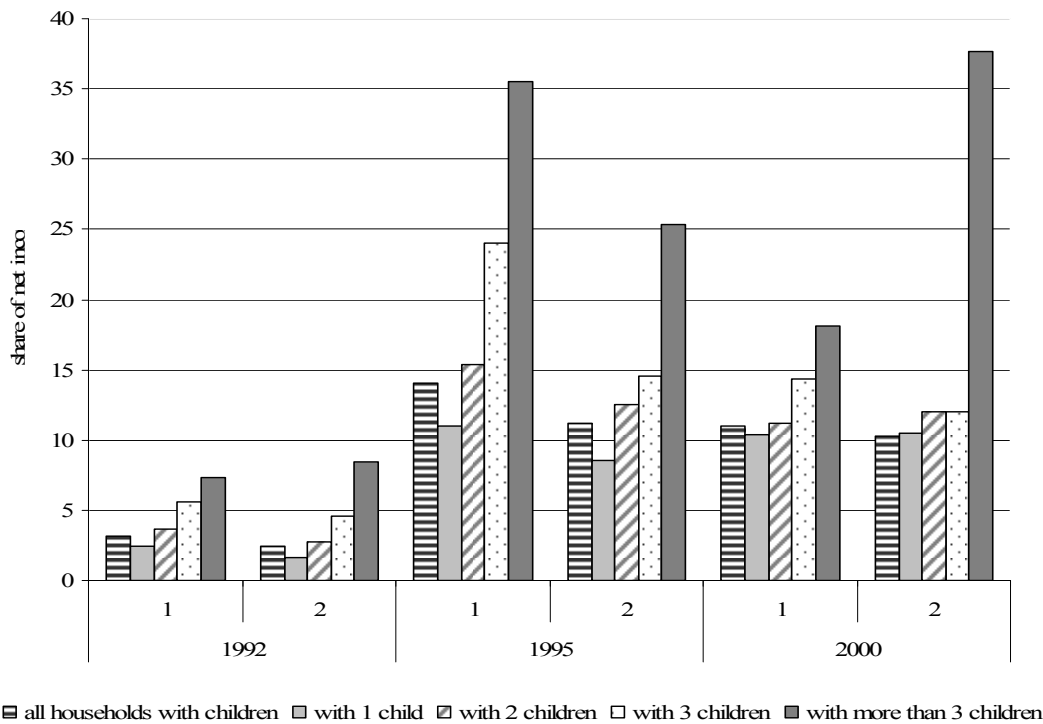


Figure 2. Family Benefits as a Share of Households' Disposable Net Income

Source: LIS, author's calculations.

Notes: variable 'family allowances' includes all cash payments for child or family allowances not related to maternity/paternity. Since 1995 (wave IV) subcategories were introduced, distinguishing between payments to single parents, child allowance, orphan's pension allowance, and other child allowance amounts. Subcategories are summarized.

Here and below, household members under 18 are included into category "children". When possible the LIS avoided including married children under age 18. The household head and the spouse under 18 are also excluded.

"1" stands for "all households", and "2" stands for "households with two earners"

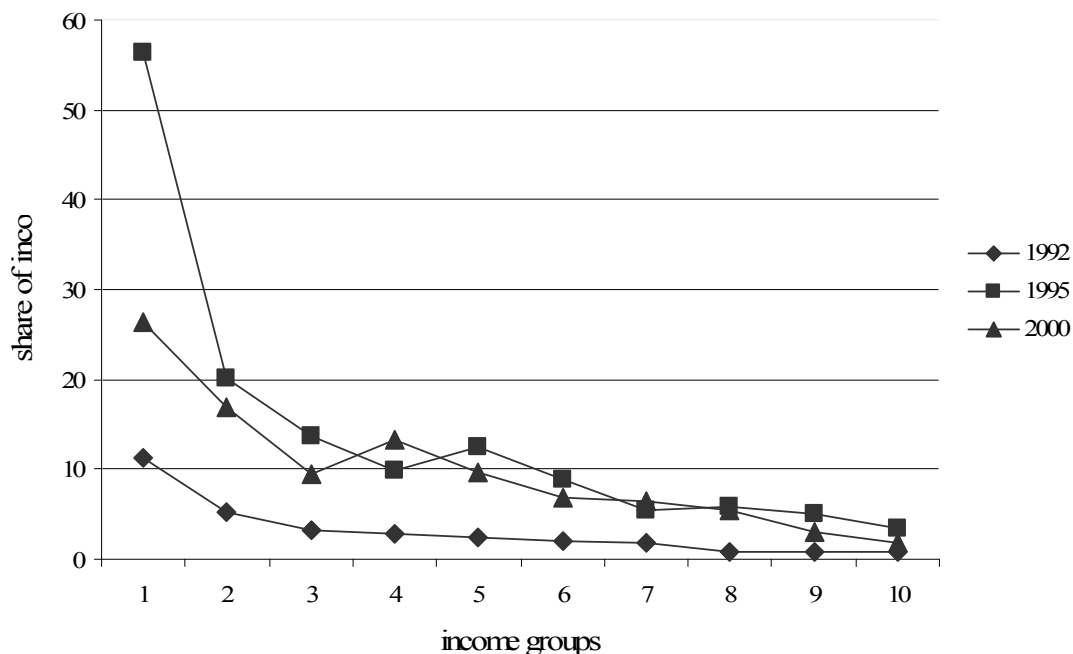


Figure 3. Family Benefits as a Share of Households' Disposable Net Income for Different Income-Groups (dual earner households with children).

Source: LIS, author's calculations.

Notes: The respondents were divided into deciles, according to the disposable net income. Group 1 includes respondents with the lowest level of available income; group 10 includes those with the highest.

Table 4. Poverty Rates for Households with Children, headcount ratio

	1992	1995	2000
All households	17.8	23.8	22.1
Receiving family benefits (after benefits)	17.8	21.1	20.6
Receiving family benefits (prior to benefits)	18.4	24.5	24.6
Not receiving family benefits	20.4	26.3	22.8

Source: LIS, author's calculations

Notes: the poverty line was defined at 50 per cent of the median equalised income (LIS equivalence scale). To distinguish between households with children into a special category, an additional weight was created, which was equal to 0 if there are no children in the household, and was equal to the normal weight multiplied by the number of children if there are children present.

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