

## Uniqueness of Russian Middle Class and its Future

Hiroaki HAYASHI \*

*\* The University of Shimane, Japan; h-hayashi@u-shimane.ac.jp*

---

**Abstract:** This paper clarifies some characteristics of the Russian middle class in terms of its size, composition and sense of values, and examines changes in the middle class, along with recent economic growth. The size of the middle class is quite a bit smaller than in advanced capitalist countries. The size of the subjective middle class is larger than that of the objective one. Representatives of the Russian middle class are inconsistent in the sense that they belong to various social groups, and some entrepreneurs and specialists who could be included in the middle class in advanced capitalist countries are not considered to belong to it in Russia. They make much of social capital like connections, human networks and so on as factors of success rather than diligence and hard work. In this sense, we can find both aspects to support and oppose a market economy in the sense of middle class values. As far as recent changes in the middle class are concerned, the size of the potential middle class could be quite a bit larger than we have expected, if we add such factors as the growth of self-employed people and income from the informal sector. Nevertheless, the author insists that the size of the middle class will not increase rapidly because of the enlarging economic differential, unstable position of the middle class, brain drain, etc.

**Keywords:** Russia, middle class, economic differential

**JEL Classification Numbers:** I31, J31, P26

### 1. Introduction

These days, in many countries centring on advanced capitalist countries, we can see growing tendencies to enlarge economic differentiation. It is often said that the rich are becoming richer and richer, and the poor are becoming poorer and poorer, and as a result of this, social class is fixed between generations. At the same time, there happened to be a great change in the percentage of the middle class. For example, Japan, which used to be regarded as an equal society and was called a ‘100 million, all-middle class society’ is changing into a ‘society of widening disparities’.<sup>1</sup> Indeed, OECD (2006) shows that the Gini coefficient measure has risen significantly since the mid 1980s, from well below to slightly above the OECD average, and the rate of relative poverty in Japan is now one of the highest in the OECD area. This trend is explained by some policy changes in Japan since the 1980s, such as replacing the seniority-based

pay system with a performance-related pay system, increasing the proportion of non-regular workers, who are paid significantly less than regular workers, and the reform of the tax system in favour of rich people. Neo-liberalism might have a major impact on these policies.

In the meantime, in the emerging market countries, such as Russia and East European countries, the middle class is considered to be an essential factor to develop a market-based democratic society and an indicator of the transition from socialism to capitalism. However, it seems as if the middle class was believed to increase spontaneously following marketisation. While it is certain that marketisation leads to an increase in the size of the middle class by giving many people free access to the market, we have to consider that marketisation widens the economic gap and decreases the percentage of the middle class, as in Japan. When we analyse the relationship between Russian marketisation and changes in the middle class, it is necessary to take into account both effects of marketisation.

The aim of this paper is to clarify characteristics of the Russian middle class in terms of its size, composition and sense of values, and to analyse the process of changes related to recent economic growth in Russia.

## **2. Main issues related to the middle class**

The middle class is a group of people ranked between the upper and lower classes. It plays an important role in suppressing conflicts between the upper and lower, developing social stability and leading to a democratic market society. Looking back at the histories of advanced capitalist countries, we can be sure that the middle class has developed a civil society and promoted a stable market economy. It is estimated that the average percentage of the middle class in advanced capitalist countries in general is currently about 50–60%. It is often said that the middle class includes such kinds of occupations as small entrepreneurs, lawyers, medical doctors, engineers, scholars and urban white-collar workers.<sup>2</sup> Their main features are economic independence, strong professional orientation and a civic sense of values.

As the middle class in transitional Russia is considered to be an indicator of the transition from socialism to capitalism, building a mature middle class becomes an important policy issue. We shall briefly survey the actual state of the middle class in Russia since the start of the transition. It was generally accepted in the first half of the 1990s that there was no or little middle class, because the social structure virtually consisted of just two classes, a small amount of wealthy people and a majority that were poor, reflecting the rapid widening of the economic differential after the transition. However, as time went by, some researches that demonstrated the existence of a Russian middle class were published and now most researchers agree at least about its existence. Moreover, a lot of researches show that economic growth since 2000 has increased the size of the middle class. At the same time, their opinions concerning the degree and speed of

**Table 1 Index of living standard in Russia**

	1995	2000	2001	2002	2003	2004	2005
GDP growth (%)	–	10.0	5.1	4.7	7.3	7.2	6.4
Monthly monetary income per capita (thousand rubles for 1995 and ruble for 2000–2005)	515.9	2281.1	3062.0	3947.2	5170.4	6410.3	8023.2
Growth of real monetary income (%)	-15.0	12.0	8.7	11.1	15.0	10.4	11.1
Inflation (%)	131.3	20.2	18.6	15.1	12.0	11.7	10.9
Decile ratio (times)	13.5	13.9	13.9	14.0	14.5	15.2	14.8
Gini coefficient	0.387	0.395	0.397	0.397	0.403	0.409	0.405
Poverty rate (%)	24.8	29.0	27.5	24.6	20.3	17.6	–

Source: Rosstat (2006a, pp. 34, 36, 171)

growth have varied greatly, from rapid to slow. Although some studies have also appeared that show changes in the middle class, not only in volume, but also in quality accompanied by economic growth, disagreement can be seen between researchers.

Next we shall look back at the process of recent changes in the living standard of Russians, based on the official statistics. Table 1 shows that real monetary income grew rapidly along with a rapid GDP growth from the year 2000. Conversely, the poverty rate<sup>3</sup> has decreased gradually since 2000 and reached 17.6% in 2004. This does not mean, however, that the fruit of economic growth penetrates into all social strata. As seen in the changes in the decile ratio and Gini coefficient, economic differentiation has widened gradually, along with economic growth, which indicates the possibility that a particular group of people gain much of the fruit of economic growth at the expense of the poor.

Now we have to examine what kind of criteria should be applied to classify the middle class. Three primary criteria are often used; first, economic factors, such as the level of income and property etc.; second, occupation and professional status, including educational level; third, self-identification or self-evaluation. While we can use the first two criteria to objectively measure the size of the middle class, the self-identification criterion is a subjective one, and information is obtained through questionnaires. There are also other criteria, such as lifestyle and consumption level. Some researchers use just one criterion; some use multiple criteria. In this paper, multiple criteria with the three main factors above will be applied.

In most advanced capitalist countries, the size of the middle class based on these three criteria would have a high level of consistency. That is to say, people with a relatively high level of income, in many cases, engage in certain occupations based on their professional ability and identify themselves as members of the middle class.

In the next section, we shall analyse some characteristics of the Russian middle class in terms of size, composition and sense of values.

### **3. Size of Russian middle class**

Based on some research outcomes (mainly since the end of the 1990s), we shall measure the size of the Russian middle class.

First, Ekspert (2006, pp. 47–73) carried out an extensive investigation (more than 15,000 people) in the autumn of 2004 and divided them into five social classes, based on occupation, income, educational level, skill level, etc. These are (1) upper middle class (9.9%): Top-managers and highly skilled specialists, etc. whose income is between 10,300 to 25,000 rubles per month, (2) medium middle class (15.5%): Middle level managers and highly skilled workers, etc. whose income is around 7,200 rubles per month, (3) upper lower class (19.1%): Intellectuals and skilled workers, etc. whose income is from 3,000 to 5,600 rubles per month, (4) medium lower class (24.5%): Non-skilled workers and rural residents, etc. whose income is from 1,030 to 3,000 rubles per month, (5) lower class (31%): Pensioners whose income is around 2,300 rubles per month. Thus, it is estimated that approximately 25% of Russians are in the middle class. In this way, it is conceived that a middle class with its own lifestyle is being formed in Russia and that its size is increasing.

According to a survey by the Russian Independent Institute of Social and Nationalities Problems (in February and March 1999), it is estimated that the size of the middle class was approximately 25% before the financial crisis in 1998 and decreased to 16–18% after the crisis.<sup>4</sup> While multiple criteria were applied in measuring the size, qualitative indicators such as capacity of adaptation to the market economy are more important than quantitative ones.

Next, a comprehensive survey by the Moscow Carnegie Center (5,000 households in 12 regions of Russia in 2000) measured the scale of the middle class in terms of three typical criteria (socio-occupational position: 21.9%, material position: 21.2% and self-identification: 39.5%) and labelled households that were at the intersection of all three criteria (6.9%, core middle class) or any two of them (12.2%, potential middle class) as middle class (19.1%).<sup>5</sup> It is remarkable as a feature of the Russian middle class that its size by each criterion differs greatly, with the 'subjective' middle class being almost twice as large as the 'objective' one. There are considerable numbers of people who are included in the middle class by the subjective indicator but not by objective ones. Conversely, there also are certain numbers of people who are members of the middle class by the material criterion but not by the occupational criterion or self-identification. This represents an immaturity of the socio-economic structures, both of the middle class and Russian society as a whole.

Different from those above, Khakhulina (2001) examined the size and characteristics of the

middle class through a subjective assessment of one's own status. The size of the subjective middle class was 18% in 1991 and increased to 39% in 1996, 38% in 1997 and 42% in November 1998. Since 1996, the size has been quite stable (about 40%). Although the size of the Russian middle class is smaller than that in advanced capitalist countries, the gap between them is not necessarily large in terms of subjective assessment.

Finally, Beliaeva (2007) clarifies the process of the formation and changes in the middle class in Russia, based on all of the Russian monitoring data implemented by the Research Center for Socio-cultural Change of the Philosophical Institute, Russian academy of science (1990–2006). The middle class, whose rank in society is located between the elites and manual workers, began to be built around the middle of the 1990s. The features of its members are aggressiveness in economic activity, high labour motivation and support for a market economy and democratic development. While three criteria are used to measure the size of the middle class, namely self identification, material situation and occupation-professional position, the size increased from 9.4% (1998) to 22% (2006). The reasons for the rapid increase are economic growth, adaptation of workers' activities to the new condition, enlargement of the private sector in economy, progress in information technology and a rise in labour motivation, etc. However, even so, the size of the middle class is still too small to lead to greater economic growth.

To sum up these researches, three points below can be indicated, concerning the size of the middle class in Russia. First, it is quite small compared to those in advanced capitalist countries. In general, 20–30% might be appropriate. Even though some researches show rapid growth of the middle class accompanying the recent economic growth, there could be a wide gap in the size of the middle class between Russia and advanced capitalist countries. At the same time, however, this means that a certain amount of middle class individuals do exist in Russia. Second, the gap in the size of the middle class by each criterion (material situation, occupation and professional status and self-identification) is very large. This means that various kinds of social groups can be considered as a part of the middle class and that there is no stable and crystallised middle class. Third, the size of the subjective middle class is larger than that of objective ones. This means that there are certain numbers of people who are members of the middle class by self-identification but not by material situation or occupation-professional status.

In the following section, we shall analyse the Russian middle class, focusing on its composition and sense of values.

#### **4. Composition and sense of values of Russian middle class**

In order to clarify what kind of role the middle class plays in society, it is very important to take notice of its qualitative aspects rather than just quantitative ones (e.g. size). Here we shall examine qualitative features of the middle class. Concretely, what kinds of social groups

compose the middle class? What sense of values does the middle class hold?

#### **4.1. Composition of middle class**

In general, the middle class includes such kinds of occupations as small entrepreneurs, lawyers, medical doctors, engineers, etc. What kinds of people are considered part of the middle class in Russia?

Khakhulina shows the social composition of the Russian middle class in terms of self-identification (Khakhulina, 2001, pp. 74–75). Not only small and medium entrepreneurs, specialists and public servants, etc, but also some workers, pensioners and students identify themselves as part of the middle class. Therefore, the social composition of those who consider themselves middle class is quite varied. Although the branch structure of working members of the middle class has no distinct features, two-thirds of the owners of private businesses and specialists working for themselves place themselves in the middle class. Specialists such as doctors and teachers occupy an intermediate position between the middle and lower strata. They consider themselves part of the middle class in regard to educational level, social status and prestige. As their material situation, however, is now definitely low, they tend to identify more with the lower stratum. The opposite situation prevails among such new social categories as ‘shuttle traders’ and salespeople in trading kiosks. They are more likely to be assigned to the middle class in terms of income levels and to the lower stratum in social status and prestige. In this way, 14% of specialists and 7% of managers appear in the lower stratum.

We shall show characteristics of the middle class from the research outcome of Beliaeva (2007, pp. 7–8). Relatively young people with an educational level above the average are often categorised as middle class. There is a clear distinction between industrial sectors that are categorised occupied as middle class and others. However, the middle class is not uniform, and is divided into a lower (74%) and upper (26%) middle class.

Shkaratan and Il’in insisted that as for composition, a highly specific middle class appeared in Russia when the resource sector occupied a basic component of the GDP (Shkaratan and Il’in, 2006, pp. 179–182). Concretely, these are small entrepreneurs whose businesses relate to the infrastructure of resource businesses, bank workers who serve as top managers in resource sectors and public servants at the national and regional levels, whose formal and informal income is entirely linked to resource sectors. Moreover, the middle class includes some service workers who look after the rich, such as maids and private guards, etc. In addition, taking into account that the living standard of almost two-thirds of Russians is quite near the poverty level, it is easily supposed that many specialists, such as doctors, professors, engineers, etc. are not classified as part of the middle class.

Zaslavskaja insists that in the social structure of Russia in the 1990s dynamic changes could not be seen, that the upper and lower strata were about 10%, the base stratum (as for its living

**Table 2 Social composition of middle class in Russia (%)**

Social occupational groups	Year	
	1997	2000
Small and medium entrepreneurs	44	34
Specialist with high income	21	22
Middle and low level manager	11	13
Workers in the administrative sectors	6	6
<i>Siloviki</i> and military people	18	25

Source: Zaslavskaja (2004, p. 299)

standard, it is not base, but nearly lower actually) was about two-thirds, and the rest of them (10–20%) occupied the middle strata.<sup>6</sup> In addition, as for social stratification from 1998 to 2000, she indicates that a certain improvement in material welfare for all social strata could be seen and that the composition of the middle stratum was changing (see Table 2). Concerning the latter, in the composition of the middle class in 2000 we can confirm four points as below. First, almost one-half (47%) was small entrepreneurs and managers. Second, specialists in a good material condition occupy 22%. Third, those whose jobs were related to the military had 25% and medium-grade state bureaucrats were 6%. These occupied about one-third (31%) of the middle class in sum. Fourth, the percentage of military individuals grew from 14% in 1993 to 25% in 2000. We can see here the larger impact of *Siloviki*.

In this way, while we can see some improvement in material welfare for each stratum and changes in the composition of the middle class, it is doubtful whether democratic social reform will be promoted from these changes. Although it is certain that the middle class supports market economic reform to some extent, it represents a great variety of professions, in particular one-third of them relate to the military sector. Because we do not consider that the majority of military people tend to be liberally democratic, it is difficult to expect them to carry on social economic innovation leading to a democratic market economy. Although the middle class could be a potential supporter of reform, the problem is that it is not organised, but atomised.

Thus, the researches noted above suggest that representatives of the Russian middle class are inconsistent in the sense that they belong to various social groups, and that some of the entrepreneurs and specialists who could be included in the middle class in advanced capitalist countries do not belong to it in Russia.

#### **4.2. Sense of values of middle class**

Next, we shall confirm what life is like for the middle class in respect to society, by examining

their sense of values. Changes in circumstances caused by transition require people to adapt to the new circumstances based on a market economy. To put it simply, they have to change their viewpoint from the collective and passive attitudes of the Soviet era to active ones based on individual interests under a market economy.

Beliaeva (2007) indicated the subjective characteristics of the Russian middle class. When they were asked about their material condition in the future, only 5% replied that 'it would be worse', 30% replied 'better' and 43% replied 'no change'. Almost none of the upper and middle class representatives expected deterioration in their material welfare. In this respect, people's attitude has changed greatly compared to previous investigations. As for their satisfaction about their life in general, people in the middle class judge it much more positively than average. In the middle class, twice as many people as average think that they benefit from the transition from socialism to capitalism and conversely twice as few people think they lose. As for the material condition in households in 2006 compared to 1990, 56% of the middle class replied that it was recovering (against 36% on average for all respondents; hereafter the same), 13% replied that it was deteriorating (against 33%). 1.6 times as many in the middle class than average replied that they could live a better life in the future and 2.5 times as few replied a worse life. 95% of the middle class, greatly above the average, have an aggressive strategy to improve their life. As far as moves in the labour market are concerned, while 29% keep their workplace or speciality (against 22%), 58% change their work in order to progress their position in the labour market (against 39%). As for their motives to change work, 70% of the middle class said an increase in income (against 62%) and 47% of the middle class were forced to change their work against their will (against 56%). Most of the middle class regard a market economy as preferable to a non-market one.

The survey of the Russian Independent Institute of Social and Nationalities Problems has shown that out of 13 proposed factors of success, the following ones were considered clearly crucial: good intelligence, good education and hard work. More than 50% of respondents regarded them as crucial for success.<sup>7</sup> Close to half of all respondents (46.9%) also pointed out good connections. In addition, many Russians might think of 'intelligence' as being shrewd and savvy in a market economy environment. The sense of values of the Russian middle class could be a little different from that of West European ones.

The Moscow Carnegie Center depicts the middle class that exists in Russia here and now (Moskovskiy Tsentr Karnegi, 2003, pp. 430–431). The middle class is not too wealthy; but, having some material resources, neither is it poor. Its representatives have a relatively high level of education, which allows them to compete successfully in the labour market and perform well in other economic spheres. However, it would be too optimistic to assert that this resource is inexhaustible. The middle class rates its own social status rather highly, but hardly has any guarantee of the stability of its position. It is for this reason that it is fighting for this position,



**Table 3 Structure of final consumption expenditure of Russian households  
by gross income decile group (first quarter of 2005, %)**

Items	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup>	6 <sup>th</sup>	7 <sup>th</sup>	8 <sup>th</sup>	9 <sup>th</sup>	10 <sup>th</sup>
Food	58.8	57.5	56.3	53.9	50.4	47.0	42.1	41.7	36.3	30.8
Non-food	16.3	18.2	19.7	21.6	26.0	26.2	33.8	34.0	40.5	48.7
Alcoholic drink	1.2	1.4	1.6	1.8	1.7	1.8	2.0	2.5	2.0	2.0
Services	23.6	22.8	22.3	22.6	21.8	24.9	21.9	21.7	21.1	18.3
Housing and public services	15.2	13.9	13.0	12.2	11.0	10.0	9.1	8.0	6.9	5.8
Education	0.7	1.0	1.1	1.7	1.6	2.1	2.7	2.6	3.1	2.1
Others	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.2

Source: Rosstat (2006b, p. 31)

displaying a more active socio-economic strategy than other social groups. These distinguishing features can be seen in all its practices: It is more active in the labour market, and in business and financial operations; it invests in its education and health. At the same time, the middle class fits well into the practices of the shadow economy, and is not at all eager to step out of the shadows into the light. It is in no way as politically active as many political actors seem to expect. In many of its qualities, it is the same as the rest of society.

Finally, we shall examine what members of the middle class make much of in their material life, through observing their household structure. Table 3 shows the expenditures of Russian households in terms of a decile ratio in the first quarter of 2005. The greater their income becomes, the lower the percentages for food consumption, and the greater the percentages for non-food consumption goods become. Although we cannot see a strong linkage between service expenditure and amount of income, the percentage of housing and public expense is declining, conversely the percentage of expense for education is increasing, as income grows. It is probable that members of the middle class are included between the seventh and ninth rank in the decile ratio, as the size of the middle class is about 20–30% and above them the upper class is about 10%. Thus, families in the middle class spend relatively more money on educational services and they make much of the education of their children.

Here we shall cite an actual example of a middle class family.<sup>8</sup> The Mel'nikov family living in Moscow has three members; wife, husband and a daughter. Iuriy (husband) finished two kinds of higher education, in the technical and legal fields, and now works as a lawyer. Ol'ga (wife) is a textile artist. Liza (daughter) will take an entrance examination next year. Family income consists of the salaries of Iuriy (45%) and Ol'ga (40%), income from a

rental garage (5%) and interest from a bank deposit (10%). The structure of their expenditures is divided into food (15%), housing and public expense (3.5%), medical insurance (5%), car insurance (8%), expense for car (15%), relaxation (20%), leisure and amusement (3.5%), education for Liza (10%), savings (10%), support for parents (5%) and others (5%). They acquired some expensive consumer durables, such as a personal computer and a private car, relatively earlier than other families. When they make their purchases, they usually take into account the quality of the goods. They prefer to buy a few high-priced goods rather than many cheap ones. As understandable from the expenditure structure, they regard the education of their daughter as one of the most important problems within their family. Since the end of the Soviet era, they have undergone economically hard days regularly, their life has not improved in a straightforward manner. Now they believe in their future, after overcoming the tough period.

On the other hand, according to a study about the middle class in Siberia, the reproduction of higher education from parents to their children cannot be seen clearly.<sup>9</sup> Not only in Russia in general but in Siberia, there are more people with higher education in the middle class and the investment rate for education in their household is higher compared to other social strata. However, this does not mean that very many children in the middle class enjoy higher education in Siberia. 60% of children in the upper middle class enjoy higher education and 36.4% in the lower middle class, with 12.5% in the potential middle class.<sup>10</sup> We can see a diminishing tendency in educational reproduction here. This tendency is explained by the two factors below. First, the living standard of the middle class does not necessarily far exceed other social classes. This means that the middle class has to limit their educational expenses. Second, in Siberia people do not make much of education in the sense of an investment in human capital. This means that the types of social capital highly evaluated in regions might be different from each other.

In this way, we can indicate three features below as a uniqueness of the Russian middle class. First, the middle class is different from other social strata, in terms of a high level of satisfaction in life in general and the possession of consumer durables. This means that members of the middle class are winners in Russian society. In this sense, it is estimated that the middle class by and large support the marketisation of Russian society. Second, they make much of social capital like connections, human networks and so on as factors of success. Such things as diligence and hard work are not necessarily placed in the upper rank in relation to a sense of values. It can also be said that the middle class fits well into the practices of the shadow economy and that the types of social capital highly evaluated in different regions might be different from each other. Third, we can see dual aspects of the relation between the middle class and market economy. On the one hand, the Russian middle class is thought to support a market economy more than other social strata. On the other hand, however, the middle class has varied social groups, some of whose sense of values include connections and human networks,

which are not necessarily compatible with a market economy. This means that in the sense of values of the middle class, we can find both aspects to support and oppose a market economy. The Russian middle class is not a strong supporter of the development of civil society and a main actor in democratic society, like its Western European counterpart. In this sense, the Russian middle class is quite different from that in Western Europe.

## 5. Recent economic growth and the Russian style middle class

Thus far we could clarify that the Russian middle class is small in size, has varied social groups and is special in its sense of values, compared to advanced capitalist countries. We can call this a Russian style middle class. Finally we shall reconsider this Russian style middle class in relation to the social structure of Russia.

### 5.1. Reconsideration of the size of the middle class

We shall reconsider the size of the Russian middle class, taking as an example small and medium entrepreneurs who are the main social groups of the middle class.<sup>11</sup> The number of small and medium entrepreneurs is increasing to some extent, owing to the recent economic growth. At the end of 2003, the total number of small and medium enterprises was 890 thousand, the total number of employees was 7,430 thousand (14.9% of all employees), they accounted for 8.1% of production and 2.7% of investment. Although they did not have a strong impact on the national economy as a whole, we have to add the number of self-employed people who have increased quite rapidly along with the economic growth (from 3.59 million in 1998 to 4.67 million in 2003; see Table 4). Self-employed people, PBOIuL (*predprinimatel' bez obrazovaniia iuridicheskogo litsa*), means an entrepreneur, which does not have legal person status like someone working at a kiosk, which can typically be seen around the underground stations in Moscow. The registration, accounting and tax system for a PBOIuL are simplified compared to other enterprises. PBOIuL can employ workers by making contracts, and these are classified into the informal sector. The number of PBOIuL increased by 30%, from 3,590 thousand in the beginning of 1999 to 4,670 thousand in 2004, while the number of small and medium enterprises and their workers grew by 2.6% and 20% respectively. PBOIuL has a relatively high percentage of low educated young workers. 43% of PBOIuL are classified into commercial and food service industries, 22% are farming. In addition, we find that the number of public officers increases rapidly as well (from 1.89 million in 1995 to 3.15 million in 2004). It is impossible to include all of these people in the middle class, but the size of the potential middle class could be quite a bit larger than we have expected, if we add these factors that are not reflected in the official statistics.

Moreover, if we add income from the informal sector, the size of the middle class should

**Table 4 The size of small enterprises (SE) and PBOIuL**

	1998	1999	2000	2001	2002	2003
SE (thousand firms)	868	891	879	843	882	891
SE (thousand employees)	6,210	6,490	6,600	6,480	7,220	7,433
PBOIuL (thousand people)	3,592	3,865	4,206	4,596	4,675	4,670

Sources: Mizobata (2005, p. 112; 2006, p. 7)

increase greatly. The scale of the informal sectors in Russia, which are bigger than in advanced capitalist countries, is estimated to be approximately 25%. According to estimation by the World Bank, informal sectors occupy 45% of the Russian economy (Shkaratan and Il'in, 2006, pp. 183–184). The reasons why people rely on income from informal sectors are opposition to the spread of corruption and the bribery of administrators, and distrust of the tax policy of the government.<sup>12</sup> Accordingly, income from informal sectors can be regarded as an outcome of people's self-defence strategies. While a strong relation to informal sectors can be seen within all social strata in Russia, in particular, small and medium entrepreneurs, who are directly concerned with business activities, or specialists with higher education have more opportunities. Taking into account income from informal sectors, some specialists with higher education such as teachers or doctors who are not categorised as middle class in terms of the economic criterion could be included in the middle class. This might change the composition and size of the middle class. It also suggests that we should view the self-identification criterion as more important than the economic criterion or professional status.

## 5.2. Reorganisation of the middle class

Besides the existence of PBOIuL and income from informal sectors, if we take recent economic growth into account, the size of the middle class is expected to grow hereafter. As far as the extent of growth is concerned, however, researchers' views do not reach a close consensus. The author does not expect the size of the middle class to increase rapidly for some reasons below. First of all, although Russia enjoys a rapid economic development, the income differential does not diminish at all, but rather tends to increase gradually, judging from the data in official statistics. As seen in Table 1, the Gini-coefficient grew gradually from 2000 to 2005; which means the income differential is enlarging. This suggests that an enlarging income differential could be seen also in the middle class, and in addition some people in the middle class would see their social position fall to the lower stratum.

Tapilina (2007) shows the dynamics of the Siberian middle class in 1994, 2000, 2004. More than 70% of Siberians kept their social position from 1994 to 2004. As far as the other 30% of

**Table 5 Previous social position of Russian entrepreneurs and businessmen  
(based on the surveys in 1994 and 2002, %)**

Previous position	1994	2002
	Position in 1985	Position in 1990
Entrepreneurs	4.8	9.9
High ranking bureaucrats	9.5	–
Middle ranking bureaucrats	4.8	13.6
Highly skilled specialists	3.9	2.5
Specialists with higher education	21.4	16.7
Workers with secondary special education	4.8	6.2
Technical workers (public and administrative sectors)	2.4	6.2
Highly skilled workers	–	1.2
Skilled workers	19.0	17.3
Workers with no or low skills	2.4	4.8
Self-employed	–	4.9
Students	26.2	12.4
Unemployed	–	–
Others	0.8	4.3
Total	100.0	100.0

Source: Shkaratan and Il'in (2006, p. 184)

the people, whose position moved, is concerned, while 17% moved downward and just 10% moved upward from 1994 to 2000, 23% moved upward and only 7% moved downward from 2000 to 2004 (Taplina, 2007, pp. 29–31). Thus, in the 1990s the proportion of middle class or potential middle class decreased in general, but since 2000 it has increased. Nonetheless, the speed of this increase is not necessarily fast enough even now and the prospect for future development is not likely. Even if economic growth could be maintained longer, if the regulation mechanism for income redistribution does not change, it is unlikely that the middle class will develop greatly.

More than 10 years after the transition, a reorganisation of the middle class is conceivable now. Shkaratan and Il'in (2006) investigated from which social groups Russian entrepreneurs appeared, based on questionnaires carried out in 1994 and 2002. Table 5 shows that only 9.9% of those who were entrepreneurs in 2002 were also entrepreneurs in 1990, and that no position change from high-ranking bureaucrats in 1994 to entrepreneurs can be seen. At the same time, we can see social movements from various groups to entrepreneurs, e.g. bureaucrats in middle ranks, specialists with higher education and students, etc. This means that the position of Russian

entrepreneurs is not stable or fixed. This is applicable to various occupations in general that constitute the middle class; it thus suggests that the position of the middle class as a social stratum is not stable or fixed.

Finally, the movement of specialists with higher education from Russia to foreign countries (brain drain) did not diminish. In Russia, the evaluation of specialists with higher education, such as university scholars, is contradictory. On the one hand, developing enterprises increase the demand for educated specialists and the position of specialists there is good and stable. On the other hand, there are a massive number of low wage specialists with higher skills who are employed mainly in the state sectors, and their material welfare depends largely on government policy. Under these circumstances, many specialists have moved to countries where they can earn more money. For example, the number of scholars decreased from 1.1 million in 1989 to 0.41 million in 2003, and it is estimated that Russia has lost about one-third or two-thirds of its human resources since the start of the transition. As the living standard of these specialists has not improved greatly, regardless of recent economic development, the brain drain will continue in the future. This could damage Russia through a declining ability for research and development and also might decrease the number of specialists, who are one of the main groups of the middle class.

Therefore, it seems certain that we should view the self-identification criterion as more important than the economic criterion or professional status in classifying the Russian middle class, and that the size of the (potential) middle class would be larger in that case. Moreover, it is also clarified that the middle class does not grow rapidly along with economic growth but even demonstrates a tendency to diminish, and that recent economic growth does not guarantee that the Russian middle class will transform into the same type as that in Western Europe. In this way, the Russian middle class established social class.

## **6. Conclusion**

In this paper, we clarified some characteristics of the Russian middle class in terms of its size, composition and sense of values, and examined changes in the middle class along with recent economic growth. The size of the middle class is approximately 20–30%, which is quite a bit smaller than in advanced capitalist countries. The gap in the size of the middle class by each criterion (material situation, occupation and professional status and self-identification) is very large. Moreover, the size of the subjective middle class is larger than that of the objective one. Representatives of the Russian middle class are inconsistent in the sense that they come from various social groups, and that some of the entrepreneurs and specialists who could be included in the middle class in advanced capitalist countries are not categorised as such in Russia. They make much of social capital like connections, human networks and so on as factors for success,

rather than diligence and hard work. In this sense, we can find both aspects to support and oppose a market economy from the viewpoint of the middle class. Finally, as far as recent changes in the middle class are concerned, the size of the potential middle class could be quite a bit larger than we have expected, if we add such factors as the growth of self-employed people and income from the informal sector. Nevertheless, the author insisted that the size of the middle class will not increase rapidly because of an enlarging economic differential, the unstable position of the middle class and brain drain, etc.

Thus, in this paper the author insisted the uniqueness of the Russian style middle class. Characteristics of this middle class, however, strongly reflect the economic system and peculiarity of society, thus the image of the middle class itself is original in each country. Taking into consideration that Russia is also one type or variety of capitalism, the uniqueness of the middle class could be seen not only in Russia but in every country.

Clarifying the routes and processes of how the middle class has appeared, based on comparative research between the Soviet era and contemporary Russia, is still an open question for us. As for changes in the middle class from the Soviet Union to Russia, mainly the two views below are influential. First, there existed a massive middle class in the Soviet era, which began to diminish after the transition. According to this view, since Russian middle class is regarded to be a kind of legacy of the Soviet Union, it has some original characteristics which are different from those in other countries. Second, on the contrary, there was no middle class in the Soviet era and it appeared in the course of the transition. This means that Russian middle class has the similar characteristics as its Western European counterpart. The existence of a certain amount of middle class proves to be effective for economic reform, and conversely its absence gives good grounds for claiming a radical revision of policy course. Both views, however, are not demonstrated by an actual proof. The author assumes that in the Soviet era tens of millions of middle class people existed,<sup>13</sup> consisting of various kinds of specialists, and that the size of the Russian middle class is not directly related to the progress of economic reform. Comparative studies on the positions of property owners between the past and the present are indispensable.

## Notes

<sup>1</sup> See “Revival in Japan brings widening of economic gap”, *The New York Times*, April 16, 2006.

<sup>2</sup> See Ryvkina (2001, p. 328).

<sup>3</sup> This means the ratio of people whose income is below minimum subsistence.

<sup>4</sup> See RNISiNP (2000).

<sup>5</sup> See Moskovskiy Tsentri Karnegi (2003).

<sup>6</sup> See Zaslavskaja (2004).

<sup>7</sup> See RNISiNP (2000, pp. 219–222).

- <sup>8</sup> “Kto v dome findirektor? A kto glavbukh? (Who is a financial director at home? Who is a main accountant?)”, *Lichnyi Byudzhet (Private Budget)*, February 2007.
- <sup>9</sup> See Taplina (2007, pp. 31–33). This is based on the thirteenth survey of Russian Monitoring of economic situation and health. 11,000 people in all Russia and 1,033 in Siberia were investigated.
- <sup>10</sup> In this research three criteria (income, educational level and occupation) are used to classify the middle class. The upper middle class includes those who satisfy all three criteria; two of three for lower middle class; one of three for potential middle class.
- <sup>11</sup> See Mizobata (2005, pp. 112–113).
- <sup>12</sup> Regardless of income tax reform in 2001, the scale of the informal sector did not diminish. See Shkaratan and Il'in (2006, p. 184).
- <sup>13</sup> See Balzer (1998).

## References

- Balzer, H. (1998) “Russia’s middle classes”, *Post-Soviet Affairs*, Vol. 14, No. 2.
- Beliaeva, L. (2007) “I vnov’ o srednem klasse Rossii (Russian middle class revisited)”, *Sotsiologicheskie Issledovaniia (Sociological Studies)*, Vol. 5.
- Ekspert (2006) *Real’naia Rossiia: Sotsial’naia Stratifikatsiia Sovremennogo Rossiiskogo Obshchestva (Russia in Reality: Social Stratification in the Contemporary Russian Society)*, Moskva: Institut Obshchestvennogo Proektirovaniia.
- Khakhulina, L. (2001) “The subjective middle class: Income, material situation, and value orientations”, *Sociological Research*, Vol. 40, No. 4.
- Mizobata, S. (2005) “Corporate Russia”, in Uehara, K. (ed.), *China’s Leap Forward, Russia’s Revival: A Real Image and Theory of Transition*, Kyoto: Takasuga Shuppan. (in Japanese)
- Mizobata, S. (2006) *Economic Recovery and the Recent Business Circumstances in Russia*, Paper presented in the 48<sup>th</sup> Eurasia Cultural Salon, Osaka, January 28. (in Japanese)
- Moskovskiy Tsentr Karnegi (2003) *Srednie Klassy v Rossii: Ekonomicheskie i Sotsial’nye Strategii (Middle Classes in Russia: Economic and Social Strategies)*, Moskva: Gendal’f.
- OECD (2006) *Economic Survey of Japan 2006*.
- RNISiNP (2000) *Sredniy Klass v Sovremennom Rossiiskom Obshchestve (Middle Class in the Contemporary Russian Society)*, Moskva: Nauka.
- Rosstat (2006a) *Rossiiskiy Statisticheskii Ezhegodnik (Statistical Yearbook of Russia)*, Moskva.
- Rosstat (2006b) *Dokhody, Raskhody i Potreblenie Domashnikh Khoziaistv v I–IV Kvartalakh 2005 Goda (Income, Expense and Consumption of Households in I–IV Quarters 2005)*, Moskva.
- Ryvkina, R. (2001) *Drama Peremen: Ekonomicheskaiia Sotsiologiia Perekhodnoy Rossii (Drama*



- of Changes: Economic Sociology for Russia in Transition*), Moskva: Delo.
- Shkaratan, O. and Il'in, V. (2006) *Sotsial'naiia Stratifikatsiia Rossii i Vostochnoy Evropy: Sravnitel'nyy Analiz (Social Stratification of Russia and Eastern Europe: Comparative Analysis)*, Moskva: GU VShE
- Tapilina, V. (2007) "Sibirskiy sredniy klass: Chislennost', struktura i osobennosti vosproizvodstva (Siberian middle class: Numbers, structure and peculiarities of reproduction)", *Eko*, No. 7.
- Zaslavskaya, T. (2004) *Sovremennoe Rossiiskoe Obshchestvo: Sotsial'nyy Mekhanizm Transformatsii (Contemporary Russian Society: Social Mechanism of Transformation)*, Moskva: Delo.