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REDUCTION IN INCOME DIFFERENTIATION OF RUSSIAN FEDERATION CITIZENS AS ONE OF DIRECTIONS TO IMPROVE QUALITY OF LIFE

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Abstract: The paper deals with the problem of income differentiation in the Russian Federation. The authors describe the main indicators characterizing the level of differentiation between different population groups. It is proposed to use progressive tax scale to reduce inequalities between population groups with the highest and lowest incomes.

The document "The future we want" adopted at the UN Conference on Sustainable Development "Rio+20" held in Rio de Janeiro in June 2012 pointed to the need to stimulate equitable economic growth, create more opportunities for all members of society , reduce inequalities, improve the basic living standards, promote equitable social development [1]. The Russian Federation is currently actively implementing the strategy of sustainable development, which should ensure the welfare of the population.

In modern conditions, one of the urgent problems of a market economy is the problem of income differentiation of our country, which significantly limits the ability of citizens. The level of income is one of the most important parameters determining the well-being, the possibility of material and spiritual life of people: their leisure, education, health care, satisfaction of basic needs [2]. All these components are included in such a notion as "quality of life", making the problem of income differentiation a fundamental one towards the sustainable development and high quality of life.
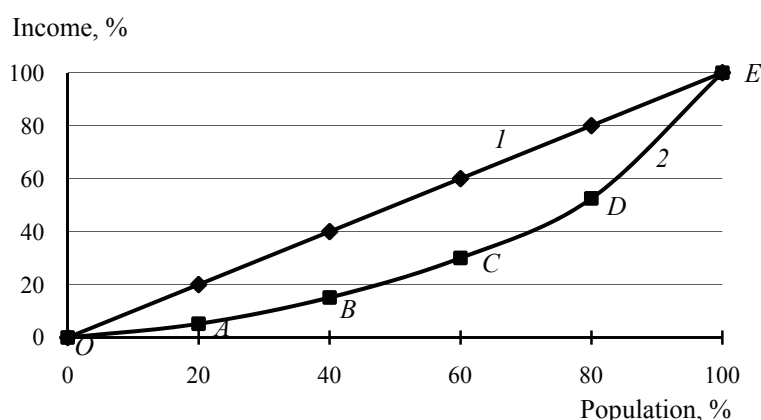
A common tool to evaluate the differentiation of income is the Lorenz curve, showing the degree of inequality in income distribution between different population groups (Table 1, Figure).

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Table 1

**Data for constructing the Lorenz curve
for the Russian Federation in 2013 [3]**

Quintile population groups by income level	The share of total income, %
Group 1 (the lowest income)	5.2
Group 2	9.9
Group 3	14.9
Group 4	22.5
Group 5 (the highest income)	47.5

The Lorenz curve for the Russian Federation in 2013

As illustrated by the graph the abscissa axis is the percentage of the Russian Federation population, and the vertical axis is the share of income in the Russian society as a percentage. *Line 1* is the line of absolute equality. As it can be seen from Figure, the Lorenz curve indicates the presence of inequality in income distribution (*Line 2*). Point *A* represents the first 20 % of the population who receive 5.2 % of total revenues, point *B* is 40 % of the population accounting for 15.1 % of income, point *C* is 60 % of the population, accounting for 30 % of income, point *D* is 80 % with 52.5 % of the population income, and, finally, 100 % of the population receives 100 % of the income.

Quantitatively the degree of inequality in income distribution can be calculated using the Gini coefficient. In case of complete equality of the population incomes the coefficient equals 0, at absolute inequality it equals 1. The greater the deviation of the Lorenz curve from the bisector, the more the Gini coefficient will approximate to 1.

To assess the differentiation of incomes we can also use such indicators as the decile coefficient, expressing the ratio between the average income of 10 % of the highest income population and 10 % of the lowest income poplulation.

The gap in income of the richest and poorest people in Russia is 42.3 % and is one of the biggest in the world (Table 2).

Table 2

Distribution of total income of the Russian Federation population [3, 4]

Indicators	2007	2008	2009	2010	2011	2012	2013
Monetary Income – total percentage	100	100	100	100	100	100	100
Including 20 percent population groups:							
Group 1 (lowest income)	5.1	5.1	5.2	5.2	5.2	5.2	5.2
Group 2	9.8	9.8	9.8	9.8	9.9	9.8	9.9
Group 3	14.8	14.8	14.8	14.8	14.9	14.9	14.9
Group 4	22.5	22.5	22.5	22.5	22.6	22.5	22.5
Group 5 (highest income)	47.8	47.8	47.7	47.7	47.4	47.6	47.5
The decile coefficient of assests (ratio of income differentiation), times	16.6	16.6	16.6	16.6	16.2	16.4	16.2
The Gini coefficient (index of income concentration)	0.422	0.421	0.421	0.421	0.417	0.420	0.418

According to Global Wealth Report, the share of the richest 1 % of Russians accounts for 71 % of all personal assets in Russia. For comparison, in India and Indonesia, following Russia (among large countries) on this indicator 1 % owns 49 and 46 % of all personal wealth, respectively. In the world in general this figure is 46 %, in Africa it equals to 44 %, in the US it reaches37 %, in China and Europe it equals to 32 % , and in Japan it is only 17 %. Russia is the world leader both in the share of the wealthiest 5 % of the population (82.5 % of all personal wealth of the country), and the wealthiest 10 % of the population (87.6 %) [5].

The Gini coefficient in the Russian Federation for 2013 is 0,418. For comparison, the values of this coefficient for the countries that are leaders in terms of quality of life are significantly lower: 0.21 – in Sweden, 0.24 – in Iceland, 0.25 – in Denmark, 0.25 – in Norway.

In contrast to the developed Western countries, the difference in incomes of Russians strongly depends on the region of the country. Today, Russia has one of the highest levels of regional inequality [6].

The factors of social inequality regions include:

– The level of economic development of regions in many respects determining the income of the population, employment, and the state social sectors;

– Natural and climatic factors. For example, such a factor as climate comfort index determines many aspects of lifestyle of the population living in the area;

– Regional differences resulting from features of settlement, for example, the way of life of the population of cities and villages. These include inaccessible and high-quality services, low income and lack of income sources [7].

As the table shows, the regions that are crisis ones (the Tambov region, the Kostroma region) have a relatively low income differentiation, as proportion of poor people in these regions is significantly higher than that of the rich population (Table 3).

The leadership of the country recognizes the depth of the problem of income inequality of Russians, which, according to President Vladimir Putin, is the most urgent one [6].

Social direction of long-term socio-economic development of the Russian Federation is manifested in a significant reduction in inter-regional and intra-regional differentiation in the level and quality of social environment, people's incomes and standards of living, aimed at reducing the gap between metropolitan regions and provinces, cities and towns, urban and rural population [8].

Currently, the Government of the Russian Federation is trying to reduce differentiation by increasing the minimum wage, living wage and social benefits. At present, on the territory of the Russian Federation the following state programs: "Social support of citizens", "Promotion of employment", "Accessible Environment" are being implemented. As part of the demographic

Table 3

Distribution of total income for 20 percent of the Russian population groups on the example of regions [3, 4]

Quintile population groups by income level	2007	2008	2009	2010	2011	2012	2013
Group 1 (lowest income):							
the Tambov region	5.7	5.4	5.5	5.4	5.4	5.3	5.3
the Kostroma region	6.4	6.4	6.4	6.4	6.4	6.4	6.4
Moscow	3	3.5	3.5	3.7	3.8	3.8	3.8
the Saratov region	4.5	4.6	4.5	4.5	4.7	4.7	4.7
Group 2							
the Tambov region	10.5	10.2	10.3	10.2	10.2	10	10
the Kostroma region	11.3	11.3	11.4	11.3	11.4	11.2	11.2
Moscow	6.6	7.5	7.4	7.6	7.7	8.1	8.1
the Saratov region	11.3	11.2	11	11	11	10.9	10.9
Group 3							
the Tambov region	15.4	15.2	15.2	15.2	15.1	15.1	15
the Kostroma region	16.1	16	16.2	16.1	16.2	16	16
Moscow	11.4	12.4	12.3	12.5	12.5	13.2	13.2
The Saratov region	14.1	14.2	14.1	14.1	14.3	14.3	14.3
Group 4							
the Tambov region	22.8	22.7	22.7	22.7	22.7	22.6	22.6
the Kostroma region	23	23	23	23	23	23	23
Moscow	20.2	20.9	20.8	20.9	20.9	21.6	21.6
the Saratov region	23	22.9	22.9	22.9	22.9	22.9	22.9
Group 5							
the Tambov region	45.6	46.5	46.3	46.5	46.6	47	47.1
the Kostroma region	43.2	43.3	42.9	43.2	42.9	43.4	43.4
Moscow	58.8	55.7	56	55.3	55.1	53.3	53.3
the Saratov region	43.1	43.6	44.1	44.2	44	44.5	44.5

policy of the Ministry a law No 256 FZ "On additional measures to support families with children" was adopted on 29.12.2006 and enforced.

In addition, in 2014, "a luxury tax" was introduced. It resulted in the increased transport duty from cars worth more than 3 m Rubles. It is calculated by multiplying the transport tax rate, which depends on the horsepower of the car, by a factor of luxury. The latter, depending on the year and the cost of the car, ranges from 1 to 3 [9].

But these measures are insufficient. One possible option for reducing differentiation could be a progressive tax scale, based on the principle of increasing tax rates, depending on the growth of the taxable income of the taxpayer, which has been successfully applied in developed countries. For example, in France, people with low income are exempt from tax at all. Annual incomes in the range Euro 5963 are taxed at 0 %; annual incomes between 5,963 to 11,896 Euros are taxed at the rate of 5.5 %; annual incomes from Euros 11,897 to Euros 26,420 are taxed at the rate of 14 %; incomes from Euros 26,421 to Euros 70,830 are taxed at the rate of 30 %; incomes from Euros 70,831 to Euros 150,000 are taxed at the rate of 41%; incomes between150,001 to Euros 1,000000 is taxed at the rate of 45 % [10].

Application of progressive tax scale in the Russian Federation will loosen the tax burden for low-income population groups, and increase receipts in the budget by raising the tax rate for people with high incomes. Many economists believe that progressive taxation will reduce the gap between different social strata and improve the quality of life of the population in the Russian Federation.

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Снижение дифференциации доходов населения Российской Федерации как одно из направлений улучшения качества жизни

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Аннотация: Рассмотрена проблема дифференциации доходов населения Российской Федерации. Приведены основные показатели, характеризующие уровень дифференциации между различными группами населения. Предложено использование прогрессивной шкалы налогообложения для снижения неравенства между группами населения с наибольшими и наименьшими доходами.