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THE SOCIAL CONSEQUENCES OF THE CRISIS
IN RUSSIA

Jan Strzelecki

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THESES

- The Russian economy has experienced what has proven to be the most painful crisis for society since 2000, or when Vladimir Putin became President of the Russian Federation for the first time. The crisis has worsened the financial situation of people in Russia mainly due to the high inflation rate and a persistent and deep decrease in real wages which primarily affected poor people, large families and residents of big cities. At the same time, the unemployment rate is low, which is due to the nature of the Russian job market in which informal employment and employment in the public sector have a large share. As such, it remains to some extent isolated from the consequences of the crisis.
- During this crisis, society is embarking on a strategy of passive adaptation as people focus on individual survival strategies. The dominant strategy pursued by all social classes involves seeking opportunities to save money by limiting expenses and modifying the hitherto applied model of consumption. For some social groups, their method for weathering the crisis also involves seeking additional employment opportunities in the grey economy (the so called 'garage economy') and spending the savings they made in previous years. The crisis has also contributed to a major drop in economic migration to Russia.
- The crisis has triggered a decline in the social mood. This decline does not translate into a drop in declared approval ratings for President Vladimir Putin, nor has it manifested itself in mass protests. Protests happen rarely, they are usually isolated and focus on specific local demands. The protesters avoid referring to political slogans, which makes their demonstrations distant from any form of protest against the Kremlin.
- The government is trying to minimise the likelihood of an outbreak of protests related to the prolonged crisis by making efforts to build up the image of President Vladimir Putin and to maintain his high approval rating. Other methods include: postponing unpopular decisions and shifting the responsibility for problems onto lower levels of government or external enemies, and stepping up the repressive nature of the system. Due to limitations on the operation of institutions which are independent of the government, in the present situation there are no leaders who could become mouthpieces for social discontent.

INTRODUCTION

The economic crisis in Russia has mainly been brought about by a dramatic fall in the price of oil on global markets. Revenues from oil exports used to account for half of the Russian state budget's total revenue. The crisis is causing mounting negative consequences for society. The present crisis differs from the 1998 recession and the economic slump observed in 2008–2009 in that it is long-lasting (real incomes earned by Russians have dropped for the third year in a row). This has been the first such persistent decline in the standard of living since 2000, which was when Vladimir Putin took over the presidency from Boris Yeltsin. This publication is an attempt to describe the scale of the crisis and its social consequences. The first part discusses the condition of Russian society during the crisis, the consequences of the recession for the standard of living of Russian people, and the strategies society is adopting to survive the economic crisis. The second part contains an analysis of the shift in social mood and its impact on the stability of the political system in Russia. The final part is an attempt to predict the possible consequences of the present crisis.

I. THE FINANCIAL SITUATION OF RUSSIAN SOCIETY DURING THE CRISIS

The ongoing economic crisis is causing negative consequences for a major portion of Russian society. In mid-2016, a staggering 78% of Russians claimed to have been personally affected by these consequences¹. The initial deterioration of society's financial situation was recorded in the first months of 2015. The situation of the population deteriorated mainly as a result of the high inflation rate caused by a drop in the value of the Russian currency. This in turn had been caused by a slump in the price of oil and the sanctions imposed by the West after Russia's annexation of Crimea and commencement of the war in the Donbas (between the beginning of 2014 and the beginning of 2015 the rouble fell by nearly 50% against the US dollar). The rapid price increase has also been a result of the embargo on the import of foodstuffs from the West which Russia introduced in August 2014 in response to sanctions imposed on it. This embargo has backfired, though, and has mainly affected the Russian economy which is to a large extent dependent on the import of agricultural produce and foodstuffs. Due to this, in 2014 the inflation rate was 11.4%, while in 2015 it was 12.9%. This was the highest rate recorded since 2008.

The rapid price increase started back in December 2014. It covered mainly necessities such as food – in 2015 the price of foodstuffs went up by more than 20% on average and in some of the product categories the prices increased by more than 40%. A major price increase was also recorded in categories such as household goods, medicines and selected services (in particular those connected with foreign tourism and the housing industry). As a consequence, less affluent social groups were more severely affected by the crisis because the costs of purchase of necessities and basic services grew faster than other goods. Despite a drop in the inflation rate in 2016, society considers inflation to be the most perceptible manifestation of the crisis. The inflation and shortages of certain goods alongside the international political situation have continued to top the so-called 'fear index' identifying phenomena which worry Russians the most, compiled by the All-Russian Public Opinion Research Centre (VCIOM)².

¹ Затяжной спад в экономике. Что предпринимают потребители и бизнес в России?, PWC, 16 June 2016, <http://www.pwc.ru/ru/press-releases/2016/consumer-business-report.html>

² "Fear index" by the All-Russian Public Opinion Research Centre (VCIOM), http://wciom.ru/news/ratings/indeks_straxov/

The crisis has had a limited impact on the job market. Unlike in the case of the 2008–2009 crisis, adaptation to the altered conditions is progressing slowly and includes a long-term decrease in real wages and real incomes.

Wage stagnation was initially observed in January 2014, and in November 2014 wages began to fall. In 2015, the fall in real wages amounted to 9.5% year-on-year, while in the period between January and August 2016 it was 0.3% when compared with the corresponding period in 2015³. However, when converted to US dollars, the wages earned by Russians fell by 40% – from US\$ 936 in 2013 to US\$ 558 in 2015⁴. This has affected the Russian middle class which uses foreign goods and services more frequently than other groups. Russian society has been affected by this dramatic and durable drop in wages for the first time since 1998. Moreover, the official wage statistics take into account solely large and medium-sized companies which employ around 46% of the total workforce. According to economists, the larger part of the job market which is omitted from official statistics, has recorded a more significant drop in real wages amounting to 10–15%.

Real incomes earned by Russians continued to fall at a slower pace than real wages. This was in part caused by the fact that Russian people gradually spent their foreign currencies savings⁵ (in 2015 real incomes fell by 6.3%, while real wages fell by as much as 9.6%). Due to the crisis, the share of income from economic activity in the total income of the Russian population (earned, for example, from petty trade) has been on the wane – in 2015 it was the lowest since the fall of the Soviet Union and amounted to 7.3%.

Despite the crisis, the unemployment rate remained practically unchanged and amounted to 5.4% in October 2016⁶. The number of individuals registered with Russian job centres as unemployed was more than four times lower, which is largely due to the fact that Russian people are rather unwilling to report they are unemployed to state institutions dealing with employment because these are inefficient. The reasons behind the low unemployment rate during the crisis should be traced mainly to the unique nature of the Russian job market. Firstly, the share of individuals working in the grey economy in Russia has been on the

³ Wage dynamics data compiled by the Central Bank, http://www.gks.ru/bgd/free/B00_24/IssWWW.exe/Stg/d000/i000050r.htm

⁴ Мониторинг социально-экономического положения и социального самочувствия населения. Май 2016, ed. Л. Овчарова 2016, goo.gl/exEWsW

⁵ According to official statistics, income earned from the sale of foreign currency savings is included in total income.

⁶ Data by Rosstat according to methodology adopted by the International Labour Organisation.

rise since 2011 and at present it is over 18%⁷, which is nearly 9 million people. The ongoing economic crisis has not halted the upward trend regarding informal employment. According to estimates by the Higher School of Economics, the average share of unregistered remuneration in total wages is around 25%, which generates immense losses for the state budget. However, the grey economy forms a buffer protecting the population from the consequences of the crisis and offering opportunities to find supplementary employment.

Secondly, maintaining a low unemployment rate is also possible due to an increase in the number of individuals in part-time employment and to the reduction of salaries in many sectors of the economy. In response to the crisis, the employers tend to lower the salaries or reduce full-time employment to part-time. During the crisis the employers' backlogs of payment began to slowly rise, but the total amount is still lower than in the 1990s. According to estimates by the Higher School of Economics, in Q1 2016 24% of Russian families were affected by salary reductions, 19% by delayed payments of remuneration and 9% by forced unpaid leave, dismissal or reduction of full-time employment to part-time⁸. Due to high costs of lay-offs the employers prefer to keep the level of employment unchanged despite the lower demand for staff.

The fall in real wages and the increase in prices during the crisis have contributed to an increase in the number of individuals affected by poverty and extreme poverty by 3.1 million in 2015⁹. According to estimates by the Russian statistical office Rosstat, in 2015 13.3% of Russians lived below the subsistence level¹⁰. This has been the worst result since 2008, but not the worst in Russia's modern history, as – according to official statistics – back in 1999 28.4% of Russians lived below this standard. According to researchers, groups particularly at risk of experiencing the negative consequences of the crisis include people raising children (in 2015, more than 21% of them lived in poverty¹¹)

⁷ Ежемесячный мониторинг социально-экономического положения и самочувствия населения 2015 – март 2016, ed. Т. М. Малева, March 2016, <http://www.ranepa.ru/images/docs/monitoring/ek-monitoring/monitoring-march-2016.pdf>

⁸ Мониторинг социально-экономического положения и самочувствия населения. Май 2016, ed. Л. Овчарова, 2016, goo.gl/aCy6L5

⁹ Человеческий капитал как фактор социально-экономического развития, ed. Я. Кузьминов, Л. Овчарова, Л. Якобсон, Moscow 2016, goo.gl/LciPvo

¹⁰ Data by Rosstat, http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/population/level/#

¹¹ Человеческий капитал как фактор..., *op. cit.*

and low earners¹². The higher proportion of negative opinions expressed by the individuals surveyed regarding their financial situation is further proof of the deteriorating financial situation of people in Russia. In 2015, the group which includes (self-declared) poor and extremely poor people, increased almost twofold across various surveys¹³. Meanwhile, between the end of 2015 and August 2016 the number of individuals who declare that they have too little money to buy enough food and those who cannot afford to buy clothes remained stable and amounted to around 40% in total¹⁴. Among those who claimed to belong to this group are: families with children, residents of rural areas, people without university education, pensioners, and individuals living in one-person households.

The social consequences of the crisis vary considerably between individual regions, in part due to the diminishing transfers of funds from the federal budget to regional budgets (during the 2009 crisis the transfers of funds to the regions rose by around a third on average, whereas in 2015 they decreased by 3%, and in the first half of 2016 by another 12%). This is to a large extent reflected in expenses the authorities have planned for what is broadly understood as welfare policy. This forms a major portion of expenses in nearly all territorial units. In the majority of regions of the Russian Federation, 2015 saw a reduction in spending on the housing sector, culture and education. This has had a negative impact on the quality of services offered in these sectors. According to estimates by the Civil Initiatives Committee headed by economist Alexei Kudrin, a collaborator of the Kremlin, regions with the worst economic situation during the present crisis include: Moscow, the Republic of Mordovia and the Mari El Republic, and also the Kemerovo, Kurgan, Novosibirsk, Nizhny Novgorod, Penza, Pskov, Samara, Sverdlovsk oblasts and the Jewish Autonomous Oblast¹⁵. The crisis has relatively heavily affected those regions in which large industrial plants of the automotive and machine building sectors are located, in particular industrial cities, including the so-called monocities (cities built around a single large industrial plant). According to estimates by the Federal Guard Service of the Russian Federation (FSO), 60% of residents of monocities consider the

¹² Население России в 2016 году: доходы, расходы и социальное самочувствие. Мониторинг НИУ ВШЭ, ed. Л. Овчарова, goo.gl/jZIUEc

¹³ Individuals who declared that they cannot afford to cater for their basic needs regarding food and clothing.

¹⁴ Население России в 2016 году..., *op. cit.*

¹⁵ <https://komitetgi.ru/projects/2901/>

situation in the area where they live “hard to bear” or “unbearable”¹⁶. However, due to the residents’ strong dependence on one dominant industrial plant, this mood rarely translates into mass protests. The crisis has less severely affected the regions which focus on such branches of the economy as: agriculture, the mining industry and the armaments industry.

The ongoing economic crisis has contributed to a deterioration of the situation of all social classes and, in the case of many groups, to permanent degradation caused by inflation and lower wages. Although so far there has been no significant increase in the scale of social inequalities, the crisis is causing shortages of goods and services of the same quality as hitherto offered (for example basic medical services and medicines, education). This mainly affects the lower classes of society.

¹⁶ The FSO is a special service responsible for protecting the state’s top officials, it also prepares analyses regarding the situation in specific regions, see <http://rusrand.ru/response/opros-ot-fso-v-monogorodah-usilivajutsja-depressivnye-nastroenija>

II. SOCIETY AND THE CRISIS

Russians are aware of the deteriorating economic situation. According to research by the Levada Centre, in August 2016 a staggering 80% of Russians agreed with the statement that an economic crisis is ongoing in Russia¹⁷. The perception of the present crisis has changed over time. The initial hopes within society that the crisis would be temporary, boosted by optimistic messages from the authorities, are now giving way to beliefs that the crisis is likely to drag on¹⁸. At present, the proportion of individuals who hold pessimistic views as to the prospects for the development of the economic situation is around 50%. The crisis is generating fear among Russians relating mainly to possible further price increases and the loss of savings. To a considerably lesser extent these fears focus on possible job and income losses (however, the fear of losing one's income is frequently reported by businesspeople). Alongside this, the trauma associated with the 1990s crisis and the suspended payment of salaries makes Russians fear payment delays. Many believe that the law is being violated on a large scale (according to research by the Institute of Sociology of the Russian Academy of Sciences, in October 2015 a mere 8% of Russians were convinced that the labour law was being observed¹⁹).

Although the drop in GDP is smaller during the present crisis than it was in 2009 (around -4% in 2015 compared with -7.8% in 2009), due to its persistence it is having a stronger impact on the shift in economic behaviour within society. Especially in the initial stage of the crisis, many households decided to sell their foreign currency savings. **However, the basic strategy for weathering the crisis involves limiting one's expenses by: buying cheaper products and refraining from buying certain goods.** During the present crisis, Russian people, for the first time since 2008, are spending on average over 50% of their

¹⁷ A survey by the Levada Centre on how the crisis is perceived, 26 September 2016, <http://www.levada.ru/2016/09/26/krizis-i-ozhidaniya-uvolnenij/>

¹⁸ According to the Levada Centre, in December 2014 31% of the respondents claimed that the crisis is unlikely to last for more than a year and a half, and 23% of the respondents said that it would be two or more years. In December 2015 37% of the respondents said that the crisis is unlikely to last for more than a year and a half, and 44% said that it would be two or more years, <http://www.levada.ru/2016/02/12/monitoring-vospriyatya-ekonomicheskoy-situatsii-v-strane-dekabr-2015-yanvar-2016/> The survey organised by PWC revealed more pessimistic opinions the Russians have regarding the likelihood of the crisis ending, see <http://www.pwc.ru/ru/press-releases/2016/consumer-business-report.html>

¹⁹ Н. Тихонова, Стратификация в России: специфика модели и вектор изменений, goo.gl/XbZyxt

household budget on food, cigarettes and alcohol²⁰. This has been a consequence of the increase in the price of foodstuffs on the one hand, and on the other, of limiting the expenses on other goods and services. Economists suggest that people choose to adopt a 'survival' strategy which involves limiting their expenses. 48% of the surveyed families said that entertainment expenses are among those which are being cut (for example the expenses on culture and travel). 45% admitted that they were trying to limit spending on clothing and shoes, and 45% limit are limiting their food expenses.

During the crisis it is evident that people not only try to save their money, but also look for opportunities to earn extra income. According to estimates by the Higher School of Economics, 8.3% of Russians are seeking an extra job, but the job market has limited absorption capability, as a consequence of which the proportion of individuals with an extra source of income has not changed as a result of the crisis. **However, the level of informal employment, which is a manifestation of the phenomenon referred to in Russia as the 'garage economy', has been on the rise.** This term refers to informal activity of small (often one-person) workshops dealing with production and services on a minor scale (for example taxi drivers and automotive services providers). The price rise has also triggered increased use of residential gardens – especially in rural regions Russians have been using these gardens to grow vegetables and fruit for individual consumption. Increased use of residential gardens in the period from February until April 2016 was indicated by 15% of the respondents surveyed by the Higher School of Economics²¹. The scale of the 'garage economy' is extremely difficult to estimate, one of the reasons being that it is different in individual regions. According to some researchers, it offers money-making opportunities to as much as a third of the working age population. For less affluent citizens, informal economic activity and the use of small farms and home gardens have become a method for surviving and escaping from extreme poverty. Similarly, the traditional inter-generation solidarity, typical of Russian society and which manifests itself during crises in increased mutual support within families, has played a role in alleviating the consequences of the crisis.

²⁰ For comparison, in Poland these categories cover around 25% of household spending, in the USA around 10%. Cf. Н. Райбман, Впервые за восемь лет расходы россиян на еду превысили остальные расходы, 19 April 2016, <http://www.vedomosti.ru/economics/articles/2016/04/19/638228-rashodi-edu>

²¹ С. Салтанова, Как россияне борются с кризисом, <https://iq.hse.ru/news/185897751.html>

In the case of well-educated cultured individuals, the economic crisis combined with the mounting repressive nature of the system contributes to a limitation of the availability of specific career paths. This causes **a boost in the so-called 'brain drain' - a phenomenon which involves well-educated individuals emigrating from Russia to more developed economies.** In absolute numbers this phenomenon does not cover a large number of people and is extremely difficult to measure because most of the individuals involved do not report their departure to Russian institutions. However, the available Eurostat data for 2014 indicate a significant increase in the proportion of Russians who have been granted a permanent residence permit in an EU country for the first time²². In 2014, the number of such individuals was over 22% higher than in 2009. The outflow of the qualified workforce has been less significant than in the early 1990s, but it will likely pose a serious development problem for Russia in the future.

Alongside this, **in connection with the economic crisis and the drop in the value of the Russian currency, a sharp downward trend regarding economic migration to Russia can be observed.** This forms a unique buffer reducing the negative consequences of the crisis on the job market for Russian society. The introduction at the beginning of 2015 of amended laws on taking up a job in the Russian Federation alongside the deterioration of the situation on the Russian job market, which used to absorb economic migrants from the former Soviet republics, led to numerous immigrants leaving Russia. According to official statistics by the Federal Migration Service, in 2015 the number of immigrants living in Russia fell by around 10%, and the data compiled by the Central Bank suggest that remittances from Russia to the CIS countries shrank by over 50%²³. Despite this, the Russian job market continues to depend on a migrant workforce to a certain extent. Migrants take up jobs which ethnic Russians find less attractive (especially in the sector of low-paid services), which is why the data for 2016 indicate a certain reversal of the trend and an increase in economic migration to Russia.

The intention to cut household expenditure and the related reduction of the living standard are elements of Russian society's dominant strategy for weathering the crisis. According to research by the Levada Centre, when describing their financial situation 58% of Russians use the simple phrase: "it is difficult

²² Data by Eurostat, http://ec.europa.eu/eurostat/statistics-explained/index.php/Residence_permits_statistics#Source_data_for_tables_and_figures_.28MS_Excel.29

²³ Data by the Central Bank of Russia, http://www.cbr.ru/statistics/?Prtid=svs&ch=TGO_sp_post#CheckedItem

to live, but we can bear it". **This suggests that Russian society is undergoing a change in how it functions during the crisis - from a consumer society to a 'shortage society' which focuses on physical survival in a situation of shortages and deficiency**²⁴. This approach of waiting patiently for the difficult times to be over is deeply rooted in Russia's history, therefore it is unlikely that the plan to abandon the prosperity policy will pose a threat to the country's present leadership.

²⁴ Л. Гудков, Мечты о прошлом. Почему кризисы приводят к реанимации советских представлений, *Republic*, 14 August 2016, <https://slon.ru/posts/66665>

III. SOCIETY AND THE GOVERNMENT: THE POTENTIAL FOR PROTEST

The economic crisis equates to a complete withdrawal from the unique social accord which used to be one of the foundations of Putin's 'epoch'. In exchange for increasing prosperity and relative stability, which had been absent from the turbulent 1990s, the government gained approval and society withdrew from its supervision of political processes. Despite this, the present economic crisis has had a minor impact on Russian people's attitude towards the government. **The increasingly negative assessments of the economic situation and the related drop in expectations regarding the financial situation have had only a marginal impact on the level of support for the government. Moreover, the drop in approval rating does not relate to President Putin.** A number of factors seem to reduce the likelihood of the feeling of deprivation present within society being translated into social activities which would be unfavourable from the point of view of the government, such as: protests, a significant boost in support for the opposition, and open criticism of the government. These factors include the relatively high level of dependence which Russian people have on the state, the widespread conviction that there is no alternative for the present leadership, and the relatively weak bridging social capital (standards of cooperation and networks between people stemming from various social groups), which manifests itself in the low level of confidence in individuals from outside one's immediate circle and in society's low degree of self-organisation.

It seems, however, that the number of protests has been on the rise during the crisis. The main issues which encouraged people to attend protests included: cases of the violation of employees' rights²⁵, problems with access to services which emerged as a result of spending cuts introduced by the government (for example combining several hospitals into one, closing small schools, liquidating the post of school doctors), and the subsequent rises of various public levies (for example regulated rent). Only extremely rarely do the protests have a supra-local reach. The rallies are not usually politically-motivated, they are isolated and do not focus on the most common

²⁵ According to the independent Centre for Social and Employees' Rights, in Russia the number of employee protests increased significantly in 2015 (by nearly 40%), and the upward trend was maintained also in several months of 2016. The most important problems which inspired the protests included delayed payments of salaries, the policy pursued by the managements of companies (for example restructuring) and layoffs, <http://trudprava.ru/news/protestnews/1589>

problems. The few exceptions to this rule were protests which spread to the capital cities of the majority of Russia's regions: the protest by employees of the emergency ambulance service organised in late 2014 and the protest by truck drivers against the introduction of road usage fees which started in November 2015 (see box below). The feeling within society is that the likelihood of new protests being organised is insignificant. This has been confirmed in surveys – in December 2015 21% of the respondents surveyed by the Levada Centre considered economically-motivated protests likely, whereas during the 1998–1999 crisis a staggering 48% of Russians considered protests likely. Similarly, the level of readiness to take part in protests was found to be considerably lower – in December 2015 13% of the respondents declared they were prepared to take part in a protest focused on economic demands (compared to as much as 33% of the respondents in 1998)²⁶.

The anatomy of strike – the 'Platon' system

The mechanisms used by the authorities involving the control of society and diverting people's attention from the problems of daily life sometimes fail. In late autumn 2015 in several regions of Russia protests by truck drivers broke out against the introduction of the 'Platon' system and collection of tolls for the use of national roads. According to the drivers, the fees for using federal roads were excessively high, which made their economic activity unprofitable. The protesters' anger was stoked by the fact that the revenue from the toll collection system was earned mainly by the system operator, a company owned by the Rotenberg brothers – friends of Vladimir Putin. In a short time, the protests covered the whole of Russia and became some of the biggest economically-motivated protests organised in recent years (they covered 24 of the total 83 regions²⁷). The protest by truck drivers enjoyed support from society. According to estimates by the Levada Centre, in December 2015 63% of Russians and a staggering 72% of Moscow residents supported the actions by the drivers²⁸.

²⁶ Денис Волков, Кризис в умах: стоит ли ждать массовых протестов, *Forbes*, 18 February 2016, <http://www.forbes.ru/mneniya-column/protesty/313135-krizis-v-umakh-stoit-li-zhdat-massovykh-protestov>

²⁷ Excluding Crimea and Sevastopol.

²⁸ A survey by the Levada Centre regarding protests by truck drivers, <http://www.levada.ru/2015/12/30/protesty-dalnobojshhikov-i-gotovnost-protestovat-sredi-naseleniya/>, accessed 2 November 2016.

The drivers used numerous forms of protest (road blockades, demonstrations, driving at a slow pace through cities, petitions etc.), which made it difficult for the government to prevent them. The large scale of the protests was possible mainly due to the drivers' networking activity. The earnings of truck drivers, who usually operate as one-man companies, have decreased significantly during the crisis. Faced with the potential loss of livelihood, the drivers proved to be a determined and independent group. The scale of the protests surprised the government, who initially offered restrained reactions, which additionally fostered the emergence of new centres of protest. The drivers relatively quickly decided to present their demands directly to the president, which made it more difficult for the Kremlin to use the well-tested mechanism of shifting the responsibility onto the regions, but at the same time enabled Putin to play the role of the 'good tsar' who responds to society's needs.

Despite the large scale of the protest against the introduction of the 'Platon' system, the Kremlin decided to reduce the tax imposed on the drivers only slightly and to maintain the system. The authorities granted the truck drivers the right to deduct the tolls paid under the 'Platon' system from their transport tax and reduced the fines for failure to pay them. This solution has to a certain extent reduced the burden imposed on the drivers and contributed to silencing the protests. The costs of the deducted amount of tax are credited to the budgets of specific regions which used to earn revenue from the transport tax. The reaction of the government is also proof of the fact that although they fear protests and intend to cut spending, the interests of the closest circle of friends of Vladimir Putin remain carefully protected.

Russian people's reluctance to become politically involved is a factor reducing the likelihood of protests. In a situation of the mounting repressive nature of the system, refraining from protests is viewed as a rational strategy. Russian sociologist Lev Gudkov referred to the attitude which prevails in society as "inertia of passive adaptation"²⁹. It is a reaction to measures taken by the government and to the deteriorating living conditions which involves adaptation to the increasingly difficult financial situation rather than resistance to it. On the one hand, this type of creeping apathy is tantamount to Russian people accepting the aggressive policy pursued by the Kremlin on the international stage and coming to terms with the repressive nature of domestic policy. On the other hand, it spells

²⁹ Л. Гудков, Инерция пассивной адаптации, http://carnegieendowment.org/files/Proet-Contra_51_20-42_all.pdf

a diminishing potential for expressing active support for the policy pursued by the government. The hope that any political change may happen in Russia has been dwindling even in circles which are critical of the Kremlin.

An anti-system mood and actions are additionally weakened by the high level of state control of the economy, which successfully prevents any manifestations of resistance. During the rule of Vladimir Putin the big share of the public sector in the economy³⁰ has brought people employed in this sector relative prosperity³¹. However, the improvement of their financial situation has mainly brought about a change in consumption patterns instead of a shift in the system of values or the model of citizens' participation. In the Russian situation, the middle class, which is sometimes referred to as a potential force striving for democratisation, does not formulate demands involving political change. The middle class is in large part composed of employees of the state sector³². It mainly comprises individuals from those social groups which improved their financial situation during the presidency of Vladimir Putin following the period of significant economic deterioration in the 1990s. *En masse*, the middle class is interested in maintaining stability; furthermore, it is characterised by an impressive ability to adapt to the deteriorating living conditions. Despite the fact that when surveyed, representatives of this class often express their concern with the domestic situation, they concurrently fear destabilisation, which is why they treat the present government as the best of all possible options. In this context, the protests of 2011 and 2012 were exceptions to the rule and saw a short period of increased political activity resulting mainly from social discontent. This was triggered by the fact that the hopes a portion of the middle class nurtured during the presidency of Dmitri Medvedev were never fulfilled. The failure of those protests has permanently discouraged people from this type of involvement. **The present economic crisis has severely impacted the standards of living of the most politically active segments of the mid-**

³⁰ In 2005, the estimated share of the state in the economy was 35%. This figure was 70% in 2015, <http://www.rbc.ru/economics/29/09/2016/57ecd5429a794730e1479fac>. According to data compiled by Prof. Natalia Zubarevich, at present 27% of the workforce is employed in the state sector.

³¹ А. Соколов, И. Терентьев, Исследование РБК: сколько в России чиновников и много ли они зарабатывают, РБК, 15 October 2014, <http://www.rbc.ru/economics/15/10/2014/543cfe56cbb20f8c4e0b98f2>

³² According to estimates by sociologist Natalia Tikhonova from the Russian Academy of Sciences, nearly half of the Russian middle class is employed in the state sectors. For a more comprehensive analysis of the Russian middle class see Н. Никс, Средний класс в современной России: 10 лет спустя; <https://www.hse.ru/pubs/share/direct/document/172441014>

ble class residing in big cities. Alongside the repressive measures which have intensified following the 2011–2012 protests, this has significantly reduced the potential for political involvement within this group.

Despite the lack of evident manifestations of any emerging protest movement, the government fears the consequences of the deteriorating financial situation of the population and has introduced preventive measures to avoid any expression of social discontent. Even if they were short-lived, the social protests worried the government ahead of parliamentary elections held in September 2016 and the presidential election planned for March 2018. **The government's tactic aimed at minimising the likelihood of protests in connection with the persistent crisis mainly involves: stepping up the repressive nature of the system, maintaining the high level of citizens' dependence on the state, and protecting the authority of the president at the same time shifting the responsibility onto lower levels of government.**

The Kremlin has managed to devise techniques to successfully manipulate public opinion and influence it according to specific needs. The majority of Russian mass media is controlled by the state or belong to oligarchs who are loyal to the government. For the Kremlin, the mass media is a tool to pursue its information policy and influence social mood. The propaganda machine is efficient, and approval for the Kremlin's policy remains consistently high. As a result of the annexation of Crimea and the launch of the disinformation campaign regarding the conflict in Ukraine, over a year President Putin's approval rating grew from 61% in November 2013 to 88% in October 2014³³. Despite a slight downward trend, the so-called 'Crimea effect' and the intensive propaganda activities regarding the conflict in Ukraine and the intervention in Syria have made it possible to maintain the president's approval rating (the so-called 'Putin rating') at a level exceeding 80%. This is an extremely high result, although due to its methodological limitations this indicator should rather be viewed as a touchstone of certain trends. When analysing quantitative data regarding Russian society it is necessary to take into account the error resulting from the following factors: the respondents' fear of providing honest answers³⁴, the

³³ Data by the Levada Centre regarding support for various government institutions: <http://www.levada.ru/indikatory/odobrenie-organov-vlasti/>

³⁴ In a survey regarding the fear of providing honest answers, around 50% of the respondents said that Russians are unwilling to reveal their opinions when taking part in surveys, and around 25% admitted that they personally fear to provide answers, <http://www.levada.ru/2016/01/22/strah-vyskazat-svoe-mnenie/>

lack of democratic traditions, the relatively high proportion of individuals who refuse to take part in a survey in specific social groups, and the limited access the respondents have to independent sources of information. Some researchers claim that confidence in a specific institution in Russia is often seen by the respondents as equivalent to recognising that it plays a major role in the system. It is only after this context is taken into account, that a deeper interpretation of the survey data is possible.

Maintaining a high approval rating for President Putin is becoming the Kremlin's overriding priority and the results of subsequent surveys are used to legitimise all the actions by the government. The president enjoys unique immunity as he plays the role of an arbiter disciplining other institutions of government. The ritual which shows this strategy in the most striking manner is the annual carefully directed, several-hours-long televised conference connecting the president with the nation. During this conference Putin solves the problems reported by citizens: from international issues, through corruption, to potholes in the road. Putin's popularity is to a large extent built on his image as an energetic, tough leader who does not fear confrontation with other states. To a large extent, it is the president's authority that guarantees the system's stability and prevents social discontent (which has been growing slightly since the end of 2015) from translating into protests or the increased popularity of opposition parties. **Another tactic to maintain the president's high approval rating involves shifting the responsibility in crisis situations onto the regional level of government or onto members of government and putting the blame for the widespread deterioration of the economic situation on other countries and the international situation.** The majority of the time, the media associated with the Kremlin point to hostile actions by other states and falling oil prices as the main causes of the economic crisis. Both these factors are presented as independent of the actions of the Kremlin and as such they do not burden the government with the responsibility for deteriorating living standards. Unpopular decisions are formally made by the cabinet which enjoys much lower support among Russians than the president. When there were protests against the introduction of a toll system for trucks using federal roads or protests by health care workers, as well as increasingly frequent local rallies, the government tends not to make significant concessions towards society, fearing that this could be viewed as a sign of weakness. Decisions are usually postponed or only slightly amended. At the same time, during protests, which from the Kremlin's point of view may reach alarming proportions, most frequently the role of 'scapegoat' is played by regional authorities or members of the cabinet, which has in

turn contributed to a drop in their approval rating³⁵. The strategy involving the shifting of costs and responsibility for alleviating the consequences of the crisis has led to a situation in which the drop in revenues to the regions' budgets has coincided with the regions' welfare spending (mainly social benefits) increasing by 5–8%³⁶. This was accompanied by an increase in the regions' budget deficit.

Isolated protests organised by groups who are determined to act when facing a threat can have a large-scale reach, as indicated by the protest by truck drivers. Even in a situation of a relatively high level of desperation, the strike participants avoid presenting purely political demands. They tend to adopt a strategy of referring to the president's authority, which indirectly strengthens his position. As a consequence, President Putin's approval rating remains high, despite the fact that most Russians claim that the Russian government has failed to deliver on its pledge to society.

The government is focused on avoiding the mere risk of an outbreak of protests. To achieve this, they have stepped up the repressive nature of the system and prevented the organisation of legal demonstrations. One of the manifestations of the increased repressive measures were the several year-long prison sentences for participants in large demonstrations against President Putin organised in Bolotnaya Square in Moscow in May 2012. The rising number of cases of incarceration for posting certain materials online (for example on social media) is proof of a constant increase of the repressive nature of the system³⁷. The government is trying to disable the organisation of legal protests, for example by refusing to grant consent for such protests and limiting the freedom of operation of non-governmental organisations (for example laws have been adopted regarding so-called 'foreign agents' and 'unwanted organisations'). In this way they reduce the freedom of operation of institutions which could potentially become organisers of protests³⁸. Moreover, the government is involved in actions aimed at intimidating Russian elites and the potential opponents of Vladimir Putin. Actions such as the assassination of the opposition politician

³⁵ Data compiled by the Levada Centre regarding support for various government institutions: <http://www.levada.ru/indikatory/odobrenie-organov-vlasti/>

³⁶ Ежемесячный мониторинг социально-экономического положения и самочувствия населения 2015 г. - май 2016 г., ed. Т.М. Малева.

³⁷ Антиэкстремизм в виртуальной России в 2014–2015 годы, <http://www.sova-center.ru/racism-xenophobia/publications/2016/06/d34913/>

³⁸ By the beginning of December 2016 seven foreign non-governmental organisations had been considered unwanted, <http://minjust.ru/ru/activity/nko/unwanted>, and 148 have been categorised as 'foreign agents', <http://unro.minjust.ru/NKOForeignAgent.aspx#>

Boris Nemtsov in February 2015, in which officers of the law enforcement agencies controlled by Ramzan Kadyrov, the President of Chechnya, were involved, or the campaign aimed at discrediting the leaders of minor opposition parties decrease the chances that new leaders will emerge who could act as mouthpieces of social discontent.

This tactic has proved successful and the **increased repressive measures and bolstered state propaganda are contributing to a progressing atomisation of society and hampering society's self-organisation**. The deterioration of social mood has no impact on the level of support for the government as measured in surveys, as this remains very high. It seems that these results are not so much the product of active support for the government as of the lack of alternatives. In a situation where there is a potential threat to the system of power, the high approval rating for the government declared in surveys, which the Kremlin uses to confirm its legitimacy, would most likely find no reflection in active support for the present regime.

IV. OUTLOOK

The Russian economy has been in crisis for two years now and nothing indicates that it may return to the path of economic growth which would be perceptible to society.

There is a feeling within society that economic problems are not of a temporary nature³⁹, and the change in the financial situation, the deterioration of living standards and consumption standards will likely be durable. Similarly, no rapid changes in the job market should be expected. According to economists, the most likely scenario for Russia involves stagnation which will likely be accompanied by a continuation of the former processes on the job market, including in particular the increasing importance of the informal employment sector. Due to a number of institutional factors which keep the unemployment level low, any rapid increase in the number of the unemployed is unlikely.

The government will likely seek further budget savings. **Spending cuts in the sectors of education, health care and public transportation will contribute to a further deterioration of living standards in Russia, form barriers to future development, and fuel social discontent.** It cannot be ruled out that in the long-term the present economic crisis will cause a drop in the number of children born per year and have an impact on the general health of the population due to health care spending cuts. **However, it is unlikely that the deterioration of the financial situation and of the living standards of the Russian population will result in large-scale outbreaks of social discontent which could pose a threat to the regime.** While financial resources are dwindling and the public services eroding, Russians will probably prefer stability over political change. However, isolated outbursts of society's frustration should be expected in the form of protests focusing on the introduction of new taxes and fees, on cases of the violation of employees' rights, and the deteriorating quality of public services.

It should be expected that the government will continue the present strategy. The system's attention will be focused on preventing any economically-motivated rebellion and in the case of isolated socially-motivated protests, the Kremlin will resort to insignificant concessions and shift the responsibility for the

³⁹ A survey-based research by PWC shows that the respondents point to 2019 as the year in which the crisis is likely to end. See <http://www.pwc.ru/ru/press-releases/2016/consumer-business-report.html>

situation onto other institutions. In the context of the rising concern the elites have with the social situation, the repressive nature of the system will likely be stepped up and the freedom of operation of independent institutions will be limited. As the presidential election planned for 2018 approaches, the nervousness of the government will most likely increase and the defamatory campaign targeting internal enemies, accompanied by propaganda actions, will probably intensify.

Although the strategy adopted by the government involving, for example, emphasising the temporary nature of the problems and pointing to external enemies has so far proved successful and fostered social unification, certain isolated symptoms of its waning potential may be observed. In particular more affluent groups are beginning to assess the direction for which the country is heading less positively; they are observing the deteriorating living standards with growing concern⁴⁰. Although the Russian people claim to be ready to give up Western products or travelling to Western countries in the name of strengthening their country's position in the international arena, they do not consent to tax rises, salary freezes, an increase in the retirement age and employment cuts. If Russian people begin to feel humiliated (for example as a result of the deteriorating quality of public services), outbursts of social discontent will be likely. Despite its political apathy, Russian society has set certain limits of its consent for reducing its living standards. Going beyond these limits will not instantaneously trigger social rebellion. However, should there be a power struggle within the elite, resulting in the emergence of an alternative to the present ruling group, then society will be unlikely to offer active support to the present regime⁴¹.

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⁴⁰ Н.Тихонова, Стратификация..., *op. cit.*

⁴¹ One quote which illustrates the lack of involvement in showing support for the government was recalled by sociologist Alexei Levinson from the Levada Centre regarding Vladimir Putin and was originally provided by a participant in a focus group research session: "I think that his time is over, that is, he is currently at the top. So it is in life that one gets to the top and then leaves in a beautiful fashion".