



# Russia's demographic crisis revisited

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## Overview

President Putin's May 2006 state of the nation address with its proposal of a baby bonus seemed to mark a move from words to deeds about Russia's ongoing demographic crisis (with a continuing annual 700,000 population decline).

On the one hand, the factors that contribute to negative demographics loom as large as ever: low birth rates, Europe's lowest male life expectancy and highest accidental death and suicide numbers, alcohol and substance abuse, territorial degradation and abandonment, looming AIDS and drug-resistant TB epidemics, xenophobic reaction to immigration etc. On the other hand, the severity of the crisis (and 'disaster' is not too strong a word) does not make it immune to the kinds of sensible and coherent policies now being introduced and which have worked in other countries.

## Context

Russia's population is shrinking and Putin has launched major policy initiatives in reaction.

New public policies stand to make a difference

- > **Arkady Dvorkovich**, advisor, Russian presidential administration
- > **Gary Becker**, Nobel economist

## Public Judgements

The sky is falling

- > **Murray Feschbach**, Woodrow Wilson Center, US think-tank
- > **Paul S. Hewitt**, International Policy and Society, 01/02
- > **Alain Blum and Cecile Lefevre**, Institut national d'etudes demographiques

## Wrap

Policy will probably help avert catastrophe, but Russia will shrink on the European model.

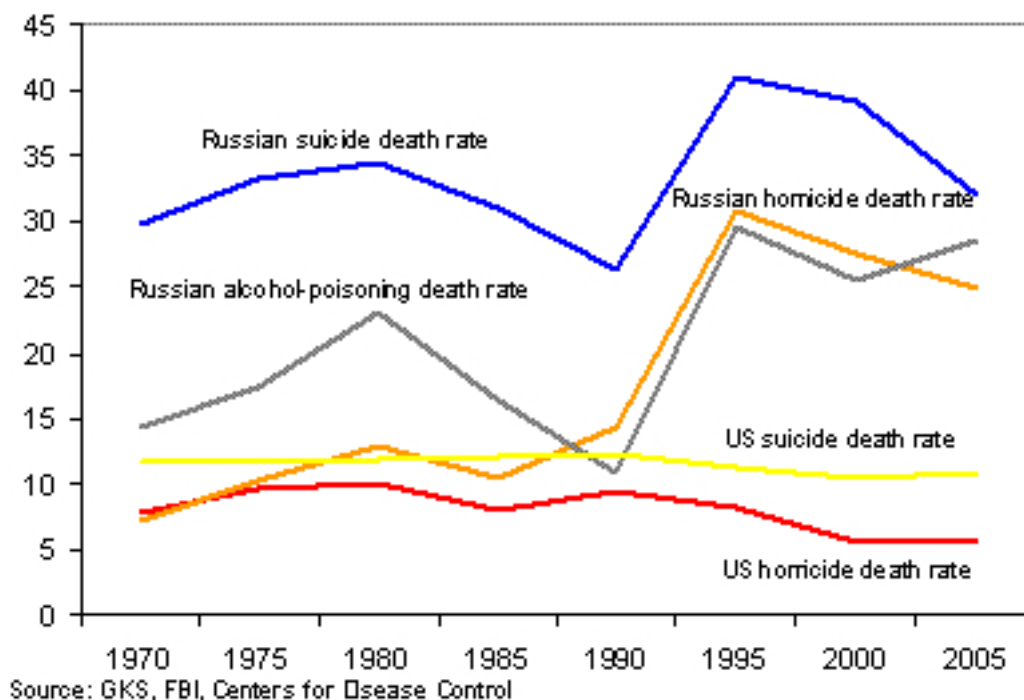
## Context

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### Overall population size

Russia's population stood in mid-2006 at about 142 million. Absolute shrinkage started in 1992, when birth- and death-curves crossed in opposite directions. Population projections for 2050 (unavoidably speculative) range from lows at 70 million - or half the current population - to highs approaching 170 million. But expert opinion converges to project a mid-range downward trend, centering on 110 million in 2050. Stabilisation is further out, timewise, and hence more speculative still.

Life expectancy for Russian men, at 59 in 2004, has hovered between 57 and 61 since 1992. Sixty per cent of Russian men smoke, compared with 24 per cent in the US. Cardiovascular deaths in Russia - 930 per 100K population - are four times levels in the US. Annually, road accidents cause 36,000 deaths in Russia, but only 5700 in France and 3500 in the UK. Directly and indirectly, tobacco and alcohol have been blamed, respectively, for 300,000 and 700,000 Russian deaths annually - nearly half the total deathrate. (Sources: American Cancer Society, CDC, FBI, GosKomStat, UN, US Census Bureau, World Bank.) Suicide, homicide, and direct alcohol deaths, all linked to alcohol abuse, can perhaps best be seen in terms of a catastrophic shock of the Soviet collapse which is now beginning to ease.



### Policy response: buoying the birth-rate

An end to population decline requires change in one or more of the relevant parameters of birth-, death- and immigration-rates. Petrodollars are helping Putin this year attempt to effect such change. The generous baby bonus announced in May 2006 Putin hopes will raise Russian fertility numbers (1.28 births per woman), as has happened modestly in France, Estonia, and Australia.

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Putin's 2006 Baby Bonus

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1. Monthly Childcare Bonus: 1500 Rb/month for 1st child; 3000 Rb/month for subsequent children

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  2. Maternity Leave for 18 months with 40 per cent salary replacement

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  3. Childcare Compensation: 20 per cent for 1st child, 50 per cent for 2nd, 70 per cent for 3rd

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  4. Foster Parents: major increase in monthly child benefit, monthly wage, and initial payment

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  5. Childbirth: 30 per cent increase in value of vouchers to cover maternity hospital costs

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  6. 250,000 Rb (\$9,000) inflation-adjusted Capital Payment for 2nd and subsequent children, for use to improve housing and children's education

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### **Policy response: tackling the death-rate**

Efforts to combat Russia's ghastly death-rates have received less attention, even though Putin's May address actually mentioned lowering death-rates as a 'first' priority. Policies include a multi-billion dollar health initiative (see ), a \$2 billion road safety program announced November 2005, and anti-tobacco legislation.

Also, subtle signs of a 'stealth' anti-alcohol policy are discernible since Agriculture Minister Aleksei Gordeev first signalled in November 2005 that the state would introduce an alcohol monopoly, and this year's new excise stamp regime intended to reduce numbers of alcohol producers and retailers. The botched introduction of this scheme caused alcohol to disappear from store shelves during the summer of 2006. Another result of that fiasco was widespread sales of bootleg vodka causing a series of sometimes fatal alcohol poisoning outbreaks around Russia during the autumn. Against this background, Putin has condemned 'bootleg' drink, against which consensus can be built, but never mentions abuse of legal (unadulterated) alcohol.

## Public Judgements

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### The sky is falling.

- **Murray Feschbach**, of the Woodrow Wilson Center, a Washington-based centrist think-tank, has been writing on this subject since his 1968 book, 'Ecocide in the USSR'. Feschbach sees the Stakhanovite industrial priorities of the Soviet Union combining with the underfunded policy chaos of the post-Soviet era culminating in the worst possible demographic outcomes. Feschbach cites an episode from 2005 military recruitment in several Russian regions, when 30,000 of 47,000 potential recruits were rejected as unfit. In addition to public health and environmental catastrophe, Feschbach's latest demographic subject is AIDS/TB and Russia's general enfeeblement, a problem whose enormity, he says, dwarfs earlier concerns. Feschbach predicts AIDS-related deaths will increase overall death-rates by 10 per cent or 250,000 persons by 2020.
- Economic consequences of Russia's demographics can be inferred from work by **Paul Hewitt** in 'International Policy and Society', January 2002. Analysing the demographics of OECD countries, Hewitt raises the issue of 'ageing recessions' where a contracting consumer base triggers linked problems of asset devaluation, industrial shrinkage, disappearing tax base, etc, and where the only element expanding is the government's pension burden. Hewitt sees construction-sector bankruptcies, already apparent in Germany and Japan, as a bellwether.
- **Alain Blum and Cecile LeFevre** (in 'Population and Societies,' No. 420, February 2006) lament the demographic turmoil that fifteen intervening years since the end of the Soviet order have not managed to quell. They blame the demographic downturn on ongoing economic and social transformation.

### Policy options stand to make a difference.

- In an article published in Ekonomicheskaya Politika in March 2006, **Arkady Dvorkovich**, the head of the Expert Department of the Russian Presidential Administration, calculates that the Russian population could be stabilised at present levels by 2015 by the following formula: raise birth rates by 20-30 per cent, reduce infant mortality by half, raise life expectancy to 70, and increase immigration to 10 per cent per annum.
- **Gary Becker**, Nobel economist, writes in the Becker-Posner Blog (June, 2006) that, extrapolating from the French example, mutatis mutandis, Putin's baby bonus could raise Russian fertility from 1.28 births per woman to 1.55, or 10-20 per cent positive change.

## Wrap

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### **Policy will probably help avert catastrophe, but Russia will shrink on the European model.**

The debate is not about whether Russia's population will decline further, but by how much and how rapidly. If Dvorkovich's formula is fulfilled, the contraction may well be slowed. Though years must pass before the new cohort will affect the economy in a positive way, fertility rates are already trending in the right direction, and neonatal death-rates are down 60 per cent in a decade. And the first bits of evidence on slowing untimely death (road safety in Sakhalin) portend well. The suspiciously well-reported epidemic of alcohol poisonings in October-November 2006 may have done its work as well, since 73 percent of Russians, according to the Levada Institute, as of mid-November 2006, support a state liquor monopoly.

And yet, Putin's demographic policies can be expected to inhibit decline rather than foster growth, and Russia will probably follow European patterns of population shrinkage. This is because, as Blum and LeFevre point out, the distorting effects of Soviet social engineering are still being worked out of the system as Russia reverts to type. (And even in pre-revolutionary Russia, mortality and life expectancy rates were higher in European Russian than elsewhere in Europe.) Feschbach has captured grim reality, but again, this may be more characteristic of this transformational chaos than of new trends based on independent underlying causes. One positive note in this discussion is the appearance of a relatively rational governmental policy-making process, emerging from a chaotic interregnum.

Birth-rate decline is not the canary-in-the-coalmine of a doomed society, as often implied in the Russian case. In fact, good news and bad news conspire to produce a baby dearth. In the post-communist space across eastern Europe and Russia, urbanisation, professional ambition, and a desire for a better standard of living postpone marriage and parenthood just as they have done for a generation in the West. The disappearance of state guarantees, such as they were, means the student married mother, common in Soviet times, disappeared as well. The effect of Estonian and Australian baby bonuses will be worth watching here; the next few years of actual fertility statistics in Russia will be more so.