

1. Happiness and Socio-Economic Transformations in the Russian Federation

Alfio Cerami*

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Abstract

This chapter examines the deep relationship existent between socio-economic transformation, welfare state restructuring and happiness, in the specific context of the Russian transition, highlighting not only the psychological repercussions of the economic, political and social change that has occurred since 1989, but also its consequences for public and social policies. The chapter aims to find a response to the following key questions: What is the role of the Russian welfare state in the reduction of unhappiness? Can welfare institutions play a role at all? Or does happiness simply remains a matter confined to the private sphere of the individual? As it will be shown, the transition from communism to capitalism has affected different social groups in different ways resulting in clear winners and losers of transition. The impact to the level of happiness of citizens has, as a result, been different. Citizens who have suffered more from the restructuring of the economy (such as those who have lost their job or were employed in non-strategic state-owned enterprises) have not simply been the ones more vulnerable to poverty, income inequality and social exclusion, but

... Direct all correspondence to: Alfio Cerami, Centre d'études européennes, Sciences Po, 224 Boulevard Saint Germain, 75007 Paris, France. Home-page: <http://www.policy-evaluation.org/cerami/> E-mail: alfio.cerami@policy-evaluation.org

are also the ones more likely to live an unhappy life. Public and social policies can, in this context, do much to increase the quality of life of Russian citizens. Firstly, public and social policies can help individuals to fulfill their personal aspirations, facilitating their entrance in the labour market. Secondly, public and social policies can help to improve the performance of the economy by increasing the human capital of the citizens, and, thus, fostering the adaptation of the individuals' obsolete skills to the new requirements of post-industrial and knowledge-based society. Thirdly, public and social policies can also play an important *stabilizing function* helping to consolidate the democratic institutions recently established.

Keywords: Russian Federation, Happiness, Social Policy, Socio-Economic Transformations, Post-Communist Countries, Welfare State Transformations.

Introduction

‘VALENTINE: Why, how know you that I am in love? SPEED: Marry, by these special marks: first, you have learned, like Sir Proteus, to wreath your arms, like a malecontent; to relish a love-song, like a robin-redbreast; to walk alone, like one that had the pestilence; to sigh, like a school-boy that had lost his A B C; to weep, like a young wench that had buried her grandam; to fast, like one that takes diet; to watch like one that fears robbing [...]’ (Shakespeare ‘The Two Gentlemen of Verona’, Act II, Scene I).

Happiness is, unquestionably, one of the key drivers of our every day actions, even though its distinct features are difficult to identify and to measure. This should not be a surprise. As the discussion on love of Shakespeare’s ‘The Two Gentlemen of Verona’ highlights, human passions and feelings entail highly subjective connotations which are not simply extremely difficult to grasp and to observe through scientifically or universally accepted indicators, but also remain, for the most part, incomprehensible to the individuals themselves. However, this in no way means that subjective passions and feelings play only a secondary role in influencing our actions, after, for example, the satisfaction of other less ethereal needs (such as food and physical health). They do play a crucial role, determining, on the one hand, the order of our individual preferences clarifying what a desirable life should look like, while they also, on the other, help to specify what kind of (welfare) state should be in place.

The aim of this chapter is clearly not to engage in an in-depth discussion of the intrinsic meaning of happiness in the life of the individuals, nor to provide a comprehensive identification of its main constituting elements. The aim of this chapter is much less ambitious, but, despite its limited scope, hopefully not less useful for the social and human sciences. This chapter aims at examining the deep relationship existent between socio-economic

transformation, welfare state restructuring and happiness in the specific context of the Russian transition, highlighting not only the psychological repercussions of the economic, political and social change that has occurred since 1989, but also its consequences for public and social policies.

Happiness, as a subjective measure of well-being¹ (another difficult to define concept), plays a far from irrelevant role in public and social policy-making (see Frey and Stutzer 2001; Veenhoven 2004; also Veenhoven, Greve in this volume), challenging our common understanding of the main welfare state functions, while, ultimately, affecting the democratic stability of the country itself. A democracy would be extremely fragile if, despite the existence of minimum subsistence provisions, the majority of their citizens would still be forced to live, to quote the American poet Henry David Thoreau (1997), a life of 'quite desperation'. The recent decision of the Kingdom of Bhutan to measure the happiness of its citizens, and not simply its GDP growth, as the most fundamental development index for the country is, in this context, a telling example. The lesson for economists and social policy researchers world-wide to learn seems clear. The objective of public and social policies cannot be simply reduced to a 'pareto-optimal' allocation of resources in order to achieve socially acceptable minimum living standards, but it has also much more to do with the freedom of individuals to fulfill their socially- and psychologically- determined expectations on how a desirable life in the community should be like.

Having said this, it remains to precisely understand what has changed in the life of Russian citizens since the collapse of communism. Why should people feel less happy as a result of transition (assuming that they are)? What is the role of the Russian welfare state in the reduction of unhappiness? Can welfare institutions play a role at all? Or does happiness simply remain a matter confined in the private sphere of the individual?

¹ On well-being in welfare state research, see, for instance, Alcock et al. (2001), Gough and McGregor (2007), Bradshaw (2008), Costabile (2008), and Jordan (2008).

As Yew-Kwang Ng and Lok Sang Ho (2006) affirmed, while it is true that happiness is a very private matter, there is a lot of commonality among human beings, since, as the authors emphasize, ‘most people are worried and feel miserable if their lives or if the lives of their loved ones are in danger: when their jobs are insecure, when they face an uncertain future, when their personal freedoms are restricted, when they are treated unfairly, when they or their loved ones fall ill and cannot get the medical attention needed, etc.’ (Ng and Ho 2006, p. 2). Public and social policies in the Russian Federation can therefore do much in reducing the worries emerging from the transition while rebalancing the new life risks in a more sustainable way. The overall objective of this chapter is to provide new insights into these issues.

The chapter is structured as follows. Section one discusses the socio-economic transformations that have occurred in the Russian Federation since 1989, while section two explores the changes in citizens’ happiness as a result of transition through the use of data collected in the *World Database of Happiness* and in the *European Social Survey*. Section three investigates the most recent welfare state transformations in the Russian Federation, highlighting the limits and perspectives of the ‘oil-led social policy’ model that has been implemented in recent years. Finally, section four examines more the details of the relationship that exists between happiness, welfare state functions and democracy, highlighting the role that public and social policies may play in not only improving the quality of life of citizens, but also the role played in the consolidation of democracy.

Socio-Economic Transformation in the Russian Federation

The transition from communism to capitalism has not only meant the transition from a central planned to a free market economy, but it has also implied a drastic change in the lifestyle of Russian citizens with unexpected negative repercussions on their quality of life. During the first ten years of transition, and immediately after the dramatic economic crisis of 1998, GDP per capita PPP (current international \$) in the Russian Federation decreased

from 9139 \$ in 1990 to 7639 \$ in 2000 (in 2006 it reached 13116 USD), while unemployment, once an unknown problem, grew from 5.2% in 1992 to 9.8% in 2000 (in 2006 it decreased to about 6.7%). While in terms of unemployment no huge differences can be observed between men and women, younger generations have been hit particularly hard during the transition, with unemployment rates usually double those of the total population (see Table 1).

[Table 1 about here]

The transition toward a market economy has also had important socio-demographic consequences. Total fertility rates have substantially decreased since the collapse of communism, with subsequent losses in the rate of natural population growth. Even though the Russian Federation can still be addressed as a young society (as in several other Central and Eastern European countries the ageing population is still not so accentuated as in the West), the prospects for the future are still uncertain. The proportion of people aged 60+ years is increasing, while a substantial diminution of young immigrant workers due to the strictness of the recent immigration laws can be observed. Difficulties in the labour market have also resulted in increasing tensions in the households. The number of marriages have significantly decreased since 1990 (and in particular during the years subsequent the economic crisis of 1998), while the number of divorces also show worrying trends upwards (see Table 2).

[Table 2 about here]

These drastic socio-economic changes have produced important negative repercussions also in terms of poverty and income inequality. After decades of excessive wage homologation, inequality of earnings in the Russian Federation has now exploded (see Table 3), while, in terms of income inequality, the country now finds a place among the world's most unequal societies (UNDP 2008). Poverty, although drastically decreased

since the first years of transition, does not show reassuring results. In 2006, the poverty rate of the Russian Federation decreased up to 15.2 per cent of the total population against 33.5 per cent in 1992. This corresponds, however, still to 21.5 millions Russians with money incomes below subsistence minimum level against the 43.5 millions that were present in 1992 (see Table 3). The increase in poverty, wage and income inequality has resulted in a dramatic increase in the number of socially excluded people, infant mortality, child poverty, suicides, alcohol and drug consumption (for a succinct review see, Manning and Tikhonova 2004; Aidukaite 2009; Cerami, 2006a, 2009). The health situation of the Russian population has also dramatically worsened with HIV/AIDS now become one of the most urgent priorities for policy-makers of the region (Titterton 2006; Manning and Tikhonova 2009).

[Table 3 about here]

Happiness in Post-Communist Russia

In order to improve understanding of the Russian transition towards democracy an important question that has to be addressed is whether these socio-economic transformations have produced a negative impact on the feelings of happiness of Russian citizens and, if this is the case, whether the decrease in happiness has hit some specific social groups more than others. It can, in fact, be expected that the fast and drastic transformation that has occurred since 1989 has not only altered the quality of life for several million Russian citizens (both in positive and negative terms), but that it has also found some parts of the population particularly unprepared to deal with the new emerging risks.

Figure 1 provides a first overview of the changes in happiness that have occurred in the Russian Federation from 1989 to 2007 on data available in the *World Database of Happiness* by Ruut Veenhoven. This database is, at present, the most comprehensive source on happiness world-wide, allowing comparisons across different periods in time (in the case of the

Russian Federation from 1989). The responses, based on the question ‘Taking all things together, how happy would you say you are?’, range from 1 (not at all happy) to 4 (very happy). As it can be immediately seen, after a slow decrease in happiness that has occurred during the first years of transition (from 1989 until the economic crisis of 1998), Russian citizens seem slowly to have overcome the level of happiness they had in 1989, with an average of 3.04 in 2007 against 2.83 in 1989.

[Figure 1 about here]

From a first reading of this figure, it could, as a consequence, be concluded that a decrease in happiness has, indeed, taken place in the Russian Federation as a result of transition, but this has not substantially altered the overall quality of life of citizens, negatively changing their previous perceptions and feelings. The extent of this decrease has not been so strong as one might have expected. Is the situation really so? Or has happiness been distributed unequally during the transition affecting different social groups in a different way? If this is the case, which are the social groups that have paid more in terms of happiness? In order to respond to these second set of questions, a more detailed analysis is necessary. Unfortunately, the *World Database of Happiness* does not allow this type of comparison, since it provides information on the overall population only. A more in-depth investigation can, however, be conducted on the *European Social Survey (ESS)* database, which recently includes the Russian Federation among the list of partners. Despite the impossibility to conduct time series (data in the ESS database are available from the end of 2006-beginning of 2007 only), an analysis on the ESS database entails several positive aspects. It offers, on the one hand, sufficient information of the differences existent among specific socio-economic groups, while it allows, on the other, the possibility of testing for alternative variables and hypotheses.

Table 4 provides a brief overview of happiness according to the age, gender, legal marital status, and level of education of

Russian respondents. As it can immediately be seen, important differences in the level of happiness exist among different social groups. For example, in terms of the age of respondents, younger generations (15-24 and 25-44 years) show higher levels of happiness than older generations (45-59 and 60+). This can, to a large extent, be explained by the difficulties of older generations to find their place in the New Russia, but also to adapt to the new labour market requirements. Citizens in the age group 45-59 are, in fact, those groups of citizens that have more strongly been hit by unemployment due to the restructuring of the economy, while citizens aged 60+ (the pensioners) are not only the ones who have seen their life more radically changing, but also the ones who have been more strongly subjected to unprecedented reductions in their level of income and welfare benefits.

Interestingly, while no significant differences can be observed between men and women (both groups show similar levels of happiness), substantial differences exist according to the legal marital status of respondents. Here, married citizens or people in stable relationships are usually happier than divorced and widowed respondents. The reasons can be both private and public. On the one hand, and from a psychological perspective, finding a partner with whom to share the pleasures and difficulties of life clearly remains one of the most determinant factors for the happiness of many individuals. On the other, from an economic sociology perspective, the transition from communism to capitalism has meant a rupture with the previous economic and political system, which has then spill-over in a substantial rupture with the traditional family patterns based on stable, long-life jobs available for both partners. Divorced and widowed citizens are not only growing in the Russian Federation due to the difficulties present in the labour market (see Table 2), but are also, and, as a consequence, the ones more vulnerable to poverty and income inequality due to the reduction of their average income (see Manning and Tikhonova 2004, 2009; Cerami 2006a, 2009).

Since having a job is the best way to be fully integrated in the society, the level of education of respondents plays a crucial role in facilitating the adaptation of the labour market by citizens, as well as, and not less importantly, in increasing their level of happiness. As shown in Table 4, the level of happiness of respondents clearly increases with their level of education. Here, what is important to note is that, despite the special efforts made by the communist regime to ensure a free access to the highest possible levels of education, high educational attainments during communism did not coincide with similar job placements or to a corresponding financial reward. With the fall of the Berlin Wall things have clearly changed. Wage differences in post-communist Russia now correspond not only more directly to the real educational level of citizens, but they now also contribute to widen the already existent huge income differences² (for an in-depth analysis, see Cerami 2006a).

[Table 4 about here]

Table 5 investigates more directly the relationship between income and employment status of citizens. Such an exploration is, two decades after the fall of the Berlin Wall, particularly important, since it provides some insights on the role that labour market institutions play in increasing or diminishing the level of happiness of Russian citizens. As it can immediately be seen, when the income status of respondents is taken into account, the poorer the households the less happy are the Russian respondents. Citizens in households with less than 6,000€ a year are twice as less happy than household with 6,000€ and more. Similar considerations apply with regard to the main source of income. Here, respondents whose main income is primarily provided by wage and salaries are usually happier than

² According to Evdokimova et al. (2007, p.5), while in 1991 the average monthly wage was 3.5 higher than the subsistence living standard, in the end of 1990s it became only 1.7-1.8 times higher. Between 2004 and 2005, the average monthly wage rose, however, up to 2.6 of the minimum subsistence standard.

respondents whose main income depends on pensions, unemployment and redundancy benefits or any other social benefits or grants. Similarly, when the employment status of respondents is taken into account, those Russian citizens who are in paid work and with an unlimited employment contract show higher levels of happiness than unemployed, retired, permanently sick or citizens with disabilities. Interestingly, being primarily involved in household work and looking after children does not seem to influence significantly the level of happiness of citizens. The importance of the private-public sphere for the formation of feelings of happiness of citizens seems here to be clear.

[Table 5 about here]

Welfare State Restructuring in the Russian Federation

Even though happiness can materialize even in absence of negative socio-economic circumstances, these negative conditions certainly represent a fruitful terrain for its disappearance. The welfare state could, in this context, play a crucial role in reducing the negative occurrences altering or mitigating the unequal distribution of worries and life risks. Despite its potential positive effects, welfare state restructuring in the Russian Federation has often aggravated rather than improved the living conditions of citizens. In terms of the classical understanding of welfare states, the Russian Federation has rapidly moved from a comprehensive universal welfare system capable of ensuring minimum subsistence level to the majority of citizens, even though at the lowest possible level, to a residual and highly differentiated welfare system (see Cook 2007), which, in several instances, has left a large section of the population unprotected or poorly protected.

The reforms in the pension sector have, for example, aimed at introducing the so-called three pillar scheme as recommended by the World Bank in the well-known publication *Averting the Old Age Crisis* (World Bank 1994). Benefits depend on the contribution record of workers and are calculated as the sum of three components: a basic flat-rate benefit

according to different categories of beneficiaries, a benefit based on the notional account, and a benefit based on the value of the individual account (ISSA 2008)³. The establishment of private and individually funded schemes in a highly unstable and underperforming economy has had several negative repercussions. These have involved an increase number of uninsured citizens due to a growth in the number of unemployed or employed in atypical jobs, followed by a substantial decrease in the contributions revenues. The repercussions of these transformations on the feeling of happiness of pensioners are easy to imagine. While it is true that during communism a poor working life was often followed by a poor retirement (Connor 1997, p.34), in post-communist Russia insecurity seems to have become the new problem, with an insecure working life followed by an insecure retirement.

The reforms of the health care system have also followed a similar negative path. As in many other Central and Eastern European countries (see Cerami 2006b), health care reforms in the Russian Federation have been characterized by the introduction of a private-public mix of health care provisions based on social insurance contributions, which has not only left a large section of the population uncovered when not employed in the formal economy, but which has also made the access even to basic services more difficult for the poorest and middle strata of the society, always more often than not called to pay, before accessing even basic health services, increasing sums for out-of-pocket payments or gratitude money (Kornai and Eggleston 2001; Tragakes and Lessof 2003; Cook 2007). Just to quote few but notable examples of the challenges that the Russian health care system is called to face, life expectancy at birth has decreased from 69.6 in 1989 to 66.6 in 2006, mortality rates have increased from 1,160 per 100,000 inhabitants in 1989 to 1,402 in 2006, while the number of new HIV infections, now a

³ In 2005, the average monthly pension corresponded to 106 percent of the minimum subsistence standard, but, according to Evdokimova et al. (2007, p.7), this relatively positive result can, in part, be explained by the low-level of average wage itself.

major problem, grew from 272 in 1989 to 39,207 in 2006. In spite of the health crisis that the Russian Federation is facing, total health care expenditures as percentage of GDP increased from 2.2 percent in 1989 to 5.2 percent in 2005, which is, however, below the EU15 average of 9.6 percent or 8.9 percent of the EU27 average (WHO 2009). The effects of these negative occurrences on the happiness of Russian citizens are also clear. Happiness, as a state of mind, is, in fact, strictly correlated with physical and mental integrity, which, in turn, greatly influence the quality and satisfaction with life of citizens. The poor health status of the Russian population has, thus, inevitably, resulted in lower quality, satisfaction with life and happiness that current social and public policies are still not able to improve.

Even though the Russian Federation has witnessed a lower increase in unemployment if compared to the other Central and Eastern European countries (see Cerami 2006b, 2009, or Unicef 2008), the rapid establishment of a basic system of unemployment insurance associated with the introduction of targeted social assistance provisions has, in more than one case, been shown to be inadequate for coping with the emerging problem of poverty, due not only to lack of funds at disposal, but also due to the difficulties of targeting the right people (for a review, see World Bank 2005; Ringold 2005; Milanovic and Ersado 2008). In addition, the low level of benefits does not permit, or ensure, decent living standards in case of unemployment⁴, and this has serious consequences also in terms of happiness. Personal self-fulfilment plays, in fact, a far from irrelevant role for the feeling of happiness of citizens. As the increasing number of suicides, alcohol and drug abusers demonstrate (see Manning and Tikhonova 2009; WHO 2009), the problem of unemployment in the Russian Federation goes beyond the correct functioning of a market economy, but touches the private sphere of Russian citizens in a particular dramatic manner.

⁴ In 2008, the minimum monthly benefit corresponded to 781 roubles (32 USD), while the maximum monthly benefit corresponded to 3128 roubles (129 USD) (ISSA 2008).

Family benefits and policies have also changed scope and extent of coverage shifting from an ‘implicit form of familism’⁵ during communism into an ‘explicit form of familism’ (see Szikra and Tomka 2009) which aims more clearly to withdraw mothers from the labor market into household functions, and, thus, relegating women more explicitly into the role of wife-mothers-workers-carers. Maternity benefits strictly depend on previous earnings and contribution period. Child care leave benefits, by contrast, are paid until the child is aged 18 months, but since the benefit is equal to 40 percent of the insured’s average wage in the last 12 months (ISSA 2008) it necessarily assumes the existence of a dual earner family in order to reach the minimum subsistence level (see also Cook *et al.* 2010). The changes in family relations associated to a more unsecure access to the labour market have, inevitably, produced an important negative impact on the level of happiness of many Russian parents, who are now more often than not unable to fulfil even the most basic parental tasks due to the lack of economic resources (such as providing their children with sufficient food, housing, education, etc.). These changes, have, however, also had an important impact on the level of happiness of many children, often abandoned to an uncertain future, and, in no rare cases, also forced to live alone on the streets of the most famous Russian cities (Unicef 2006).

In this dramatic picture, housing, once one of the key problems for Russian policy-makers, has witnessed significant, even though unequal, improvements. If, on the one hand, it is true that the privatization of the housing sector has helped to modernize an extremely obsolete stock of buildings, then, on the other, the access to the new and renovated apartments has been limited to the new rich Russian families (the so-called *les nouveaux riches*). Due to the increasing prices, many Russian poor households have been forced to move outside the centre of the main capital cities, or, when this has not been possible, to

⁵ Despite the existence of a dense network of child-care facilities to promote female labor market participation levels, family policies during communism continued to reinforce the traditional gender roles in the family against the initial Marxist idea of freeing women from domestic work.

continue to live in shared apartments (the *kommunalka*) as they were used to do during communism⁶. Even in this case, the effects in terms of happiness are clear. Sociological studies on the living conditions of Russian citizens in *kommunalka* have, for example, attributed not only an increase in stress, tensions and violence among the family members in these difficult living conditions, but also a decrease in birth rates due to the lack of privacy to which the couples were subjected to (for an interesting discussion, see Davidova 2004; Manning and Tikhonova 2004).

Finally, the sector of education underwent a drastic transformation, which, however, has only, to some extent, succeeded in meeting the requirements of the new knowledge-based society. Indeed, the political economy of skill formation that characterized the communist skill production regime resembled the characteristics highlighted by Iversen and Stephens (2008) for the Social Democratic skill production, with high redistribution and heavy investment in public education, but, and here lies the main difference, with an overemphasis on industry-specific compulsory skills at the expense of non-strategic occupational skills. Consequently, as I have argued elsewhere (Cerami 2008), in the Communist skill production regime, market stratification was characterized by an abnormal homogeneity in human capital formation, which was able to sustain the economy while ensuring relatively low levels of social inequality only through the redistributive capacity of central planning. More recently, the privatization of the economy has turned this highly rigid system of education into a highly differentiated scheme in which access to better universities is often determined by the social status of the family (Cook 2007; Evdokimova et al. 2007). The strong relationship with happiness is, even in this area of social policy, unambiguous, since it involves not only the self-fulfilment and personal aspirations of

⁶ For recent and more comprehensive reviews on social policy developments in the Russian Federation, see Cook (2007), Cerami (2009), Manning and Tikhonova (2009).

individuals, but also, being linked to their future earnings, the quality and levels of satisfaction with life⁷.

Oil-Led Social Policy: Limits and Perspectives of the ‘Russian Miracle’

The explosion of oil prices that has taken place in the first, but more strongly in the second, half of the 2000s has mitigated the negative performance of Russian welfare institutions (see Cerami 2006a, 2009). During the years from September 11th 2001 up to the fall in oil prices in the second half of 2008, the mounting reserves accumulated in the Federal Budget have progressively been used to improve the quality of life of citizens, to promote a more stable economic growth, to ensure national security while fostering the confidence of citizens in the future of the country. An ‘oil-based social policy’ has, in this context, become the key characteristic of the most recent Russian economic and social transition (Cerami 2009). Just to quote few of the most telling examples, according to the budget plan of the Ministry of Finance of the Russian Federation (2008), for the period 2007–10 expenditures for social policy should grow from 215.6 billion to 427.5 billion roubles, for education from 277.9 billion to 341.1 billion roubles, for housing from 53.0 billion to 71.0 billion roubles, and for public health from 206.4 billion to 274.6 billion roubles (in the meanwhile, expenses in the defense sector should grow from 822.0 billion to 1,191 billion roubles). After years of wild privatization and deregulation as recommended by the most influential financial institutions (most notably the World Bank, IMF and OECD), Putin’s and Medvedev’s executives have, in this way, succeeded in conducting a socially-oriented liberalization that has been able, at the same time, to ensure economic progress and social compensation, while succeeding in fostering confidence in the future of the country and in the Russian new state-centric economic growth model.

⁷ For more details on the relationship between level of education, earnings and quality of life, see the results of the EQUALSOC project available at: <http://www.equalsoc.org/2>

However, the recent fall of oil prices subsequent to the credit crunch has called the long-term sustainability of this new 'Russian Miracle' (Cerami 2009) into question, raising doubts on the long-term social pacification capacity of the state-driven oil-led economic growth. In fact, while GDP growth almost constantly raised after the economic crisis 1998, thanks to the constant rise in oil prices which have boosted the exports revenues, in the second half of 2008, these prices collapsed from the highest level of 144 USD in July to less than 35 USD per barrel at the end of December (see Table 6). As it can be imagined this has produced negative consequences in terms of GDP growth and industrial production. In this context, the data available for the first six months of 2009 show extremely worrying results which could let suppose a sudden end of the Russian miraculous economic recovery. Even though the first steps to bolster a different economic development, no longer based solely on oil-industry, related performance have immediately been made, including stimulus money in the budget, support for small and medium-size businesses, and a new emphasis on improving labor productivity and an exchange rate favoring domestic producers over importers (Kramer 2009), the real capacity of the new rescue packages remains an open question (OECD 2009) and deeply linked to the success of Russian authorities to restructure their obsolete industrial sector while moving away from an oil-based economy.

[Table 6 about here]

Happiness, Welfare State Functions and Consolidation of Democracy

The question under what conditions do democracies collapse, emerge and consolidate has already been the object of numerous studies and an in-depth discussion of all approaches would here not be possible⁸. The debate that has attracted the attention of

⁸ See, for instance, Lipset (1959), Almond and Verba (1989), Di Palma (1990), Huntington (1991), Putnam (1993), Linz and Stepan (1996), just to quote a few.

political scientists world-wide has, however, been centred on the crucial question of whether wealth and inequality have a direct impact on both democratization and consolidation of democracy (for the most recent discussion, see, for instance, Boix 2003) or whether no unambiguous effect (or no effect at all) can be found (for this approach see the most recent contributions of Przeworski et al. 2000; Houle 2009). Even though the results are still controversial with regard to the democratization process⁹, they tend to be rather unanimous as far as the consolidation of democratic institutions is concerned. Increasing inequality or lack of wealth represent, in this context, an extremely serious threat for the consolidation of recently established democratic institutions (Przeworski et al. 2000; Merkel 2004; Houle 2009), questioning, on the one hand, the foundations of democracy itself, while providing, on the other, additional incentives for potentially disruptive political mobilization.

As Claus Offe (2003a) has correctly remembered, a democracy cannot be stabilized if its core functions are not democratized. These *democratic functions* tend to go beyond simple institutional structures that allow a democratic system to be representative, such as the existence of fair and equal election, free media, checks and balances of powers and instruments of direct democracy (e.g. referendums). Rather, they correspond to the real possibility of citizens having equal access to *democratic benefits*, such as the absence of any form, in the widest possible sense, of discrimination (Offe 2003b; see also Cerami 2010fc).

These considerations shed additional light on the relevance of happiness for public and social policies. In fact, while all previous mentioned studies on democratization have primarily centred their attention on socio-economic and political factors, they have often forgotten the crucial dimension of personal happiness which is, by contrast, determinant to affect

⁹ As Houle (2009) correctly remembers, many poor but equal countries, such as Costa Rica, India and Mauritius, have successfully established and sustained stable democracies, while similar yet unequal countries, like Nigeria, Peru and Turkey, have oscillated between dictatorship and democracy.

people's preferences on what a democratic system should look like, but also what kind of life and in what surrounding environment they wish for themselves and for their loved ones. The intrinsic embeddedness of happiness, democracy and social policies cannot, in this context, be denied, offering a valuable conceptual instrument with which social scientists and political analysts can work to improve the quality of a democratic system. As the data discussed above have shown, increasing the happiness of Russian citizens can, in this context, provide, on the one hand, legitimacy to the socio-economic and political transformations initiated in 1989, while, on the other, becoming a powerful instrument to stabilize the democratic institutions recently established. As Table 7 powerfully demonstrates, those citizens who show higher level of happiness are also the ones more satisfied with their life but also with the way democracy works¹⁰.

[Table 7 about here]

Conclusion

This chapter has investigated the socio-economic transformations that have occurred in the Russian Federation since the fall of the Berlin Wall, highlighting the social repercussions that the systemic change has produced in the happiness of citizens, but also emphasizing the importance that public and social policies may play for the happiness of individuals. As it has been argued, happiness has a multi-dimensional character, which not simply concerns the psychology or the private sphere of the individual, but also the public sphere being strictly linked to the environment in which the citizens live and interact in their every day social and economic actions. As the discussion above has highlighted, the transition from communism to capitalism has affected different social groups in different ways resulting in clear winners and

¹⁰ Here, interesting to note is that 80 percent of Russian citizens who state to be 'not at all happy' show a 'low' level of satisfaction with their life, while 70 percent of these 'not at all happy' citizens also show a 'low' level of satisfaction with the democracy works.

losers of transition. The winners include those citizens who have seen their household's income drastically increase – the *nouveaux riches* –, while the losers are all those Russian citizens who have seen their already low living standards drastically diminished – the *nouveaux pauvres* -. The impact in the level of happiness of citizens has, as a result, been different. Citizens who have suffered more from the restructuring of the economy (such as those who have lost their job or were employed in non-strategic state-owned enterprises) have not simply been the ones more vulnerable to poverty, income inequality and social exclusion, but are also the ones more likely to live an unhappy life.

Public and social policies can, in this context, do much to increase the quality of life of Russian citizens and, subsequently, the performance of the economy and the democratic stability of the nation. Firstly, public and social policies can help individuals to fulfill their personal aspirations, facilitating their entrance in the labour market, allowing to build a more stable family, while contributing to improve their participation in social activities and, thus, developing more durable relations with friends and parents. Secondly, public and social policies can help to improve the performance of the economy. By increasing the human capital of the citizens, public and social policies can facilitate the adaptation of the citizens' obsolete skills to the new requirements of post-industrial and knowledge-based society and, thus, playing the important function of institutional complementarities of the capitalist system¹¹. Thirdly, public and social policies can also play an important *stabilizing function* helping to consolidate the democratic institutions recently established. By ensuring a more equal distribution of the *democratic benefits*, public and social policies become, in this context, the terrain where the democratic institutions are evaluated and, if not successful, changed with more performing ones. For all these reasons, future welfare reforms should not simply focus on financial sustainability or other short-term objectives as so far promoted by the most

¹¹ See, for instance, Estevez-Abe et al. (2001), Iversen (2005), Cerami (2008), and Iversen and Stephens (2008).

influential financial institutions, such as the World Bank and the IMF, but should also carefully consider the their repercussions on the *happiness* of citizens with its important private-public nexus.

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ANNEX

Table 1 Economic growth and employment (1992-2006)

	1992	1995	2000	2005	2006
GDP per capita, PPP (current international \$)	7.83	6.41			
	1	3	7.639	11.858	13.116
Employment ratio (%)	75,0	70,7	72,3	73,8	74,1
Total Unemployment (%)	5,2	9,5	9,8	7,1	6,7
Men Unemployment (%)	5,2	9,7	10,2	7,5	7,0
Women Unemployment (%)	5,2	9,2	9,5	6,6	6,5
Youth Unemployment (15-24) (%)	13,0	18,8	20,7	15,7	16,5

Source: TransMONEE 2008, ROSSTAT 2009, Cerami 2009

Table 2 Demographic Indicators (1990-2006)

	1990	1995	2000	2005	2006
Total fertility rate (live births per woman aged 15-49)	1,89	1,34	1,19	1,29	1,30
Rate of natural population increase	2,2	-5,7	-6,5	-5,9	-4,8
Population, 60+ years (per cent of total)	15,8	16,5	18,3	17,3	17,0
Number of immigrants (in 1,000s)	1.036,3	866,9	359,3	177,2	186,4
Crude marriage rate (per 1,000 mid-year population)	8,9	7,2	6,1	7,5	7,8
Crude divorce rate (per 1,000 mid-year population)	3,8	4,5	4,3	4,2	4,5

Source: TransMONEE 2008

Table 3 Poverty and Income Inequality (1992-2006)

	1992	1995	2000	2005	2006
Distribution of Earnings: GINI Coefficient	0,371	0,471	0,521	0,445	0,451
Population with money incomes below subsistence minimum level (%)	33,5	24,8	29	17,7	15,2
Population with money incomes below subsistence minimum level (mln persons)	49,3	36,5	42,3	25,2	21,5

Source: TransMONEE 2008, ROSSTAT 2009

Fig. 1 Taking all things together, would you say you are?

(1 not at all happy, 2 not very happy, 3 quite happy, 4 very happy)



Source: World Database of Happiness 2009. Author's calculations

Table 4 Taking all things together, would you say you are?

		Russian Federation (%)				
		Not at all happy	Not very happy	Quite happy	Very happy	Total
Total Population (mean 2.58; SD 0.80)		8	39	41	12	100
Age						
	15-24	2	24	52	22	100
	25-44	6	36	46	12	100
	45-59	7	44	39	10	100
	60+	13	46	32	9	100
Gender						
	Male	7	37	42	14	100
	Female	8	40	41	11	100
Legal Marital Status						
	Married	5	37	44	14	100
	Divorced	13	47	33	7	100
	Widowed	16	51	29	4	100
	In civil partnership
Level of Education*						
	Low	14	41	34	11	100
	Medium	7	41	40	12	100
	High	4	34	47	15	100

Source: ESS Round III, author's calculations

Table 5 Taking all things together, would you say you are?

		Russian Federation (%) Socio-Economic Variables				
		Not at all happy	Not very happy	Quite happy	Very Happy	Total
Annual household's total net income, all sources	Less than €1800	13	47	32	7	100
	€1800 to under €3600	7	43	37	13	100
	€3600 to under €6000	5	37	42	16	100
	€6000 to under €12000	2	21	63	14	100
	€12000 to under €18000	3	21	54	22	100
	€18000 to under €24000	0	20	48	32	100
Main source of household income	Wage/salaries	6	36	45	14	100
	Pensions	14	46	32	8	100
	Unemployment/redundancy benefits	23	40	38	0	100
	Any other social benefits or grants	5	49	41	5	100
	Paid Work	5	38	44	13	100
	Unemployed	12	51	28	8	100
Employment	Permanently Sick or disabled	18	42	34	6	100
	Retired	13	48	30	9	100
	Housework, looking for children	10	37	41	12	100
	Unlimited Employment Contract	9	42	39	10	100
	Limited Employment Contract	4	40	38	17	100

Source: ESS Round III, author's calculations

Table 6. Oil-led Economic Growth

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
GDP, %-change	-5.3	6.4	10.0	5.1	4.7	7.3	7.2	6.4	7.4	8.1	5.6	-10.4*
Crude Oil Prices (Brent USD)	9.2/	9.8/	20.8/	16.6/	18.1/	22.9/	29.0/	40.0/	55.9/	50.8/	33.9/	39.5/
Minimum/Highest	16.1	26.3	37.0	30.6	31.9	34.8	52.1	67.0	78.2	97.0	145.1	57.0*
Exports, \$ billion	74.4	75.6	105.0	101.9	107.3	135.9	183.2	243.6	304.5	355.2	471.8	125.5*
Exports, oil, oil products, natural gas, \$ billion	27.9	30.9	52.8	52.1	56.3	73.7	100.2	148.9	190.8	218.6	310.1	76.9*
Imports, \$ billion	58.0	39.5	44.9	53.8	61.0	76.1	97.4	125.3	163.9	223.1	292.0	-82.2*
Industrial production, %-change	-5.2	11.0	11.9	2.9	3.1	8.9	7.3	4.0	3.9	6.3	2.1	-14.2*

Source: BOFIT 2009. CBRF 1998-2009. EIA 2009

*first six months

Table 7 Happiness and Satisfaction with Life and Democracy

	Low Satisfaction	Medium Satisfaction	High Satisfaction	Total
Satisfaction with Life				
Not at all happy	81	16	3	100
Not very happy	36	58	6	100
Quite happy	10	66	24	100
Very Happy	6	31	63	100
Satisfaction with Democracy				
Not at all happy	72	24	4	100
Not very happy	62	35	3	100
Quite happy	43	51	7	100
Very Happy	37	47	16	100

Source: ESS Round III, author's calculations