



Age group conflict or cooperation? Children and pensioners in Russia in crisis

Shireen Kanji

University of Cambridge, Cambridge, UK

Abstract

Purpose – This research aims to illustrate the differential treatment of children and pensioners in Russia and to explain why this has not led to age group conflict through an illustration of age group interdependency.

Design/methodology/approach – Age group conflict is revealed through analysis of the government's policies to age groups and expenditure preferences. Interdependency is analysed by the calculation of poverty rates and contribution of age specific benefits, using nationally representative sample survey data.

Findings – The Russian government treated pensioners preferentially to children, even though children were at higher risk of poverty. However, within each age group poverty rates are mediated by household structures. Pensioners who live with children face higher poverty rates than the average for pensioners and those who co-reside with lone mothers face the highest poverty rates of all pensioners, while their pension contribution to the household is of vital significance. Children living with one grandparent face higher poverty rates than average, whereas those living with two grandparents face lower poverty rates.

Research limitations/implications – The structure of intergenerational relationships and financial solidarity between generations provide essential context for understanding individual welfare in Russia.

Practical implications – Children's downgraded status in Russian society needs to be urgently addressed. Lone mothers, their children and their parents face the highest poverty rates and need of support. Amongst pensioners, women pensioners are particularly at risk.

Originality/value – The originality is in using two opposing perspectives on relations between age groups to show that preferential treatment of pensioners coexists with a high degree of financial linkage between generations.

Keywords Russia, Benefits, Pensions, Children (age groups), Elderly people

Paper type Research paper

Introduction

In ageing, industrialised societies children and the elderly have been constructed as age groups in growing conflict over welfare resources. The argument is that they impose a burden of support on an otherwise largely active population and that they are in direct competition for the diminishing fund of resources available for dependents. The most dramatic of these conflict formulations predict some kind of confrontation depicted as a war between age groups, most notably in the context of the USA (Kotlikoff and Burns 2004; Gokhale and Kotlikoff, 2001; Lee, 1996 cited in Hamil-Luker 2001). In their book, *The Coming Generational Storm*, Kotlikoff and Burns warn not only of an impending fiscal crisis as baby boomers retire but they also blame soon to retire baby boomers for imposing pensions and Medicare costs on younger workers.

In conflict formulations, individuals are viewed as separate from their households, wider networks of family relations, support and social obligations. The idea that individuals can be viewed in isolation from their familial and other support structures and as competitors for state resources with other generations even within their own families is fuelled by the ideas of detraditionalisation of social roles put forward in the



individualisation thesis. Individuals in late modernity increasingly pursue the project of the self, with freedom to create their own life paths decreasingly constrained by the traditional role of families in conditioning social action (Giddens, 1991; Bauman, 2001; Beck and Beck Gernsheim, 2002). They may choose to maintain familial ties as individual actors but these ties are created purely out of choice rather than obligation (Giddens, 1991).

An opposing view of age group conflict is argued through the concept of intergenerational interdependence. Bengtson (2001) and Putney and Bengtson (2005), argue that increases in life expectancy are creating more intergenerational interdependence as the years available for contact lengthens. Evidence of exchanges within kinship structures bears out the reliance of age groups upon each other (Bengtson and Harootyan, 1994; Arber and Attias-Donfut, 2000; Finch and Mason, 1993). In the interdependency approach it is essential to view individuals in the context of their kinship structures, family bonds and the normative obligations that still condition their actions.

Russia in the late 1990s is a particularly interesting context in which to explore these theoretical positions. The scope for intergenerational conflict is high given the extent of population ageing and the extreme budgetary pressure experienced during the 1990s. However, there is also a high degree of contact and support between generations. In a story about couples' living arrangements the Russian newspaper *Pravda* states, "Russia seems to be the only country of the world where many parents maintain their children till their last day" (*Pravda*, 28 July 2005).

Analyses which look only at conflict or intergenerational cooperation show a partial picture of the relationship between people in different age groups. This article explores generational interdependence while exposing the differential treatment of children and pensioners by the Russian state.

The article is organised as follows: the first section sets out how the Russian government's treatment of children and pensioners changed in a period of intense economic crisis. In the second section, the differential treatment of children and pensioners is exposed. A typology of households is developed to explore the living arrangements of children and pensioners. Analysis of poverty rates for this typology of households is used to explore the degree of interconnection of pensioners and children. Finally, the contribution of child benefits and pensions to the household budgets of different household types is analysed to show the connections and differences according to the constructed typology.

Recession and government spending

If there is conflict between dependent groups, it is likely to be accentuated at times of economic crisis when welfare resources are under increased pressure. Turner (1989) argues that actions undertaken by states during economic difficulty are particularly revealing of states' political preferences. Among these preferences, age group priorities are revealed through the changes made to welfare provision.

Although it can be argued that the entire period from 1992 to 1999 in Russia was one of economic crisis, the urgency to reduce the fiscal deficit was heightened by the financial crisis that took place in August 1998. Russia defaulted on its sovereign debt, devalued the ruble and suspended payments by commercial banks to foreign creditors. In 1999, the year after the crisis, gross domestic product (GDP) contracted by 4.6 per cent and the central government deficit reached 8 per cent of GDP (IMF, 2004). In seeking a resolution with its creditors, the Russian government made an undertaking

to the IMF to implement “a radical tightening of the federal budget” (IMF, 1998). The radical action to cut the fiscal deficit revealed the state’s priorities, showing which actions the state considered to be politically feasible and which interest groups had most power. During the financial crisis children and pensioners both suffered a downgrading in state support, but children fared worse.

The political importance of the group of pensioner voters (Standing, 1997) meant that it was unpalatable to enact overt changes to pension rights. Pensioners had successfully taken action in the courts to challenge the government’s calculations on pensioners’ levels of entitlement as it related to their final salary and to the indexation calculated by the government. Cashu and Orenstein (2001) document these changes observing that: “the demand for law in Russia has arisen amongst a most improbable group – former Soviet pensioners, who have never been perceived by scholars as a likely avant-garde of legalism.” Indeed, Russian pensioners were a particularly vocal and well organised interest group in frequent dispute with Yeltsin, obtaining positive results for themselves from a legal system that was extremely difficult to navigate.

Pensioners were able to advocate their rights although it was clear that the pension system would have to change. Even in the Soviet period the pension system was under strain and was propped up by the increasing tendency of pensioners to continue working to supplement their pensions (Jones, 2002). The early age of retirement combined with population ageing was creating an unsustainable position for the state pay-as-you-go system. The share of pensioners in the population has changed dramatically, climbing from 11.9 per cent in 1960 to 20.7 per cent in 2000 (Goskomstat, 2001). In part, this is because of the early age of official retirement, which is lower than in most other countries, at 55 years for women and 60 years for men; in addition, the age is lowered for special cases such as veterans and those engaged in heavy manual labour.

The Russian government resisted making changes to pensions, even though the World Bank repeatedly advised changing to a two or three pillar pension system, with one part that would be funded by private contributions. Until 2001 Russia maintained its single publicly managed pay-as-you-go system. Most of the World Bank’s proposals were aimed at cutting government expenditure such as delinking pensions from the minimum wage, introducing legislation for a two tier pension system and strengthening pension eligibility criteria. The government was clearly not immune to World Bank influence as when it did implement pension reform it was based on the World Bank’s model (Williamson *et al.*, 2006).

In contrast to pensioners’ strong advocacy of their rights, children’s groups or parents’ groups did not organise to represent the collective interests of children. Perhaps the most visible manifestation of the suppression of children’s rights was in the way they were treated in state orphanages, as observed by Human Rights Watch (1998) and Amnesty International (2003).

In common with other countries, the Russian government’s short-term outlook meant that it paid little attention to the need for investment in the next generation, even though children were in demographic decline. By 2000, children accounted for only 20 per cent of the population (Goskomstat, 2001), for the first time a lower proportion of the population than pensioners. Fertility rates fell dramatically in Russia during the 1990s: the total fertility rate fell from 1.90 in 1990 to 1.23 in 1997 (Goskomstat, 2000). Thus, the constituency of parents with children was shrinking rapidly in the 1990s.

In terms of state benefits to children, means testing of child benefit was introduced in 1999. The move from universal to selective child benefit represented a fundamental

change in the system of social support, although it was hardly commented on. The World Bank argued that means testing was a sensible way of using social funds more effectively to tackle poverty. However appealing this logic, the introduction of means testing for benefits has implications for the take-up of those benefits (Besley, 1990; Standing 1997), their continued existence and for the orientation of the whole welfare system. It is known that the continuance of benefits that redistribute can be in doubt if they fail to draw the middle class support essential for their continuation, as has been discussed for other contexts by Nelson (2004).

The way that means testing was put into practice did not provide an effective way of combating poverty since households above the poverty line continued to receive child benefit almost to the same extent as those below the poverty line and the real value of benefits was reduced for all. The Russian government may have been piloting the idea of means testing for further use in its social welfare system, an idea put forward by Galasi and Nagy (2000) who suggest in the context of Hungary that means testing of child benefits may have been introduced as a pilot for later means testing of pensions.

It can be argued that the choice of whether child benefit should be selective or universal indicates the stance towards children. A children's rights-based argument is made for a universal child benefit under the premise that households spend that benefit specifically on meeting children's needs (Lundberg *et al.*, 1997; Kooreman, 2000). The type of instrument used to direct resources to different groups does matter in terms of household allocation of resources because children's labeled benefits seem to be spent more directly on their welfare than general welfare benefits. The need to understand how fiscal policy affects children is suggested in the UN Convention on the Rights of the Child (Corak *et al.*, 2005). Although Russia was a signatory to the convention from the time when it was ratified in 1989, there seemed to be little explicit consideration of how fiscal policy would impact children.

Although pensioners fared better than children, it is hardly credible to construct pensioners as winners given the decline in relative wages of older workers (Brainerd, 1998) which affected many pensioners as they were still working. Moreover, both children and pensioners as age groups were losers of state funds compared to the beneficiaries of privatised state assets and tax exemptions (Kapstein and Milanovic, 2000). In general, the contraction of the state resulted in a failure to protect groups that were reliant on it. As well as children and pensioners this included those who were unable to find jobs and budget sector workers who were amongst the lowest paid. The state was unable either to sustain the terms of the previous Soviet system or to replace it with a system that adequately protected those in need, including those left most vulnerable by the market reforms (Deacon, 2000; Standing, 1997; Williamson *et al.*, 2006).

Pensioners and children faced new problems that affected them in different ways. The withdrawal of some state health care services affected both groups, while pensioners were forced into employment in the grey and black economies, to resort to barter and exchange and to live under the pressure of supporting their wider families (Tchernina and Tchernin, 2002). Pensioners also experienced in an acute form the erosion of trust in the state that arises from changing the terms of pension contracts. There was also an abrupt reversal of the state's contract with children and their parents. State child care for children was substantially reduced and there is some evidence that children's families have had to pay more for their participation in state education and that access has become more unequal (Gerber, 2000). The lack of support for families with disabled children is in continuity with the past, and there remains a high degree of institutionalisation for disabled children and so-called social orphans.

Expenditure on child benefit and pensions

Child benefit and pensions make up the major components of social cash benefits in Russia. Cash benefits are provided to a much lesser extent under the categories of unemployment benefit, sick leave compensation, social pension, housing allowance, birth grant, maternity allowance, childcare allowance, disability pension and a category labeled "other benefits" by Goskomstat. Kakwani and Son (2006) estimate that in 2002, pensions and child benefit accounted for 86.9 per cent of total welfare expenditure by the Russian government. The focus on government cash expenditure in analyses of welfare is standard practice and is undertaken here. It is considered to be less of a problem in Russia than elsewhere because the use of tax exemptions and breaks to encourage child-care was not occurring in Russia.

The wide disparity in spending on cash benefits on the young and pensioners evident from Table I is not confined to Russia. It reflects a trend described by Sgritta (1995) in which declines in welfare spending since the mid-1970s in a range of countries have unevenly affected children and pensioners, with a disproportionate share of public resources going to the elderly. The differential treatment of children and pensioners is one way of exposing the inadequate attention to children's rights.

Table I illustrates further aspects of the differential treatment of children and pensioners during the period of crisis. Between 1996 and 2001 child benefit spending as a percentage of GDP had fallen by 66 per cent while for pensions this reduction was 5 per cent. Between 1996 and 1997 while spending as a proportion of GDP on child benefit was reduced, that on pensions increased substantially. It is notable that pension spending recovered significantly in 2001, as Russia's oil revenues started to increase, while child benefit spending did not. The reduction in child benefit was not a temporary measure as child benefit failed to recover noticeably, covering only 5 per cent of the child subsistence minimum in 2000.

Pensions have clearly fared better than child benefit in Russia, but in international comparison the proportion of GDP spent on pensions is in line with the low pension expenditure countries of the UK, spending 5.1 per cent of GDP in 2000 (European Commission, 2000), and the USA, spending 5.2 per cent of GDP in 2000 (OECD, 2005), rather than the higher expenditure countries of Germany, at 10.3 per cent of GDP in 2000, and France, at 12.1 per cent in 2000 (European Commission, 2000).

Could the differential treatment of child benefit and pensions be explained by the differing poverty rates of children's and pensioner households? Poverty rates have been important for establishing moral entitlement to state resources in a variety of contexts.

	1996	1997	1998	1999	2000	2001
Monthly child benefit as a percentage of GDP	0.8	0.7	0.4	0.31	0.26	0.27
Monthly child benefit as a percentage of the child subsistence minimum	13	15	14	7	5	4
Monthly pension as a percentage of GDP	5.5	6.7	5.7	5.2	4.4	5.2
Average monthly pension as a percentage of the pensioners' subsistence minimum	116	113	114	70	76	90
Percentage change in real GDP ^a	-2.8	0.4	-5.3	6.4	10.0	5.1

Table I.
Benefit expenditure and
eligibility

Note: ^aIMF country reports, various issues

Source: Goskomstat (2000, 2001, 2002) and author's calculations from Goskomstat (2000, 2001, 2002)

Indeed calls for more resources to be directed to children have been prompted by concern for children's rising poverty rates in a number of countries, especially in the USA where rising children's poverty rates were in notable contrast to falling pensioners' poverty rates. Preston's (1984) much cited Presidential Address to the Population Association of America drew attention to these diverging poverty rates and to the diminishing importance of children's issues on the political agenda as their share of the population diminished.

It is important to note that diverging poverty rates for children and pensioners are not inevitable in ageing societies. Kohli (2005) presents data showing that these differences in poverty rates vary widely across countries. He advocates the urgent addressing of the needs of children's families, while he considers that this is hardly an argument for stripping the elderly of benefits. In support of this point, Johnson and Falkingham (1988) found that the source of developing disadvantage for children in the UK in the 1980s was not that pensioners were receiving all the benefits but that there were declining labour market participation and opportunities for families with children.

The portrayal of the older population as directly taking resources from children has been interpreted as a tool used by the political right to make the case for cutting back welfare spending on a universal pension (Quadagno, 2000; Walker, 1990; Munnell, 1999). In these critiques it is argued that making the case against one age-based benefit is a precursor to making the case against all age group-based benefits and ultimately is about contraction of the welfare state. This has not yet been the case in Russia although analyses of Russian poverty have pointed to the differential poverty rates of Russia's pensioners and children (Lokshin and Ravallion, 2000). If the basis of state intervention is poverty there is an implication that resources need to be redirected, rather than directing additional resources to children. In the World Bank's 1999 report "Targeting and the Long Term Poor" it is noted that, "As before [referring to the World Bank's 1995 poverty assessment], children are more likely to be poor, while the elderly are unlikely to be poor" (p. 11). It is interesting that the bank report states that the elderly are unlikely to be poor when their own analysis shows that they are less likely rather than unlikely to be poor.

Data

Use of survey data

The data are drawn from rounds seven and nine of the Russian Longitudinal Monitoring Survey (RLMS), a nationally representative sample of households in the Russian Federation. The survey contains detailed information about household incomes and composition. Interviewing for round seven took place between October and December 1996, and for round nine between October and December 2000[1]. Round seven includes 2,370 children under the age of 16 and 2,374 people of pensionable age, while round nine covers 2,472 children and 2,398 people of pensionable age. This analysis contrasts two points in time surrounding the 1998 financial crisis, 1996 and 2000.

The analyses centre on children and pensioners, thus it is each child's and pensioner's household arrangements that are counted rather than the proportion of households containing children and pensioners, respectively. Children are defined as being under age 16, and pensioners are classified as such if they have reached the official Russian pensionable age of 55 years for women and 60 years for men. If two children, or alternatively two pensioners, are in a particular child's or pensioner's household, that household is counted twice rather than once.

A typology of households' living arrangements for children's and pensioners' households includes variables that are hypothesized to affect children's and pensioners' chances of being poor. For children's households the typology is based on whether the child lives with a lone mother or two parents, and whether one, two or more pensioners live in the child's household. For pensioners' households the typology is based on whether the pensioner lives alone, or with other adults or with children. I estimate the distribution of children and pensioners in these different household types and their poverty rates.

Measurement of poverty in Russia

Poverty in Russia is measured by means of an absolute poverty line, the *prozhitochnii minimum*, which translates as the minimum required for living or subsistence minimum. The poverty line replaced the previous Soviet level of minimum social security (*biudzhnet minimuma material'noi obespechennost* or MMS) and was set at a lower level, mostly because the higher level was unworkable for policy purposes. Mozhina (1992) commented that keeping the previous standard of material insecurity would have classified most Russians as under-provisioned. The poverty line has been redefined at various points since it was adopted in 1992, mainly through decreasing the food share of the subsistence minimum, until the subsistence minimum was finally calculated by a fully specified basket of goods and services. Different methodologies to calculate the poverty line were in force in 1996 and 2000 and so it is not possible to make straightforward comparisons of poverty rates between these two years. If the same methodology had been used to measure poverty in 1996 and 2000, then measured poverty in 2000 would have been lower than it is reported in Table II. Consequently, the poverty rates are most effectively employed for comparing poverty rates between different household types within one year.

The poverty rates are calculated on the basis of what I consider to be the most realistic assumptions. Regional poverty lines are constructed with prices from the locations of the RLMS rather than the oblast wide prices used by government. The equivalence scale adopted was devised by Popkin *et al.* (1996) (also used as the basis for the official calculations of separate poverty lines for three demographic groups in the population for both sexes). I consider that economies of scale adjustments are crucial in this analysis which compares children and pensioners. Analyses that rely on per capita measures of welfare, that make no allowance for the differing needs of age groups or of economies of scale in consumption are likely to make pensioners seem relatively better off than they really are (Lanjouw *et al.*, 1998). The method of measuring poverty also allows for economies of scale in household consumption. While the poverty line can be critiqued, it is restricted here as a tool to compare the living standards of the households of pensioners and children.

Most striking in Table II is the high level of contact and support between children and pensioners. Over 40 per cent of children are either living with or receiving a financial contribution from at least one grandparent; in 1996 this was 46.0 per cent and in 2000 this was 43.1 per cent. The proportion of children receiving financial contributions from non-resident grandparents decreased from 24.1 per cent in 1996 to 21.4 per cent in 2000 (the reduction is statistically significant at the 95 per cent level) and reflected the improved economic situation. The proportion of over 20 per cent of children living with a grandparent is high in western comparison[2]. A full discussion of co-residence across the eastern European region, including Russia, is provided by Ahmed and Emigh (2005).

	Poverty rates		Household composition			
	1996	2000	1996 (n)	1996 (%)	2000 (n)	2000 (%)
<i>Children's households</i>						
All	26.7	25.2	2,370	100	2,472	100
<i>Parental living arrangements</i>						
Two parent	24.5	22.4	1,688	71.2	1,609	67.3
Lone mother	33.0	32.8	447	18.9	473	19.1
<i>Of which</i>						
Lone mother and grandparent(s)	27.7	33.3	138	30.9	132	27.9
<i>Grandparental relationship</i>						
Living with one grandparent only	27.1	28.7	287	12.1	317	12.8
Living with two (or more) grandparents	19.0	18.8	208	8.8	214	8.7
Not living with grandparent(s) but receiving contributions from non-resident grandparent	25.2	28.7	572	24.1	529	21.4
<i>Pensioners' households</i>						
All	17.4	16.7	2,374	100	2,398	100
<i>Sex</i>						
Male	13.5	15.2	650	27.4	747	31.1
Female	19.4	19.2	1,724	72.6	1,651	68.9
<i>Presence of co-resident children</i>						
Living with children	20.8	22.6	464	19.5	482	20.1
Not living with children	16.9	16.8	1,910	80.5	1,916	79.9
<i>Living with children</i>						
One pensioner living with children	23.0	26.9	284	12.0	275	11.5
Two or more pensioners living with children	19.2	16.6	180	7.6	207	8.6
Pensioner(s) living with a lone mother and child or children	23.7	31.1	124	5.2	125	5.2
<i>Living without children</i>						
One pensioner living without children	20.2	20.5	859	36.2	871	36.3
<i>Of which</i>						
Pensioner living alone	17.4	14.4	500	21.1	522	21.8
Two or more pensioners living without children	14.0	13.7	1,051	44.3	1,045	43.6

Source: Author's calculations using data from the RLMS

Table II.
Poverty rates and
household composition
for children and
pensioners' households,
1996 and 2000

Table II also illustrates the high poverty rates for children's households in Russia. This is despite the methodology I have employed resulting in estimates that are amongst the lowest that are obtained using the different methodologies and data sources available (Falkingham and Kanji, 2000). Children's households experience substantially higher poverty rates than pensioners' households, so in 1996 the children's average poverty rate was 26.7 per cent, while that of pensioners was 17.4 per cent; similarly in 2000 the children's poverty rate was 25.2 per cent and that of pensioners was 16.7 per cent. On average the relationship between children's and pensioners' poverty remained constant over the period. Moreover in the period before 1996 Zohoori *et al.* (1998) calculated from the RLMS that pensioners' poverty rates were substantially below the rates of children.

Behind the aggregate picture of children and pensioners' households there is considerable diversity, as is the case in other country contexts. Within the group of pensioners, female pensioners experience significantly higher poverty rates than male pensioners, by four percentage points in 2000, which is linked to the fact that they

outlive men, have lesser pension entitlements (Williamson *et al.*, 2006) and lower paid work opportunities. This is a vital social issue because of the dramatic gender imbalance among those of pension age. Women made up 72.6 per cent of those of pension age in 1996 and 68.9 per cent in 2000. The imbalance is not only because the official retirement age is earlier for women at 55 years than for men at 60 years. The ratio of females to males aged over 60 is massively higher in Russia at 1.89 than the USA at 1.34. The substantial disadvantages experienced by women of retirement age and above are not restricted to Russia but found in a range of countries as elaborated, for example, in the case of the UK and the USA by Ginn (2001).

Although pensioners' household poverty rates are on average substantially below those of children's households, living with children is associated with a higher risk of poverty for pensioners than living without them. In 1996, the poverty rate for pensioners living with children are 3.9 percentage points above those for pensioners living without children, a gap that has widened to 5.8 percentage points by 2000. Within the categorisation of pensioners living with children there are substantial disparities in households' poverty rates based on whether the pensioner is single or not. Single pensioners living with children have a household poverty rate of 26.9 per cent in 2000, compared with only 16.6 per cent for two pensioners living with children; this gap widened considerably from 1996. The increasing relative vulnerability of single pensioners living in intergenerational households is a significant issue, especially as it is more common for one pensioner to live with children than for two pensioners.

The group of pensioners living alone comprises 21.1 per cent of all pensioners in 1996 and 21.8 per cent in 2000. This group of pensioners experiences lower poverty rates than the average for pensioners because it is not possible to live alone without more resources than average.

In parallel to the differentiation of pensioners' households, children's households also show different poverty rates according to household composition. The presence of two grandparents living in the household is associated with substantially lower poverty rates for children. In 1996 and 2000 children living with two grandparents showed markedly lower poverty rates than children in all the other living arrangements. Looking at 1996, the poverty rate for children living with two grandparents was 19.0 per cent, nearly 8 percentage points below that for all children and well below the average rate for all children living with two parents. In 2000, the poverty rates for children living with two grandparents were also substantially below, in excess of 6 percentage points, those for all children.

However the poverty rates of children living with one grandparent are above the average poverty rates for children's households, which reinforces the interpretation that households with one pensioner use this household arrangement out of economic necessity. This interpretation is backed up by the results of Lokshin *et al.* (2000) whose investigation of the household living arrangements of lone mothers in Russia shows that the probability of living alone diminishes for lone parent households over the period from 1992 to 1996, while co-residence is less marked for lone mothers with higher incomes. Indeed Table II shows that living with grandparents is more common for children in lone mother households than two parent households. In 1996, 30.9 per cent of children living with a lone mother lived also with at least one grandparent, compared to 16.2 per cent of children living with two parents. Co-residence of children in lone mother households is associated with much higher relative probabilities of being in poverty than children on average. The rapidly increasing vulnerability of

children and pensioners living with lone mothers points to the urgent need to provide better security for all three generations cohabiting in this living arrangement.

The differential treatment of children and pensioners

One of the reasons for the lower poverty rates of pensioner households than children's households was that government transfers were successful in raising a substantial proportion of pensioners above the poverty line (Lokshin and Ravallion, 2000; World Bank 2005). There was a shift in the nature of the safety net between 1996 and 1998, with a decline in the role of family allowances and aid to poor households (Lokshin and Ravallion, 2000), thus children and their households were protected to a much lesser extent than pensioners and their households.

The sharp decrease in government expenditure on child benefit that was seen in Table I is reflected in the diminishing share of child benefits reported in the RLMS in the incomes of households with children. Table III shows that the average contribution of child benefits to the household income of all households with children fell markedly from 5.2 per cent in 1996 to 3.3 per cent in 2000, a reduction of 37 per cent. The reduction in the contribution to household incomes was significant across all the family structures identified in the analysis. Lone mother households were particularly affected, with a 46 per cent reduction in the contribution of child benefit to household incomes. The contribution of child benefits was not diluted by increasing household incomes during the period, as these had not increased in real terms between 1996 and 2000 (although they did increase between 1998 and 2000). Real incomes in 2000 as measured through the RLMS were about 10 per cent below the level of 1996 (Mroz *et al.*, 2001).

In introducing means testing to child benefit in 1999, the Russian government had stated that it wanted to make the payment of benefits fairer by having fewer arrears and actually delivering formal entitlements. But when arrears were high in 1996 the

	Child benefit 1996	Child benefit 2000	Pensions 1996	Pensions 2000	Pensions and child benefit 1996	Pensions and child benefit 2000
<i>Children's households</i>						
All	5.2 (2.4)	3.3*** (3.3)	6.7 (2.6)	9.3*** (2.3)	11.9 (1.9)	12.6 (1.8)
With co-resident grandparents	3.6 (2.4)	2.5 (2.6)	19.5 (1.3)	23.6* (1.0)	23.1 (1.2)	26.1 (0.9)
With one grandparent	3.9 (2.7)	2.8*** (2.6)	21.1 (1.2)	23.3 (1.0)	25.0 (1.08)	26.1 (0.9)
With two grandparents	2.9 (2.6)	2.2 (2.5)	17.2 (1.5)	24.1 (1.0)	20.1 (1.3)	26.3 (1.0)
Two parents	4.8 (2.4)	3.1*** (3.7)	3.90 (3.2)	6.3*** (3.0)	8.7 (1.8)	9.4 (2.2)
Lone mothers	6.7 (2.1)	3.6** (2.9)	13.2 (1.8)	15.7 (1.5)	19.9 (1.4)	19.3 (1.4)
<i>Pensioners' households</i>						
All	0.7 (5.7)	0.4*** (5.0)	41.2 (3.0)	58.7*** (0.5)	41.9 (3.0)	59.2*** (0.5)
Pensioners living with children	3.4 (2.7)	2.4 (3.0)	24.4 (1.1)	33.7*** (0.8)	27.8 (1.0)	36.1*** (0.7)
Male pensioners	0.7 (5.9)	0.4 (6.7)	47.0 (0.9)	60.6*** (0.5)	47.7 (0.9)	61.0*** (0.6)
Female pensioners	0.7 (6.1)	0.5 (6.1)	39.0 (3.6)	57.9*** (0.6)	39.7 (3.5)	58.4*** (0.6)

Notes: **Difference between 1996 and 2000 contribution is significant at the 95% level;
***Difference between 1996 and 2000 contribution is significant at the 99% level

Source: Author's calculations using data from the RLMS

Table III.
Percentage contribution
of child benefits and
pensions to total
household income-mean
by household type
coefficient of variation
(standard deviation
divided by the mean)
reported in parentheses

results of the analysis presented in Table III show that child benefit was making a larger contribution to households' budgets than in 2000. Arrears of child allowances did fall from two-thirds of child allowances outstanding in 1998 to less than half in 1999 (World Bank, 2002). The improvement in payment did not actually improve the situation of children's households as the clearing of arrears was more than offset by inflationary erosion in the real value of benefits. Differential treatment of age groups was also apparent through the non-payment of government commitments: arrears of child allowances were higher than pensions (World Bank, 2002). When the government was under extreme fiscal pressure, children were more vulnerable than pensioners.

Pensions were the most significant source of government transfers for children's households. By 2000 pensions had increased to 9.3 per cent of children's households' budgets, while child benefits had fallen to only 3.3 per cent. Table III shows that for children living with two grandparents pensions were contributing 17.2 per cent of the household income; households of children living with only one grandparent received a higher proportional contribution of pensions to the household budget at 21.1 per cent but faced higher poverty rates. For lone mother households as a group the combined contribution of pensions and child benefit in 2000 was 15.7 per cent, compared to only 6.3 per cent for two parent households. This increasing reliance of children's welfare on pensions is inconsistent with the thesis of age group conflict. But it is consistent with a structure of society in which obligations between generations are reinforced, in part by the state.

While children were becoming more reliant on the pension income of pensioners, pensioners themselves were becoming more dependent on the state. Table III shows that the share of pensions in pensioners' household budgets had increased considerably from 41.2 per cent in 1996 to 58.7 per cent in 2000. The increase is in line with the finding that arrears were diminishing and pensions being paid on time (World Bank 2002).

However, even when the pension payment situation had improved in 2000, pensioners' households were deriving at least 40 per cent of their incomes from sources other than pensions. The construction of pensioners as dependents in western debates cannot be sustained in Russia, where pensioners are to a large extent economically active. Kolev and Pascal (2002) assess that the decision to work is largely driven by economic necessity and is little affected by whether pensioners are in receipt of pension payments or not, which suggests that pensions alone are insufficient to support pensioners.

The changes in contributions highlighted in Table III underline that there was a lack of stability in what could be expected from government. Arrears, differential payments by region (Denisova *et al.*, 2000) and changing rules for entitlement in the case of child benefit all fuelled this instability. The coefficient of variation for the average contribution of pensions and child benefit as reported in Table III is a measure of the dispersion of the probability distribution within the different groups identified. It has increased for the mean contribution of child benefit to household budgets in 2000, compared with 1996, showing increased spread, whereas for pensions it has fallen. By 2000 there was much less spread in the variation within all groups for pensions. This indicates that pensions were being paid evenly within groups and were providing reliable income.

The contribution of pensions to household incomes went up considerably more for female pensioners than male pensioners from 1996 to 2000. This can be explained by women having suffered disproportionately from arrears in pension payments. It was only as the situation on arrears payment improved that women started to receive their

full entitlement. The payment of male pensions over female pensions provides another example of the crisis revealing the order of state priorities. Moreover, under the most recently introduced pension system Williamson *et al.* (2006) evaluate that women's disadvantage with regard to pension payments will continue.

Conclusion

Previous debates have tended to view the ideas of age group conflict and cooperation as oppositional and mutually exclusive. This analysis draws more subtle relationships. While the state's preferential treatment of pensioners over children can be characterised as a symptom of age group conflict, it is shown that children actually rely on pensioners' benefits. Hence the interpretation of conflict should be nuanced by the sharing of pension entitlements by pensioners with children, even if this is enforced by hardship.

The analysis shows that in spite of the higher poverty rates for children's households than pensioners' households, child benefits suffered a much greater reduction than pensions, both in terms of the reduction in share of GDP and also in their contribution to household budgets. While child benefits and pensions were both cut during the financial crisis of 1998, by 2001 pension spending had partially recovered, but this was not the case for child benefit. Moreover there were specific changes in entitlement that took place in the period of study: means testing of child benefit was introduced in 1999, while there was an expansion in the groups entitled to pensions before the official retirement age (de Castello Branco 1998 cited in Kapstein and Milanovic 2000).

The fact that pensions were sustained was crucial to the survival of many Russian households. The extent of the reliance of children's households on pensions is a striking finding which also suggests the limits of other income earning opportunities in households at that time. While pensioners were contributing their pensions to other members of their families, they are also out working to an extent that is not seen in other industrialised countries. The level of age integration in Russia provides a particularly interesting point of comparison for other countries in which there have been discussions about the need for people to continue in paid employment beyond retirement age. The poverty rates of pensioners living with children are higher than for other pensioners, and the poverty rates for children living with pensioners are lower than for other children. Thus pensioners add to the material security of children but at their own cost.

It is revealing of state priorities that in post-Soviet Russia there has been little government support directed towards enabling or encouraging people to combine production and reproduction. This is despite the government's awareness of the social welfare challenges presented by a falling birth rate and ageing population. The relative unimportance of children in government social expenditure is both short sighted and represents a failure to recognise children's rights.

Notes

1. The survey has not been conducted at regular intervals.
2. In the USA, the proportion of children living with a grandparent recorded as the householder was 6.1 per cent and this figure had been reached in 2000 as a result of an increase in grandparent grandchild co-residence in the 1990s largely for those in difficult financial circumstances (US Bureau of the Census, 2000).

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Corresponding author

Shireen Kanji can be contacted at: sk469@cam.ac.uk