Russia is a country of social contrasts. It has the third highest number of millionaires in the world, after the United States and Germany. At the same time, 80 percent of the population still has a monthly income of less than 25,000 rubles ($860), official statistics show. Such disparity is potentially dangerous, and could lead to social unrest in the future. The authorities are resting their hopes for social stability on the development of a stronger middle class, which they expect to grow to 60 to 70 percent of the population by 2020. But experts are much less optimistic.

Some analysts believe that there is no middle class in Russia. Others say it does exist, but differs greatly from the middle class in Western countries. “Middle class is not just about income level. In Western Europe and the United States, people who belong to the middle class are also usually well-educated. They own some property and earn a living either as highly-skilled professionals, entrepreneurs or through self-employment. They are financially independent from the state and can influence politics. And they are the majority of the population. But the situation in Russia is not the same,” said Marina Krasilnikova, the head of the Income and Consumption Research Department at the Levada Center.

“Most people in Russia are still poor. The number of people with a higher income, who would meet the middle class criteria in the West, is very limited. Some researchers believe that such people account for no more than seven percent of the population in the country. Others estimate this group as 20 percent of population. But even those people with relatively high incomes may still behave like their poorer countrymen. They spend their money on food and clothes, but do not invest it in education or services. They are very loyal to the authorities and are not interested in politics,” Krasilnikova added.

Historical circumstances have created a very specific “post-Soviet mentality” in Russia. This mentality does not encourage long-term future planning, investments, saving or even living an active life. Secondly, according to experts, most high-earning Russians are fully dependent on the state. “Most of these people are employed by the state or work for large state-owned corporations. The number of independent professionals who work for themselves is very limited in Russia. Therefore, the values of the so-called middle class in Russia are the same as the values of their poorer counterparts,” Krasilnikova said.

Krasilnikova is quite skeptical about predictions of a rapid growth in the middle class in Russia. “It’s true that a middle class can exist only in democratic countries with developed civil society institutions. But unfortunately, Russia is still not such a country. Social mobility does not work here. A good education does not guarantee a good job and a high income. There are many well-educated people in the country whose work is badly paid,” she said.

Recent research conducted by the Ancor recruitment agency found that most well-educated professionals believe the only way they can move up the social ladder is by moving from small towns to big cities, or moving from Russia abroad. The number of people who want to become an entrepreneur or co-owner of a business has also halved since 2007. “The unwillingness of respondents to run their own business can be explained by the consequences of the economic crisis in Russia. The state only supported large companies during the crisis, while most medium-sized and small businesses were forced to solve problems using their own resources, or even close down. Managers therefore understood all the risks involved in creating and running their own
business, and probably decided not to commit to such obligations,” said Anna Dobryakova, the director of Ancor Banking and Financial Services. “But moving from the regions to the center gives employees opportunities for professional growth, successful career building and improving their social status and income.”

So the Russian middle class, if it indeed exists, is expanding due to continuing urbanization and not through the development of small businesses.

Research conducted by Troika Dialog shows just how different the middle class in Russia is from the middle class in Western countries. After interviewing 2,000 members of the middle class aged between 25 and 45, who have an average monthly consumption of $1,100 per person and live in 150 Russian cities, Troika sketched a profile of a typical member of Russia’s middle class.

The results reveal many interesting trends. Firstly, Russia’s middle class has limited savings. More than a third of respondents said they do not have any savings at all. A quarter of those surveyed save ten to 20 percent of their incomes, and only 17 percent save more. The rest save less than ten percent. This volume of savings could cover living expenses for just a few months. In most cases, this money is saved in cash or in ruble bank deposits. “Russian middle class representatives are very conservative in their investments. Only a few of them have shares, mutual funds and bonds. Even people whose savings can last for more than one year use market-based instruments very rarely. Only one fifth of them own shares, and ten percent own mutual funds,” said Andrew Kuznetsov, a strategist at Troika Dialog. However, many participants in the Troika survey said they plan to buy shares in the future.

The second basic difference between the Russian middle class and its Western counterpart is housing. Only 12 percent of respondents rent a flat, and only seven percent have a mortgage. Others said they live in flats or houses which belong to them or their relatives. More than a third of respondents do not have children, but live in a household with at least three people. This means that living with parents is still common in Russia even for people whose incomes are above average. “But more than a half of these people plan to take out a mortgage in the future, so this market has good prospects in Russia,” Kuznetsov said.

The third typical characteristic of Russian middle class behavior is extensive spending. While over a quarter of income is spent on food and clothing, the second largest share in the family budget is spent on luxury items, holidays and restaurants.

Average middle-class families in Russia spend their holidays abroad. The most popular destinations are CIS countries, Western Europe, Turkey and Egypt. Only a third of respondents said they have never been abroad, which is a much lower rate than in the United States. A typical family goes out once a month. The number of people who never go out has decreased over the last several years. Within the middle class grouping, the richest people most often spend their free time at restaurants, the cinema and theaters.

Another characteristic typical of the Russian middle class is its great love for the Internet. All respondents said it was their favorite source of information. The average middle class man or woman in Russia spends at least three hours a day on the Internet, and tends to trust it more than television. Moreover, respondents regularly shop online. “According to our research, the growth of the middle class in Russia and the typical patterns of its consumer behavior offer a challenge for the development of different markets, such as consumer stocks in general, banks, real estate companies, leisure services and the Internet,” Kuznetsov said. But Krasilnikova is less optimistic. “Even if incomes in Russia grow in the near future, it would not mean that a true middle class would appear in the country,” she concluded.

Meanwhile, more than a third of Russians believe they fall into the middle class category, public opinion polls show. [http://russiaprofile.org/culture_living/32841.html](http://russiaprofile.org/culture_living/32841.html)