

# The study of the conditions for the formation of the middle class in Russia using the factor model of the quality of life of people

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**Abstract.** The article substantiates the need to study the conditions for the formation of the middle class. Various approaches to the assessment of the middle class are considered and the author's approach based on factor modeling of balanced personality development is justified. The model clearly allows us to understand the reasons for the extremely low share of the middle Russian class, the lack of coordination of institutional changes with the harmonious development of the individual. This is due to the unevenness of ownership of production elements, the factors of the impossibility of changing the social status for people with higher education and demanded qualifications. Based on the simulated factors of life satisfaction and comfort of living of the population, a sociological survey was carried out, the results of which were processed using economic and mathematical methods and presented in graphic form. The author substantiates the use of the factor model of population quality of life management for the formation of methods and technologies for managing a set of measures that allow influencing the increase in the share of the middle class.

## 1 Introduction

The socially oriented development of Russia, as the ultimate goal that determines the effectiveness of management, determines the balanced development of human needs and the future potential of the comfort of existence [1]. The essence of the category "quality of life of citizens" is considered as its subjective perception by an individual, the level of satisfaction of human needs in society, the totality of social and economic indicators of the comfort of existence in a given territory. The growth of quantitative socio-economic indicators of development does not always reflect the satisfaction of the population with their expectations. The list of characteristics that reflect the quality of life of the population most often includes the amount of income, property ownership, housing conditions, social guarantees, and social status [2]. The use of economic and mathematical methods of

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research makes it possible to determine the aggregate indicators of the balance of the population's needs and the factors of transformation of the processes of development of the middle class [7] and to establish the relationship between the growth of institutional changes and the qualitative development of the individual. The results of research conducted by domestic and foreign scientists on improving the quality of life and increasing the number of the middle class are still in the field of scientific research and are debatable [4]. According to the established strategic directions for the development of Russian territories with adjustments until 2030 and the current corporate governance system, the growth of the quality of life of the population is directly influenced by state structures, commercial and non-profit organizations and citizens themselves. The study of the integration processes of the impact of the subjects of socio-economic interactions on the quality of life of the population is a complex management task. Of particular scientific interest are the factors that influence the harmonious development of a person and form the middle class in Russia.

## 2 Methodology

There are several approaches to the definition of the concept of "middle class", but they all agree on the following: the key characteristics of this social group are a pronounced cultural and spiritual development, a high level of qualifications, growing stable incomes, a high degree of satisfaction with social and economic needs, and status in society. The main problem of modern Russia is the low level of income of the educated population, as well as the existing lag in the quality of life of the lower class compared to the average, while the standard of living of the upper class does not differ from its foreign counterparts.

In the structure of the middle class in modern Russia, the main share falls on the younger generation, which has a high standard of living and is the main consumer of a modern group of goods and services. The state is interested in the growth of this class, since they are the main taxpayers (production, education, health, science, culture, and financial institutions) and producers of goods and services. The donor in the development of the economy is small and medium-sized businesses, where entrepreneurs are characterized by social activity (change of place of residence, profession, nature of work, social status). The middle class is the most active part of the population in improving housing conditions, acquiring various types of property and spending leisure time. The competitiveness of products and services created by this group of people contributes to the development of the economy and leads to an improvement in the living conditions of people. The economic activity of the middle class ensures the stability and stability of the country's economy.

The middle class is more interested in the development of civil society than anyone else because of its status in society and the available income. He wants economic and political stability, makes compromises and consensuses when making decisions to improve the standard of living and the quality of life in general. A special feature of the middle class is professional competence and interest in the adoption and implementation of national programs for guaranteed personal development. He influences the administrative bodies through public organizations, informal associations and political parties to meet their needs and increase social status.

The development of national programs and the development of the Russian digital economy created the prerequisites for the organization of new sources of income for the population in the form of small businesses and self-employment with the expansion of private property of the middle class. When studying the Russian middle class, you can notice its specific features. The structure of this class includes creative intellectuals, highly qualified specialists, and representatives of scientific communities. They all have approximately the same average income level, but compared to foreign countries, this

income is much lower. The only special difference is that the main part of the middle class has no private property in production (only an apartment and a car).

However, the peculiarity and distinguishing feature of the middle class in Russia is that, in comparison with Western countries, the majority of the Russian middle class in terms of income should rather be attributed not to the middle class, but to the low-income segments of the population. At the same time, the Russian middle class retains significant social characteristics: the level of higher education and a deeply patriotic attitude to the development of quality characteristics of life, despite the fact that the income received is not high. The assessment of the level and quality of life in this study was carried out taking into account internal and external factors that affect the dynamics of quality of life indicators. The factorial method of research most fully allows us to consider the coordination of the ongoing institutional transformations with the transformation of the processes of development of middle-class individuals. When assessing the standard of living of the population, private property (car, apartment, country house) becomes the most important, but for this there is a need for higher activity in the field of labor and the use of modern methods of survival in risky situations (high concentration of financial capital, methods of state regulation of the economy). The development of the digital economy and the socially-oriented market is aimed at a stable increase in the quality of life indicators of the country's population. [1].

### **3 Results**

The system of quantitative indicators for the transformation of processes related to infrastructure shifts, the institutional and investment environment is not always optimal for assessing the sustainable development of living standards. But it is the middle class that is at the head of the balanced development and comfort of living in different segments of society.

The study used a factor model of sustainable development of the quality of life of citizens, which was independently proposed by the authors of this work and published in various publishing houses [4]. This model is distinguished by the fact that in order to effectively manage the process of creating a middle class in Russia, it is necessary to have the necessary prerequisites created for this. It is difficult to classify any Russian citizen with a higher education and stable professionalism as a middle class, given the unequal ownership of property. At the present stage, the transformation in the higher education system provides for the formation of skills and professional competencies related to the implementation of factors of production that are owned and with the change in economic activity in order to generate additional income from entrepreneurship. The question of the quantitative and qualitative characteristics of the middle class is still open for discussion, but we hope that in the process of modern education, the young population of the country will develop professional competencies that will allow them to make effective management decisions, including the ability to effectively manage the factors of production, satisfying the interests of all subjects of socio-economic relations [6].

Accordingly, there is no single universally recognized scientific approach to the definition of the Russian middle class, which is a significant difficulty for domestic researchers. The existing differences in the sets of frameworks and criteria for grouping the population by class do not allow for a comparative analysis due to the large difference in the indicators of scientific research.

In a survey of the residents of the Russian Federation, which was conducted by All-Russian Center for Public Opinion, amazing results were obtained. It is determined that about 80% of the residents belong to the poor class of those who do not have sufficient funds for basic necessities [10]. At the same time, these results do not coincide with the

opinion of foreign researchers when assessing the middle class in Russia. At the present stage of development in Western countries, families are enrolled in the middle class, where there is a monthly income of 2-2.5 thousand dollars for each family member, more than 40 square meters of housing per individual and 2-3 passenger cars are in use.

Research organizations in Russia have identified indicators according to which a part of the population should be classified as middle class:

7% of residents in a study published on the platform of the Institute of Modern Development, which belongs to the list of leading organizations [11];

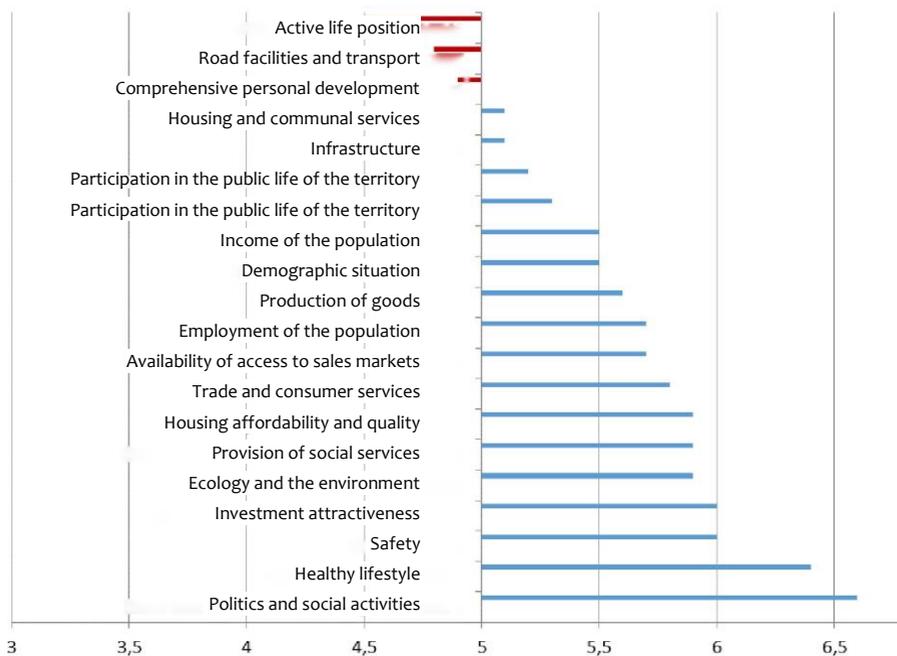
4.1% was calculated in its research by the Swiss bank Credit Suisse [9].

The Global Wealth Report notes that the middle class in Russia is less than 5 million people, i.e. 4.1% of working-age residents who receive an income of \$ 18,000 per year. Such an assessment allows us to determine the tendency to increase the stratification of residents, which shows the income difference between the rich layer of the population and the poor Russian residents.

The authors of the article in the study found that the main influence on the significant difference in the material standard of living of the population and a small percentage of the middle class in other strata of citizens, has a large concentration of property in a small part of the population [4]. Since the scientific community does not have a common approach to determining the criteria for classifying Russian citizens as middle class, the authors suggest using the possibilities of a program-oriented analysis of the satisfaction with the life of the population. According to which, in the period 2014-2018, a sociological study was conducted in which 3,900 people with different age boundaries living in the Nizhny Novgorod region were involved. They had higher or incomplete higher education. The study was conducted on 20 indicators assigned to a specific subject that could influence these indicators.

When conducting the study, respondents had to evaluate the components of the quality of life of the population on a 10-point scale in accordance with their change in 2019 compared to the previous year 2018. At the same time, the value of 5 points corresponds to the value of the indicator, which has not changed compared to the previous year, below 5 points-the indicators have deteriorated, above 5 points-the indicators have changed their values for the better.

Based on the developed methodology, a sociological survey of respondents is conducted annually, the results of which were published by the authors in various publications [1, 4, 5]. The results of the research for 2019 are shown in Figure 1.

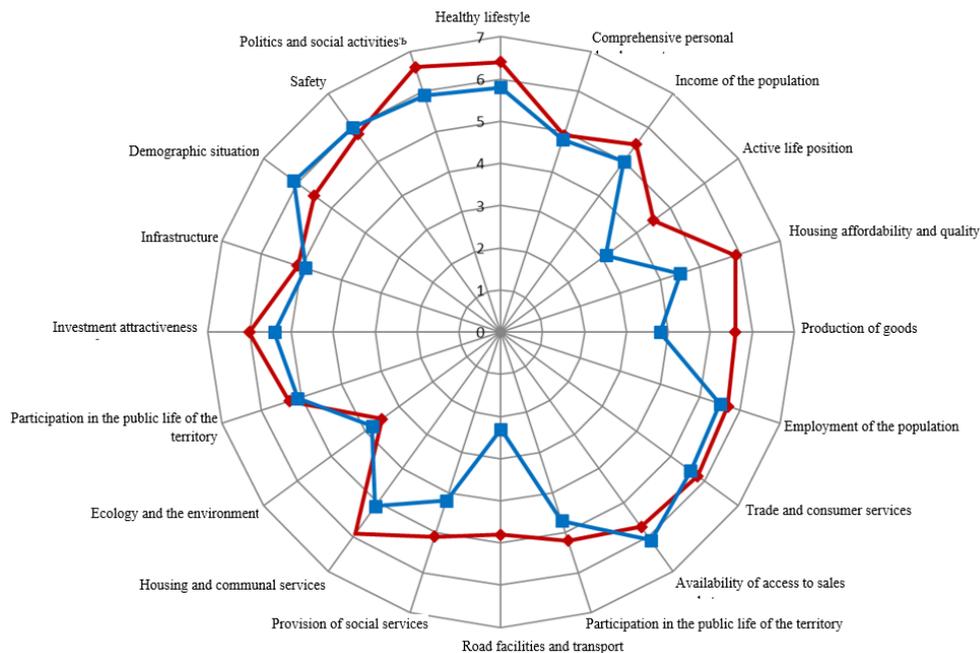


**Fig. 1.** Assessment of indicators for the respondent's classification as middle class. *Source* Developed and compiled by the authors

When analyzing the results of a sociological survey of the population with higher education in Russia, the evaluation paradigm is revealed. Some indicators are located on a scale above 5 points (this is accepted for the middle class for the lower limit), but people who refer to this class have a low quality of life. The middle-class population has a higher income than the lower-class population. They attribute this to higher education, qualifications, and better working conditions. This population group was chosen by the respondents in the study. In Western countries, the middle class is the basis of any social group and is mobile in terms of its position in society. The middle class brings a large income to society in the form of taxes and is the bearer of the norms, traditions, and values of society. The survey of respondents showed that they are below the social status of their colleagues abroad. Therefore, since the middle class in Russia is no more than 35 percent (the most important in the state system), there is a need not only to increase it in quantitative terms, but also in status.

Self-identification becomes a subjective criterion for assigning a person to the Russian middle class. The study of the works of Russian scientists [3] shows the need to improve the representativeness of the sample of respondents. In addition, the survey indicators do not always correspond to the accepted statistical indicators.

Figure 2 in comparison shows the results of research on the assessment of quality of life factors by respondents in 2018, which was adopted as the baseline for further research on the implementation of national goals and objectives to improve the standard of living of the population in comparison with 2014.



**Fig. 2.** Factors influencing life satisfaction for 2014 (blue line) and 2018 (red line). *Source* Developed and compiled by the authors

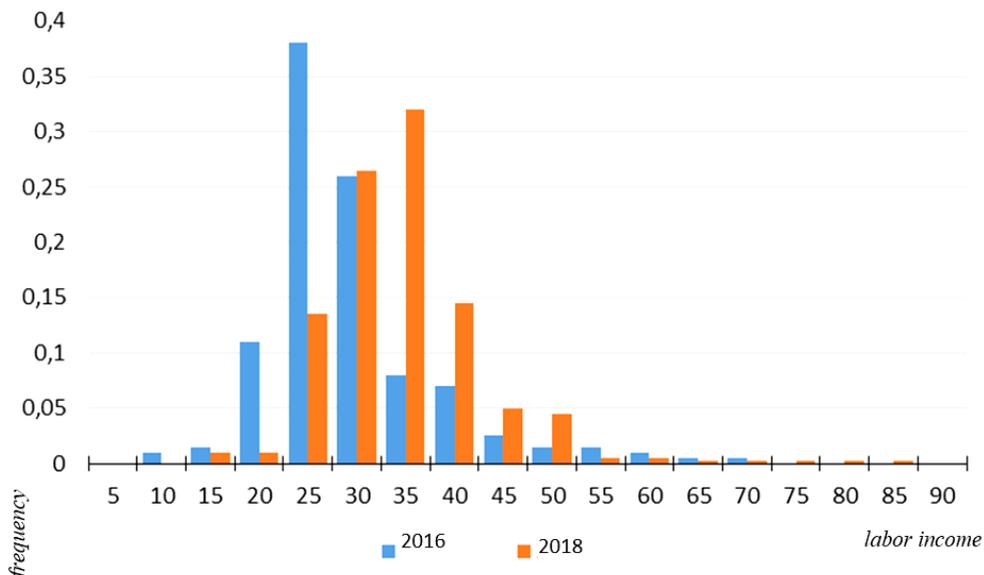
In Figure 2, you can see that in 2018, the most influential factors were such as the preference of citizens to lead a healthy lifestyle, the greater opportunity to purchase housing and the comfort of the housing itself. Respondents believe that the level of income can be estimated as average and this is an indicator of the standard of living of the middle class. Similar average indicators are observed in this category of the population not only in terms of living standards, but also in terms of income and accumulated wealth. The middle class, depending on the place of residence, has its own specifics. The population does not always have an active life position, criticism is directed towards the population of large cities and there is a weak participation in the electoral processes and the improvement of territories. The presented picture of 2018 has undergone significant changes in 2019 and during the pandemic period (2020), but the results of the study will be presented in subsequent papers.

Studies have shown that respondents indicated a positive trend in the growth of indicators of life satisfaction and comfort of existence. This is the beginning of the formation of the middle class in the country and there is a public mood for the importance of this direction in the state system. When analyzing the quality of life, factors with low indicators of influence on the life satisfaction of the population were identified. This is evidence that at the present stage of development there are conditions and opportunities for improving the harmonious development of the individual, and in territorial management, when making decisions, it is necessary to include not only state bodies, but also business communities and citizens themselves in this process.

The question of the level of well-being of the population belonging to the middle class, many researchers try to measure the value of the level of wages in Russia, which, according to the authors, is fundamentally wrong, since wages are only one part of income. At the same time, the analysis of statistical data on labor income per capita showed that the law of normal distribution was violated.

Comparing the changes in the indicators of total per capita income in different subjects of the Russian Federation in different periods of time, the diagrams presented in Figure 2

were compiled in the analysis. In 2016, the per capita income was minimal - 14,034 rubles [16], in 2019-14,967 rubles. For comparison with the normal distribution, a Gaussian curve was constructed with the division of total income in increments of 5,000 rubles.



**Fig. 3.** Distribution of population income frequencies for 2016 and 2018. *Source* Developed and compiled by the authors

As can be seen from Figure 3, the curve shifted to the right, but retained significant parameters that differ significantly from the normal distribution. The boundaries and width of the median interval of the resulting distribution are significantly shifted to the left and make it possible to assert that the values of the indicators of the Russian middle class do not yet correspond to the target values.

## 4 Conclusion

In Russia, the middle class is heterogeneous and it is not always correct and reliable to determine it by the average per capita income, since different methods of calculating the indicator can be used. This class has a fairly high level of education, but performs a dual function. On the one hand, these are entrepreneurs of small and medium-sized businesses, and on the other - these are people of intellectual labor, but both of them perform the function of stabilizing society. Consequently, the formation of the middle class requires a different methodology that takes into account various factors in assessing the satisfaction of the population's life. This methodology makes it possible to determine the criteria under which the middle class, its scope and boundaries. Here it will be possible to consider the dependence of income and the status of a person, the discrepancy between the income of an employee and the position occupied, the Soviet middle class and the modern middle class in terms of living standards, the comfort of existence and the harmony of human development. Having determined the limits of the quality of life of the existing middle class, it is advisable to make strategic decisions to increase the number of the middle class as the basis of society and balanced personal development in the implementation of national programs of socio-economic development of the country.

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