Russia and the COVID-19 Pandemic

Economic and Social Consequences

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Sammanfattning

Ryssland är fjärde land i världen vad gäller antal personer som har drabbats av covid-19. Rapporten diskuterar hur pandemin har hanterats av det politiska ledarskapet, hur hälsosektorn har klarat av pandemin och hur ekonomin har påverkats. Liksom andra länder har Ryssland balanserat mellan åtgärder som begränsar smittspridningen och att undvika alltför stora negativa effekter på ekonomin. Karantänåtgärder infördes i slutet av mars 2020 men dessa lyftes i mitten av maj samma år snarare av hänsyn till ekonomiska och politiska hänsyn än på grund av att smittspridningen var under kontroll. Rysslands inrapporterade statistik till WHO har ifrågasatts. När man studerar överdödligheten tyder den på att covid-19 orsakat dödsfall hos 0,13 procent av befolkningen 2020, vilket är 3 gånger så många som de registrerade dödsfall på grund av covid-19 som har rapporterats in till WHO. Hälsosektorn fick betydligt mer finansiering, 4,6 procent av BNP, under 2020, och BNP minskade med 3,1 procent. Budgetunderskottet uppgick 2020 till 4 procent. Arbetslösheten har ökat och personer som arbetar i den informella ekonomin och migranter har varit de mest utsatta grupperna under krisen. Inkomsterna har minskat. Ryssland har till viss del haft hjälp av sin protektionistiska politik. Medicinsk utrustning har producerats inom landet och Ryssland har utvecklat flera vaccin. Pandemin har påverkat och kommer att påverka den ryska ekonomin på sikt, inte minst då den kan komma att påverka Rysslands demografiska situation med negativ befolkningstillväxt.

Nyckelord: Ryssland, covid-19, pandemi. hälso- och sjukvårdssektor, ekonomi

Summary

Russia is fourth in the world in terms of number of cases of COVID-19. The report discusses how the Russian political leadership has managed the crisis, how the health care sector has coped and how the COVID-19 pandemic has affected the economy. As in other countries, Russia has struggled to find a balance between measures that diminish the dispersion of the disease and the negative impact that restrictions have on the economy. Quarantine measures to slow down the dispersion of the virus were introduced in late March 2020, but these were lifted in mid-May, for what seem to be economic and political considerations. Russia's statistics on COVID-19 deaths have been questioned. Data on excess deaths considerably diverges from that on registered deaths that have been reported to WHO. Excess deaths indicate a death toll of 0.13 of the population in 2020, which is 3 times higher than the number of registered deaths reported to WHO. The health sector received significantly more funding during the pandemic, 4.6 per cent of GDP, and the economy contracted by 3.1 per cent. Fiscal measures were introduced to diminish the economic recession, causing a budget deficit of 4 per cent. Yet, unemployment has risen and migrants and those working in the informal sector have been among the most vulnerable. Incomes have decreased. Russia has to some degree had an advantage due to its import substitution policies. Medical equipment has been produced domestically and Russia has developed its own vaccines. The pandemic has economic repercussions and may affect the demographic situation of Russia, with its decreasing population.

Keywords: Russia, COVID-19, pandemic, health care sector, economy

Foreword

In every corner of the world, the COVID-19 pandemic has wreaked havoc on societies and economies. Russia, the geographically largest country in the world, is no exception. The pandemic has not only placed Russia's health care sector and the economy under severe strain, but it has also been a stress test for the political system.

In this explorative study, Dr. Susanne Oxenstierna reviews Russia's management of the pandemic, detailing the political decisions taken and assessing the healthcare system's ability to cope with the crisis. By seeing beneath the veneer of officially reported data, she clarifies the situation regarding deaths attributable to COVID-19 in Russia. As for the economy, this report assesses both the short- and long-term consequences of the pandemic.

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Acronyms

CIS	Commonwealth of Independent States
COVID-19	Severe acute respiratory syndrome coronavirus 2
FFOMS	Federal Mandatory Health Insurance Fund
FMBA	Federal Medical-Biological Agency
ILO	International Labour Organization
IMF	International Monetary Fund
OMS	Mandatory health insurance (*obyazatelnoe meditsinskoe strakhovanie*)
FOM	Public Opinion Foundation
Rospotrebnadzor	Federal Service for Supervision of Consumer Rights Protection and Human Welfare
Roszdravnadzor	Federal Service for Surveillance of Healthcare
Rosstat	Federal State Statistical Service
SME	Small- and medium-sized enterprise
TFOMS	Territorial Mandatory Health Insurance Funds
WHO	World Health Organization

Innehållsförteckning

1 Introduction

In January 2020, the World Health Organization (WHO) confirmed that a novel coronavirus, “severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)”, (hereafter referred to as COVID-19) was the cause of serious respiratory illness in Wuhan, Hubei, China. The transmission of the virus was found to be significantly greater than earlier types of SARS viruses and in February and March it spread quickly to other countries, to become a worldwide pandemic. The pandemic has produced a crisis that seriously affects businesses and the lives of people. Governments have engaged in crisis management in attempts to restrict the dispersion of the disease, launching measures to cushion the negative effects on their economies. On 15 April 2021, the number of people who had been infected with COVID-19 worldwide was 137,866,311, while the number of confirmed deaths from it was 2,965,707 (WHO 2021).

For Russia, the corresponding figures reported to the WHO were 4,675,153 infected and 104,398 deaths. The virus first appeared in Russia in January 2020, when two Chinese citizens, one each in Tyumen (Siberia) and Chita (Russian Far East), tested positive for it (Sheenmagazine 2020). These cases were contained. However, in early March, the illness spread from Italy to the big urban centres, and Moscow and St. Petersburg as well as North Caucasus were severely hit. In late March, a federal lockdown was initiated, and retained until mid-May 2020. Russia is the geographically largest country in the world, with a population of 146.7 million people. In terms of number of infected people, it is the fourth country, globally, after the US, India and Brazil, and has the highest number of infected people in Europe. The management of the pandemic has been a serious challenge for President Vladimir Putin. The pandemic bears similarities to the financial crisis in 2008–2009, since it has affected the entire world economic system and not only Russia. Russia has been primarily affected by the fall in the oil price following the demand shock.

The pandemic can be studied from many aspects, but the health care sector’s prerequisites and ability to counteract the dispersion of the disease and how the economy has been affected have been central challenges for all countries during the pandemic. In this report, the research questions are how the crisis has been managed by Russia’s political leadership, how its health care sector has coped and how the COVID-19 pandemic has affected the economy. The economy has performed weakly for several years, while the health care sector has been subject to many reforms since the collapse of the Soviet Union and remains underfinanced: reforms have not produced a fully coherent system that gives equal access to care everywhere in the country.

The purpose of this report is to discuss how the COVID-19 pandemic has been managed in Russia in terms of policies mitigating the spread of the disease and alleviating its consequences for the health sector and the economy in particular. The health sector infrastructure and its prerequisites for coping with the pandemic and how the pandemic has impacted the economy in 2020 are analysed. In addition, assessments of Russia's corona policies are reviewed.

The study is analytical descriptive. By February 2021, when work on this report was started, only a handful of social science papers had been published on the pandemic in Russia: Cook and Twigg (2020); Razumovskaya et al. (2020); Åslund (2020); Shevtsova (2020); Wilson Sokhey (2021); and Kobak (2021). The health sector and its reforms and infrastructure are quite well covered by the literature, but the publications are from before the pandemic and do not discuss its particular challenges: e.g. Tragakes and Lessof (2003); Tompson (2007); Popovich et al. (2011); Gordeev et al. (2011); Shishkin (2018); and Reshetnikov et al. (2019). The report uses the literature in combination with primary materials from the President Administration and statistical sources, such as the Federal State Statistical Service (Rosstat), the World Bank, the independent polling institute Levada, and the Ministry of Finance. Statistics for 2020 have not been available in some areas during the work on the study, which has limited parts of the analysis.

The report starts with a description of the development of Russia's management of the pandemic and the measures the political leadership has undertaken. The third section discusses and questions Russian statistics on the pandemic. The fourth section explores the situation in the health care sector, its organisation and financing, and evidence of how the pandemic has been dealt with. The fifth section analyses the effects on the economy. The sixth section discusses different assessments of how Russia has managed the pandemic. Finally, conclusions are drawn.

2 Russia's management of the COVID-19 pandemic

In Russia, the numbers of confirmed cases of COVID-19 infection started to increase in the beginning of March 2020. First, the big urban centres were affected and North Caucasus had a serious outbreak of the infection. It took a couple of weeks before the federal political leadership reacted. On 14 March, the government formed a Coordination Commission to fight the corona virus. On 15 March, the president established a working group to complement this Commission (Rasporyazhenie 2020). The Coordination Commission and the working group involved representatives from all ministries and agencies and regional authorities of relevance for the work with the pandemic.

At a meeting with government members on 17 March 2020, President Vladimir Putin stressed the seriousness of the situation and called for mobilisation to contain the proliferation of the disease (Meeting 2020a). Russia has relied heavily on domestic resources in its fight against the virus and Putin for example called for a drastic increase in the production of test systems for correct diagnostics and a reinforcement of efforts to develop a vaccine. Russia's striving, because of sanctions and import substitution, to be self-sufficient in many areas may be seen as an advantage in this situation, since it frees it from dependence on imports of many necessary products. Test systems were developed by the VECTOR State Research Institute and the Institute of Epidemiology at the Federal Service for Supervision of Consumer Rights Protection and Human Welfare, and Rospotrebnadzor, in collaboration with specialists from the Ministry of Health and the Federal Medical-Biological Agency, FMBA (Meeting 2020a).

Research for a vaccine was at this point already under development by specialists from Rospotrebnadzor and FMBA's St. Petersburg Research Institute of Vaccines and Serums. Furthermore, Putin urged the Ministry of Health, the government and regions to increase the salaries of Rospotrebnadzor employees, who worked with identifying those who were infected; primary health workers; and in fact everyone in medical emergency jobs working with the infected (Meeting 2020a).

On 25 March, Putin gave a public speech in which he announced that the referendum on constitutional changes would be moved forward from 22 April due to the dispersion of the infection (Speech 2020a). He announced that there would be a paid non-working week: 30 March–3 April (Ukaz 2020a). This non-working period was eventually prolonged until 30 April (Ukaz 2020b), and later, in some regions, to mid-May–June. Health workers, workers in transport, and all other employees in socially necessary functions would continue to work as usual. The quarantine measures were motivated by the need to slow down the proliferation of the infection.

Putin also spelled out the rules for social benefits in connection with COVID-19. Already confirmed social benefits would be continued automatically, without any further documentation, during the coming 6 months (Speech 2020a). All families that were eligible for maternity capital would get a lump sum of RUB 5000 (USD 70) extra for each child under three years. Other already decided benefits to families with children were to be paid out as quickly as possible. The levels of sick pay and unemployment benefits were to be raised and set in proportion to the social subsistence minimum. Concessions on private debt service would be granted to unemployed and people with reduced incomes and to other groups when necessary. Several measures to support businesses affected by the pandemic were announced: tax concessions for small- and medium-sized enterprises (SMEs), state guarantees of loans, and subsidies (Speech 2020a).

On 2 April, in a second public address on the COVID-19 situation (Speech 2020b), the president stressed that heads of regional and local administrations had been mandated by a decree on the same day (Ukaz 2020b) to undertake the necessary measures on their territories and assume the full responsibility. The reason for not relying on centrally imposed measures was that the COVID-19 situation in the vast country varied greatly between regions and the federal level could not levy unified regulations throughout the entire territory. The governors and regional administrations were given a week to present plans for the health care work and measures to support the economy. Coordination of the work of the regions and each local administration, it stated, should be supervised by the representatives of the federal districts and all information should be shared with the Coordination Commission, under the government. Regional authorities were told that the health and security of the citizens was to be given priority over other considerations, but at the same time jobs should be preserved (Speech 2020b). On 21 April, some regions of Russia, including Moscow, introduced a digital pass system. Moscow instituted checkpoints to enforce the digital pass system (Wilson Sokhey 2021). The digital passes are an example of how the pandemic has forced authorities and the public to use digital tools in various areas, for example for payments of benefits, which is a positive technical development. But, the digital passes are also an example of how the pandemic has given the authorities a means for exerting more severe surveillance of the population. Digital control over the population has increased during the pandemic (Vendil Pallin 2020:59).

In a meeting with regional authorities on 28 April, Putin noted that the production of ventilators, face masks and other protective equipment had increased substantially.[1] The number of hospital beds for necessary intensive care had increased. Due to the May holidays, the non-working period was extended to 11 May, but it was up to the regions to decide whether the lockdown could be lifted, depending on the epidemiological conditions locally (Meeting 2020b). The working group of

[1] Members of the government were also infected by the virus. On 30 April, Russian Prime Minister Mikhail Mishustin reported to Putin that he had tested positive for the coronavirus (Talk 2020).

the Coordination Commission was to work out, by no later than 5 May 2020, recommendations on how the lockdown could be lifted one week later, on 12 May. The government was asked to work out more supportive measures to support citizens and businesses. Together with businesses and regions, the working group was to develop a national general plan for how business, employment and incomes, and growth of the economy could return to normal.

On 11 May, Putin held a meeting with all ministries and agencies involved in the programme against COVID-19 (Meeting 2020c). The topic of this meeting was how to gradually relax the restrictions. The health care sector now had the necessary equipment and was no longer overwhelmed. The number of tests had risen from 2500 in March to 17,000 a day in early May. On 12 May, the paid non-working holiday would end, but regional leaders needed to assess the situation in their regions first. The full responsibility of the regional leaders to provide a safe reopening of activities locally was reconfirmed in a new decree (Ukaz 2020c). In the beginning of May, more than half of all reported newly infected individuals were in Moscow, and well over 60 per cent in the broader capital region. But by the end of June, fewer than 10 per cent were in Moscow proper; instead, poorer regions, e.g. Chechnya and Dagestan, where medical infrastructure was poor, had become hot spots (Cook and Twigg 2020: 251).

Putin announced that benefits to social workers who were carrying an extra work load and exposed to higher risk would be raised. Extra pay was to be introduced for three months, from 15 April to 15 July. Doctors and social institutions would receive an extra RUB 40,000 (USD 556) for two-week shifts and, if they were directly involved with corona patients, RUB 60,000 (USD 834). Social workers and teachers would receive RUB 25,000 (USD 348) and RUB 35,000 (USD 487) if they worked directly with corona patients.[2] The regional heads were instructed to take decisions on restrictive measures based on the analyses of their specific situation and the opinion of their respective chief sanitary doctors (Meeting 2020c).

In a meeting on 22 May, the president drew attention to the serious situation in Dagestan, which had limited health infrastructure to cope with all of the infected patients. The republic had received both help from the Armed Forces to set up field hospitals and other support from the federal level. At the meeting, Deputy Prime Minister Tatyana Golikova asserted that at that time the coefficient of dispersion of the virus (R_t) was 1, or less than 1, in 47 of the regions (Meeting 2020d). The referendum on the constitutional amendment was rescheduled to between 25 June and 1 July (Cook and Twigg 2020: 252).

Apart from these measures, the government had already closed Russia's borders on 18 March. Air traffic was discontinued, and major highways in and out of

[2]The average monthly per capita income was RUB 35,231 in 2020. Real incomes have fallen since 2014. The official monthly subsistence minimum was RUB 10,890 in 2019 (Rosstat 2021).

the country were shut down. Not only businesses but also schools and universities were closed during the lockdown and students and staff switched to remote learning (Cook and Twigg 2020: 255).

Russia's first wave of COVID-19 in March–May 2020 flattened in June–July. By July, strict mobility restrictions were gradually removed, at varying pace, in all the regions. In September, the number of COVID-19 cases began to rise sharply again; by the beginning of October, they exceeded the peak of the first wave (World Bank 2020: 6). By December 2020, Russia had registered 2.5 million cases and rated fourth after the US, India and Brazil in number of cases. Schools in Moscow were shut down again as the number of infected started to surge (Wilson Sokhey 2021) and other regions introduced similar measures, but no further federal initiative introducing strict lockdown measures was announced in 2020.

In April 2021, Putin announced that there would be 10 days off during the May holidays, 1–10 May, in order to stop the spread of the disease (Ukaz 2021). But this is a period when most Russians take time off, anyway. The decree increased the number of paid days between the 1 May holiday and Victory Day on 9 May: the extra days of paid leave, for those who have a job, were 4–7 May. As with the earlier paid leaves, this measure negatively affected the businesses that have to pay for days off.

The cost of the anti-crisis packages during spring 2020, consisting of fiscal benefits, social and unemployment benefits, credit relief for individuals, corporate subsidies, and tax concessions for small- and medium-sized enterprises (SMEs), amounted to 2.6 per cent of GDP, which is much smaller than the anti-crisis programme 2008–2009 (Åslund 2021: 540). In total for 2020, the anti-crisis spending was about 4 per cent of GDP (see below).

Russia did send medical assistance to such countries as Italy and the US during the pandemic as "goodwill" gestures (Persson 2020: 66). Observers see this as one more tool to influence public opinion in the West (Oksanen 2021). Medical personnel from the Russian Armed Forces were sent abroad to assist in the fight against the virus. This is a way of gaining political points, but it also opened potential opportunities for intelligence service activities (Persson 2020: 68).

On 11 August 2020, Russia became the first country to approve a vaccine against "severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)" (Khan Burki 2020). The vaccine was named "Sputnik V", after the spacecraft launched under the Soviet space programme. The vaccine was developed by the Gamaleya National Center of Epidemiology and Microbiology, in Moscow. President Putin announced the approval, but there was widespread international concern that the announcement was premature. Vaccination in Russia started on 7 December 2020, with doctors, teachers and social workers among the first to be vaccinated. The vaccine has been sold to several countries. Furthermore, Russia has registered

a second vaccine, Vektor, or “EpiVacCorona” (World Bank 2020: 6). A third vaccine, CoviVac, was registered in February 2021 (RFE/RL 2021).

To develop a vaccine and mass vaccinate the population has been an important element in Russia’s anti-coronavirus strategy. The population’s willingness to be vaccinated has not been self-evident. In a survey in August 2020, only 38 per cent of the respondents were ready to be vaccinated, for free, and as many as 54 per cent did not want to get a Russian vaccine (Levada 2020k). Also, production has been slow; in April 2021, there was still not enough vaccine to meet the needs of Russia nor other countries (OSW 2021). So far, only a fraction of the population has been vaccinated. According to John Hopkins University data from April 2021, 12 per cent of the population had received their first shot of the vaccine and only 4 per cent had been fully vaccinated. To achieve collective immunity by the end of the year, as Putin desires, will be difficult (Republicworld.com 2021). On top of that, in May 2021 Brazil banned import of Sputnik V, because the live version of a common cold-causing virus had been found in tested batches. This could be problematic for people with weaker immune systems. Virologists have raised questions about the integrity of the manufacturing processes of Sputnik V (CBS News 2021).

3 Russian COVID-19 statistics: Can they be trusted?

The quality of Russian COVID-19 data were questioned already early in the pandemic. Through March and early April, as reported case numbers surged in Europe and the United States, the number of new cases in Russia seemed suspiciously small. Doubts were raised around the coverage and reliability of Russia's test kits. To some extent, the low numbers in the beginning of the pandemic could have been affected by insufficient testing capacity.

As the number of detected cases increased, even more questions arose regarding Russia's reported numbers of deaths, which were extremely low. Some observers have speculated that mortality data were deliberately manipulated. Political pressure to avoid sending bad news up the bureaucrat ladder could be a possible factor. But the comparatively low fatality rate may also result from national classification rules that differ from WHO's recommended standards (Cook and Twigg 2020: 251). WHO states that death should be attributed to coronavirus if the virus has been confirmed or is a suspected cause. Apparently, Russia's rules are more flexible and highly decentralised, allowing medical professionals to focus on co-morbidities that contribute to a death. Even if a patient had tested positive for the coronavirus, death could be recorded as being due to something else. Coke and Twigg (2020: 251–252) argue that Russian rules distinguish between death *with* COVID and *from* COVID-19.

Russian data on COVID-19 deaths are, however, seriously contested by researchers who have compared them with the underlying monthly data reports (Kobak 2021). In January 2021, Russia reported a total of 57,600 deaths, which was equivalent to 0.04 per cent of the country's population. From this one could conclude that the country had a much smaller death toll than in countries such as Peru (0.12), the UK (0.11) and the United States (0.11). Furthermore, comparing Russia's monthly data on deaths from all causes with WHO's definition of which deaths should be considered as COVID-19-related, it is found that in April–November 2020 Russia had 58,900 deaths from confirmed COVID-19, 12,000 deaths from suspected COVID-19, 11,300 deaths influenced by COVID-19, and 33,800 deaths from unrelated causes in people diagnosed with COVID-19. Based on these numbers and the WHO recommendation on which deaths should be counted as COVID-19-related, the number of deaths was 116,000, 3 times as large as the number reported to the WHO for this period. The official number of deaths reported was 40,500 (Kobak 2021).

Countries register deaths in different ways according to national nomenclature, so Russia is not the only country with differences in numbers depending on what methods have been used. Furthermore, the number of confirmed cases depends on test availability and testing policy. Kobak (2021) suggests that an alternative to

counting registered deaths would be to look at "excess mortality", which is defined as the number of deaths from all causes that exceeds the pre-pandemic average. Computing excess mortality from April to November, the number was 264,100 excess deaths, which is 6.5 times the 40,500 deaths Russia reported to WHO in December. This is the highest factor of difference, between registered deaths and excess deaths, across all countries, meaning that daily reported deaths in Russia may be the least reliable indicators of the true epidemiological situation across countries.

Excess mortality was over zero in all Russia's 85 federal subjects. Monthly data clearly show the wave of the epidemic and its progress. The epidemic started in Moscow, St. Petersburg and North Caucasus (Chechnya and Dagestan), where overall mortality increased by 25 per cent and more. In Moscow and St. Petersburg, almost all excess mortality is explained by COVID-19. In most other regions, excess mortality vastly outnumbers the reported COVID-19 mortality, both in numbers reported each day and in monthly reports. In many regions, the excess mortality has risen substantially, up to 30 per cent in Chechnya, 70 per cent in Tatarstan and 110 per cent in Bashkortostan. This can hardly have a benign explanation and suggests concealment and/or misreporting of COVID-19 deaths. Indeed, there have been reports of overflowing hospitals and packed morgues and deliberate misdiagnosing of COVID-19 as pneumonia (Kobak 2021).

In December 2020, Deputy Prime Minister Tatyana Golikova suddenly admitted that 81 per cent of the excess mortality recorded in Russia from January–November 2020, which was 229,700, according to her estimate, was due to COVID-19 (Guardian 2020). This corresponds to 186,000 deaths, which is 3 times the official number reported to WHO for 2020 and would entail that Russia had the third highest death toll across all countries. There was no explanation, and the official data was not changed. This would imply that COVID-19 deaths in 2020 amount to 0.13 per cent of the population, which is more in line with the situation in other countries mentioned above and that have been severely hit by the pandemic.

Vedomosti (2021) reports a ranking that Fond Peterburgskogo Politia has developed, which shows the 10 regions with the highest *total* increase in numbers of deaths from 2019 to 2020. In first place is Chechnya, with a 44.5 per cent increase; second is Dagestan, with 34 per cent; and third is Ingushetia, at 29.1 per cent. The high death toll in North Caucasus is attributed to poorly developed medical infrastructure. The commodity-rich autonomous regions Yamalo-Nenetskiy AO and Chanty-Mansiyskiy AO had had high increases: total increases of 28.8 and 26.5 per cent respectively. This is probably due to the fact that either there are people in the oil- and gas industry who live in clusters in these areas, which means that an outbreak causes many cases of infection per population; or there are individuals in remote rural areas who cannot easily access medical care. Moscow is in tenth place, with deaths increasing by 23.3 per cent. This ranking of total

deaths confirms that reported data for some regions are a serious misrepresentation of the regional situation regarding COVID-19 deaths.

A Public Opinion Foundation (FOM) poll on how doctors view the statistics on coronavirus cases and deaths reveals that 60 per cent of the respondents did not trust the official statistics.[3] A comment by an analyst in this poll is in line with the above referred Russian regulations on cause of death: “If a diabetes patient dies from coronavirus, it will be registered as death from diabetes” (Levada 2020j).

To sum up, there is a great probability that Russia’s death toll from COVID-19 is much higher than the official numbers reported to WHO reveal. To some extent, figures have obviously been deliberately manipulated, while some discrepancy may be explained by the Russian regulations for defining the cause of death. In fact, “excess deaths” would be a more objective indicator of COVID-19 deaths for all countries, since it is free of national regulations and definitions of causes of death. At least, it should be used as a complement to registered deaths, for comparison. Ideally, the registered deaths and the measure of excess deaths should be at approximately the same level; for Russia, the difference is substantial, which raises questions of credibility. In any case, for Russia, the excess deaths add to its already severe mortality crisis and decreasing population, which the political leadership has tried to address in different ways, for instance with a national health project (see Section 4.2) that has high priority but seems not to have delivered.

[3] To be openly critical about the management of the COVID-19 crisis has proven fatal for some doctors. Vox (2020) reports that three doctors in different locations have mysteriously fallen out of windows and died after voicing criticism.

4 The health care sector and its ability to cope

Since 1991, the centrepiece of health care reform in the Russian Federation has been the transition from an integrated, hierarchical model of health care provision to a more decentralised, contested and insurance-based system of public health care (Tompson 2007: 5). The health care reform is still ongoing, with elements of Soviet health care still prevailing. Present health care is in a semi-reformed state and the quality and accessibility vary across the country.

Health care reform needs to be seen in the wider context of Russia's health and mortality crisis. The deterioration in basic indicators of health and human welfare started in the Soviet period and accelerated after its collapse (Tompson 2007: 5). Mortality rose and life expectancy at birth fell sharply in the 1990s. Since then, mortality rates have fallen only slightly and remain at high levels. Infectious diseases, which are traditionally related to the level of living standards, are still at a high level for a country of Russia's development level. Russians have disproportionally high rates of chronic underlying health conditions that increase the risk of severe complications from COVID-19, including heart disease, diabetes and hypertension. In addition, several vulnerable populations, such as undocumented migrant workers, homeless and residents in communal apartments, have been left without care (Cook and Twigg 2020: 252).

Figure 4.1 shows that the population is decreasing and that the temporarily higher birth rate is on its way down, which neutralises the slight decrease in mortality.[4] The average life expectancy at birth was 73.7 years in 2019; 68.2 years for men and 78.2 years for women (Rosstat 2021). The difficulties of fighting mortality and the underlying diseases affect the population's trust in health care and how it is managed.

[4] The shrinking population also affects the Armed Forces, since it involves a decline of men 20–34 years of age by 2030. To maintain the numbers, the militarisation rate (the numbers in the Armed Forces divided by the male population 20–34 years) would have to increase from 6.31 in 2020 to 8.01 in 2030 (Wooley 2021). See also Oxenstierna and Bergstrand (2012).

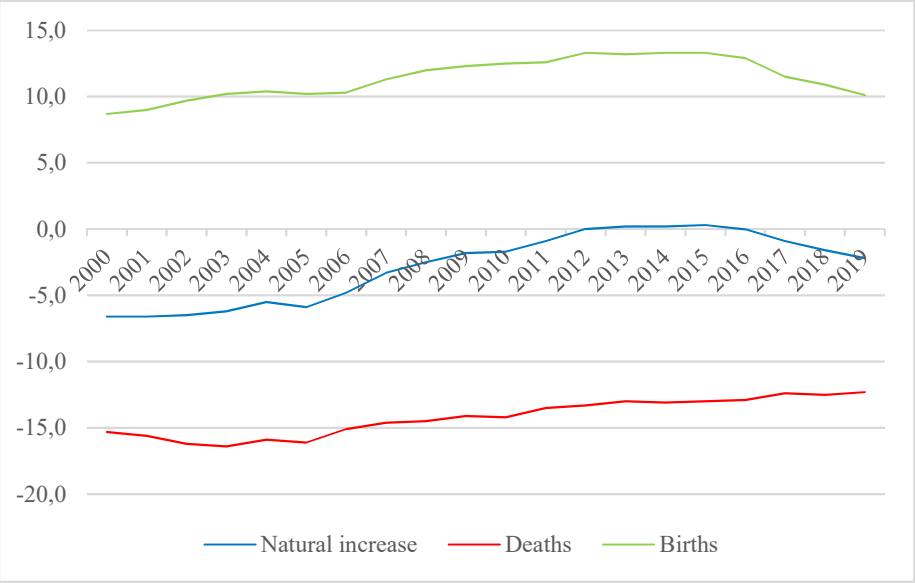

Figure 4.1 Natural increase, births and deaths 2000–2019; *per cent*
Source: Rosstat (2021)

4.1 Reforms of the health care sector

Like the rest of the Soviet economy, health care was structured according to input planning and success was measured by resources allocated to a process and not to the results. Universal access to care was prioritised and everyone, even in the most remote areas, had access to some basic care. This system gave clinic doctors an incentive to limit their work to two tasks: signing sickness certificates that excused ill patients from work and referring those patients to specialists. Hospital-based specialists met their plan target by maximising the number of occupied beds (Cook and Twigg 2020: 253). Overall, financing of health care followed the residual principle. The sector got its allocation of funding from what was left in the budget once high priority sectors such as defence and heavy industry had received theirs.

In the early 1990s, the health care sector was in transition between the Soviet system and a more market-adapted system. Russia opted for reform with an insurance-based system – a common trend in the transition economies of Central and Eastern Europe. The overall objectives were to provide additional non-budget finance for the public health sector and to encourage efficiency by separating the administration of public health care financing from the provision of health care (Gordeev et al. 2011: 12).

The first piece of legislation on social health insurance (the Law on Health Insurance of the Citizens of Russia) was ratified in 1991. The law stipulates the design of mandatory health insurance (*obyazatelnoe meditsinskoe strakhovanie*, OMS)

for all citizens as a form of social protection. The OMS aimed at guaranteeing access to public health care for all citizens across all regions of the Russian Federation, regardless of their place of permanent residence. OMS started to be implemented in 1993, after amendments to the law that established health insurance institutions: the Federal Mandatory Health Insurance Fund (FFOMS) and 87 Territorial Mandatory Health Insurance Funds (TFOMS), later reduced to 85 TFOMS. The role of the FFOMS was to manage the OMS, while the role of the TFOMS was to collect and manage the contributions for OMS per region. The TFOMS were expected to redistribute the OMS funds to independent third parties, private insurance companies, who would contract the health providers for care. Private insurance companies did not exist when the TFOMS were created and the TFOMS were expected to fill their functions as the private insurance market developed (Gordeev et al. 2011: 2).

The most significant change of the new system was that health care received more stable financing through the earmarked OMS contributions paid by employers for their employees (Shishkin 2018: 233). Yet, the health system still has mixed funding. Of the total health expenditures of 3.5 per cent of GDP in 2019, the earmarked social contributions covered 2 percentage points (Ministry of Finance 2021b). Regional budgets pay contributions for the non-working population[5] and the federal budget pays the rest.[6] A share of 3.5 per cent of GDP is on par with other upper middle-income countries,[7] but much lower than EU countries that lie around 7 per cent. According to Russia's state health guarantees, treatment and medicines should be given for free in public health establishments, but in addition to the official funding comes the out-of-pocket payments by patients. These are estimated to be 30 per cent of the official funding (Shishkin 2018: 233). The extra payments by patients can be anything from presents for the doctor to payment for advanced treatment – to receive it on time or have it performed with new technology or by a special surgeon – or for medicine that in principle should be free for hospitalised patients. The high out-of-pocket payment is a reflection of the conflict between the generous state health guarantees and the health sector's underfinancing in meeting these. Resources are too scarce to live up to the guarantees.

Budget financing coexists with insurance financing in most regions and how this cooperation is organised varies. For instance, in some areas the budget pays for all outpatient care, while insurance covers all inpatient care, and others have other

[5] Since 2010, the regions have specified financial obligations concerning their contributions (Shishkin 2018: 234).

[6] It may be noted that included in the official funding is a high proportion of pharmaceutical spending and a high number of hospital beds per 1000 of population, on par with Austria and Germany (OECD 2021 b-c). Furthermore, Russia has a high proportion of doctors and a low ration of nurses per doctor (OECD 2021d-e). On the efficiency of the Russian care system compared to other countries, see Vertakova and Vlasova (2014).

[7] Next to Russia in the ranking are Costa Rica, Turkey, Romania, and Latvia (OECD 2021a).

combinations (Tragakes and Lessof 2003: 79). The share of the OMS in health care funding has risen over the years and was 41 per cent in 2012 and 60 per cent in 2018; in 2019, the corresponding figure was 58 per cent. (Ministry of Finance 2021a-b). A problem with the dual funding is that providers receive conflicting signals and incentives depending on the payment methods used. Moreover, planning and accounting become highly complicated procedures for the providers, because of the dual funding system.

An idea behind the reform of the health financing was to create conditions for competition between the private insurance companies, in selecting and contracting providers, and among providers. However, insurance companies are active only in big urban centres, while in less populated areas it is TFOMS that contract the providers directly, and competition is weak. In cities, where there are insurance companies, as a rule the market has been divided between them, so there is no competition. If the insurance companies or TFOMS do not engage in selective contracting, there is no competition between providers (Tragakes and Lessof 2003:8). There are opportunities for rent-seeking in this system: e.g. providers can pay TFOMs or insurance companies in order to be selected.

4.2 The national health project

The health sector is subject to one of the 13 prioritised national projects for 2019–2024 that the president launched in May 2018. The project started in 2006, and was renewed in both 2012 in Putin's "May decrees" and again in 7 May 2018, by a decree, after his inauguration (Ukaz 2018). The project addresses several shortcomings of the Russian health care system, for example the need for development of primary care and the fight against diseases such as heart and vascular disease and cancer, and high mortality in general. The introduction of a unified digital environment in the health care sector is another goal. The health project was assigned RUB 1,726 billion (1.5 per cent of 2019 GDP) for the six-year period. About 79 per cent of the funding should come from the federal budget, 15 per cent from the regional budgets, 5 per cent from the health fund, and less than 1 per cent from private actors (Engqvist 2020: 21–22).

In 2019, the consolidated budget for health care rose from 3.2 to 3.5 per cent of GDP, which may be a sign that this project provided additional funding to health care thanks to increased priority (see Table 4.1 below). Engqvist (2020: 25) notes that there have been problems in implementing this project. Mortality has improved only marginally (see Figure 4.1), but there have been practical problems, and not all 85 regions have started work on the project. The Deputy Prime Minister Tatyana Golikova has repeated that there have been problems in implementation and that its effects on mortality were still too weak. In addition, statistics for following up on the project are deficient. Engqvist concludes that the implementation of the project has not been successful, because it is not being implemented according to the logics of the power vertical. "Instead, an impression

emerges of how a prioritised initiative from the highest political level has generated uncertainty and paralysation of action within the Russian state apparatus, and that the problem is structural" (Engqvist 2020: 33).[8]

During the first months of 2020, the spending on the national projects was behind schedule, since the main efforts of the government involved mitigating the health and economic impact of COVID-19. Only 55 per cent of the planned spending was achieved by September 2020, compared to 66.7 per cent spending of the overall budget funds. Yet, the execution accelerated and, in November, 78 per cent of the planned amount had been spent (World Bank 2020: 23).

4.3 Funding of health care during the pandemic

As a result of the reforms in the 1990s, health care is funded by OMS, regional budgets and the federal budget. This means that one needs to look at the consolidated budget, which includes all three sources, to understand how funding has changed over time. Since the beginning of the health care reforms, health spending has been between 3–3.5 per cent of GDP.[9]

As can be seen in Table 4.1, in 2020 the budget of health care increased substantially to 4.6 per cent of GDP, while the total expenditures of the consolidated budget, reflecting the total financial role of the state in the economy, increased from 34 per cent of GDP to almost 40 per cent. This reflects the fiscal measures the government has introduced during the pandemic in 2020.

[8] The author's translation from the Swedish original..
[9] This is in line with spending during the last decades of the USSR. Only during the 1960s, health care was prioritized and had 6-6.5 per cent of GDP (Reshetnikov et al. 2019).

Table 4.1 Consolidated budget incl. extra-budgetary funds 2012–2020; *per cent of GDP*

	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total expenditure	34.0	34.7	34.9	35.8	36.6	35.3	33.0	34.2	39.5
State administration	2.1	2.1	2.1	2.2	2.2	2.1	2.1	2.1	2.4
National defence	2.7	2.9	3.1	3.8	4.4	3.1	2.7	2.7	3.0
Law and order	2.8	3.0	2.8	2.5	2.3	2.2	2.0	2.0	2.2
National economy	4.8	4.5	5.7	4.5	4.5	4.7	4.3	4.7	5.7
Housing and utilities	1.6	1.4	1.3	1.2	1.2	1.3	1.3	1.4	1.5
Environmental protection	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.3
Education	3.8	4.0	3.8	3.7	3.6	3.6	3.5	3.7	4.1
Culture	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6
Health care	3.4	3.2	3.2	3.4	3.6	3.1	3.2	3.5	4.6
Social Policy	11.4	12.0	11.1	12.6	12.7	13.1	11.9	11.9	13.9
Sport	0.3	0.3	0.3	0.3	0.3	0.4	0.3	0.3	0.4
Mass media	0.2	0.2	0.1	0.2	0.1	0.1	0.1	0.1	0.2
Public debt service	0.6	0.6	0.7	0.8	0.9	0.9	0.9	0.8	0.8
Inter-budgetary transfers	3.0	2.8	2.5	2.4	2.4	2.2	1.9	1.8	0.0
Deficit (-) / Surplus (+)	0.4	-1.2	-1.1	-3.4	-3.7	-1.5	2.9	1.9	-4.0
Non-oil & gas deficit	-9.1	-10.1	-10.5	-10.4	-9.3	-8.0	-5.8	-5.3	-8.9
GDP billion RUB	*68103*	*72986*	*79030*	*83087*	*85616*	*91843*	*103862*	*109193*	*106607*

Source: Ministry of Finance (2021a); Rosstat (2021); author's own calculations.

Other budget posts that have increased are national defence, from 2.7 to 3.0 per cent of GDP;[10] national economy, from 4.7 to 5.7 per cent of GDP; and social policy, from 11.9 per cent to 13.9 per cent of GDP (Table 4.1). Increases in the shares of health care, social policy and the support to the economy reflect that these budget posts were given political priority, i.e. there was political will to mitigate the health, social and economic effects of the pandemic.

The rise and structure of health care financing is shown in Figure 4.2. The figure shows that it is through budget funds that the rise in the health care spending in 2020 has been accommodated. In 2020, the share of FFOMS in spending fell to 48 per cent (earlier, it was about 60 per cent) and the budget financing rose to 52 per cent.

[10] According to the expert on Russian military spending, Julian Cooper (2021) this implies that real "total military expenditures" (that can be compared to other countries' military spending) have risen by 5 percent, and amounted to 4.2 per cent of GDP in 2020, SIPRI (2021) says 4.3 per cent of GDP for 2020. For a full explanation of the difference between "national defence" in the Russian budget and "total military expenditure" according to SIPRI, which can be compared to other countries , see Oxenstierna (2018; 2019).

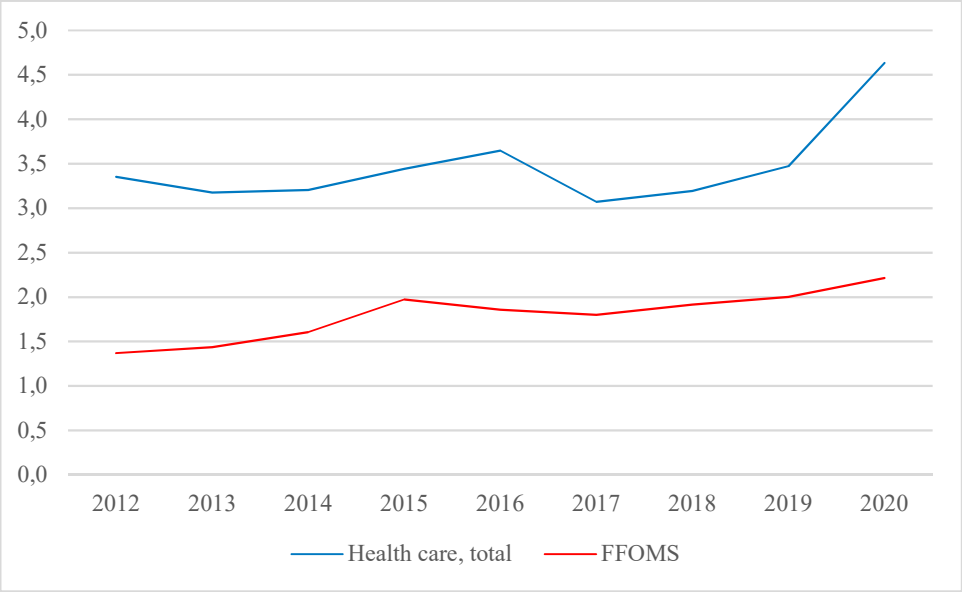

Figure 4.2 Total health care funding and FFOMS 2012–2020; *per cent of GDP*
Source: Ministry of Finance (2021a-b); author's own calculations.
Note: FFOMS – Federal fund of mandatory health insurance

4.4 How did health care cope?

Even though the organisation and operating principles have evolved over the past 30 years, the health system still retains much of the Soviet infrastructure and the legacy of having a highly centralised system focused on universal access to basic care. The Ministry of Health, with its associated services, Rospotrebnadzor, the Federal Service for Surveillance of Healthcare (Roszdravnadzor), the FMBA and the FFOMS are the dominant institutions in the Russian health system (Popovich et al. 2011: 13) and have been the agencies directly responsible for supporting the health care system in coping with the pandemic.

This highly centralised vector in health care management appears to have been able to mobilise resources and make health care rise to the challenges of the pandemic. As in other countries, at first the health sector was not prepared for the pandemic. An initial rush of seriously ill COVID-19 patients overwhelmed hospitals in Moscow during the first wave of the pandemic in April and May. Shortages of testing kits and personal protective equipment plagued most medical facilities, causing an alarming number of fatalities among health care workers (Cook and Twigg 2020: 252). Quite quickly, however, helped by additional funding, the health system stepped up by strengthening its disease surveillance systems and initiating a rapid increase in testing to ensure the progressive monitoring of the pandemic's dispersion. The number of tests increased from 2,200 per

day at the beginning of the crisis to 216,500 per day as of mid-May. The government leveraged the private sector for the manufacture of ventilators, personal protective equipment and other medical tools (World Bank 2021).

The country had to expand the capacity of its primary health care, hospitals and laboratories by ensuring that the necessary personnel were in place. Many hospitals were reorganised to house infection beds for the treatment of COVID-19 patients, including with better equipped intensive care units. Additionally, new hospitals were constructed in some regions, and temporary hospitals for patients with mild symptoms were set up. For communication with the public, the Ministry of Health, Rospotrebnadzor and regional health authorities established call centres to answer questions and provide guidance on COVID-19. The government established a communication centre, "stopcoronavirus.rf", which has presented a variety of topical information (World Bank 2021).

Nevertheless, the expectations the population placed on state health care were not very high. A survey in February 2020 indicated that only 35 per cent of the respondents thought that the health care the government delivered was either adequate, or somewhat adequate. Thus, a vast majority of Russians did not think that health care was adequate (Wilson Sokhey 2021). A reason for this result is that reforms have resulted in variation in health care across the country. Reforms aiming at higher efficiency have caused health facilities in rural and remote areas to shut down, which has left millions of poor and isolated residents with reduced access to care. Plans to repurpose some of the excess capacity into long-term care or community centres have seldom led to action (Cook and Twigg 2020: 254). Moreover, the quality of care differed considerably. There were several serious outbreaks of COVID-19 in health facilities that had to be closed, in a number of regions. Lack of testing capacity, ineffective contact tracing and lack of personal protective equipment for health workers contributed to these COVID-19 outbreaks. Tragically, deficient medical infrastructure in North Caucasus produced some of the country's largest regional outbreaks. On several such occasions, the Kremlin has had to deploy military medical construction brigades and treatment personnel.

Despite the Soviet-style ability to mobilise resources, the coronavirus pandemic has exposed persistent shortcomings in Russia's health care system. Due to the unsystematic reforms, there is significant variation in health expenditures and health system capacity between urban and rural areas. Reforms of the Soviet-era imbalance between inpatient and primary care has led to downsizing and closure of excess hospital capacity. This process has not always been handled in a way that ensures continued availability of care across locations, e.g. with feasibility studies including hospital mapping and other analysis of how different groups access to care would be affected. In some regions, edicts to raise wages, coming from above, have amounted to unfunded mandates, leading to layoffs of staff, in

order to free up funds to pay the rest (Cook and Twigg 2020: 254). During emergency pandemic conditions this led to shortages of personnel.

Russia's response to the COVID-19 pandemic highlights both the strengths and weaknesses of its health and welfare systems. On the one hand, there are still centralised federal agencies that can mobilise and direct resources, but on the other, poorly implemented reforms aiming at raising efficiency have led to worsened inequalities, leaving some of the population without access to care. As in other countries, other parts of medical treatment were kept on hold or had to be downsized, for example maternity care and treatment of patients with tuberculosis (TB) and those with HIV, especially the homeless (Cook and Twigg 2020; 254).[11] The fact that health care is free of charge, thereby in principle guaranteeing that medically necessary treatment is available for all citizens, has been a strength. The system still struggles with gaps and inequalities, but there have been no reports of financial difficulties in COVID-19 testing and treatment.

[11] Russia has one of the highest rates of drug-resistant TB in the world.

5 Impact on the economy

The COVID-19 pandemic plunged the global economy into a deep recession. In January 2021, the International Monetary Fund (IMF) estimated the decrease of global GDP in 2020 to -3.5 percent. Despite the deep recession, the decline is expected to be followed by growth of 5.5 per cent in 2021 and 4.2 per cent in 2022 (IMF 2021). Russia is integrated into the global economy primarily through its commodity exports.

5.1 Short term developments

Russia's GDP contracted by 8 per cent during the second quarter (Q2) of 2020 due to massive supply and demand shocks. During Q3, GDP fell by 3.4 per cent. Then, infected cases started to decline and restrictions were eased. An accommodative monetary policy and expansive fiscal policies made demand the driver of resumption of economic activity. The negative momentum continued into Q4 as the pandemic grew (World Bank 2020: ix). As a result, GDP for all of 2020 fell by 3.1 per cent (Figure 5.1). The contraction in 2020 was not only due to the pandemic but was caused by other factors as well. For instance, the oil price fell from about USD 60 per barrel in 2019 to about USD 40 per barrel in 2020 (World Bank 2020: 36).

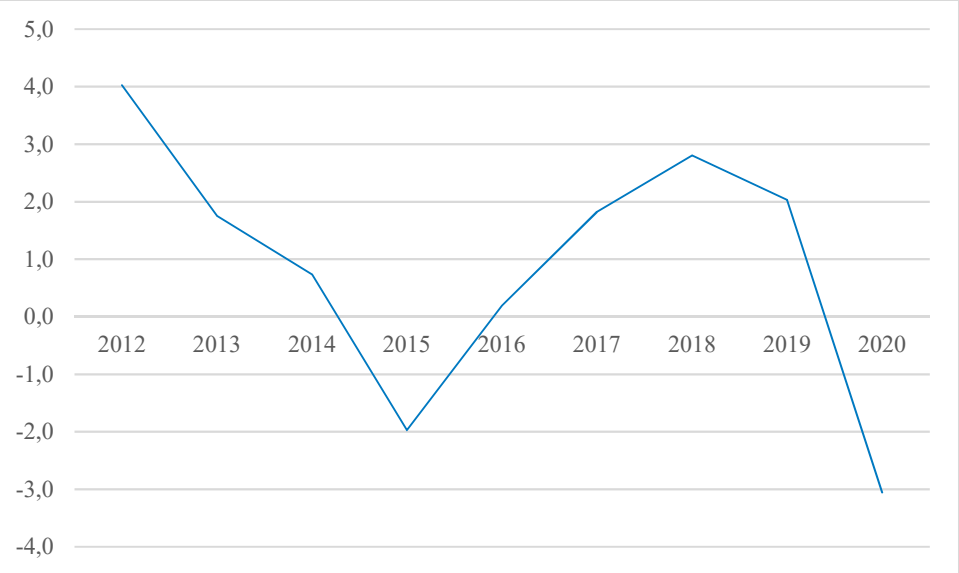

Figure 5.1 GDP growth 2012–2020; per cent
Source: Rosstat (2021)

Given the dramatic decrease in the oil price, the 3.1 per cent contraction of GDP appears low. Becker (2021) points out that the standard way real GDP is calculated does not fully reflect how incomes and purchasing power of Russian households, companies and the government in fact developed in 2020. Using an alternative method, with trade data that better reflect plummeting oil prices in international markets, he arrives at an estimated GDP contraction of minus 9 per cent. This is an interesting observation, reflecting the dependence of the Russian economy on the oil price and its effects on incomes, which can be kept in mind in discussions. But the real growth rate that can be compared to other countries is the one calculated according to conventional methods.

At the beginning of the pandemic, the Central Bank lowered the key interest rate from 8 to 4.25 per cent in order to support the economy and stimulate domestic demand (World Bank 2020: 17). During the first 9 months of 2020, profits of medium- and large-sized firms dropped by about 40 per cent compared to the same period in 2019, with several sectors (hotels, tourist service, railway and air passenger transportation) recording losses. SMEs, which account for just 20 per cent of GDP and employment, were affected even more severely (World Bank 2020: 19).

Russia's countercyclical fiscal policy and sizeable buffers have helped contain the impact of the crisis. The fiscal policy response was mostly concentrated to expenditure measures (3 per cent of GDP); revenue measures (0.4 per cent of GDP); and loans and guarantees (0.6 per cent of GDP) (World Bank 2020: 22), were channelled into the economy in 2020, which means that the fiscal packages in total amounted to about 4 per cent of GDP. Primary expenditures of the federal budget increased by 26.3 per cent in the first months of 2020, driven mainly by growth in spending on social policy, health care, support to the regional budgets, national defence and the national economy (World Bank 2020: 22). The fiscal stimulus led to a budget deficit of 4 per cent (see Table 4.1 above).

5.2 Unemployment and incomes

Total employment declined by 1.5 million jobs between Q2 2019 and Q2 2020. Approximately half a million jobs had been lost in each of three sectors: manufacturing, construction, and retail and hospitality services. These losses were explained by the lockdown and the difficulty in working remotely in these sectors. Other sectors have either lost or increased marginally but they do not affect total employment (World Bank 2020: 27). For instance, in rural areas there was but a limited lockdown effect on agricultural production (World Bank 2020: 30).

According to the independent polling institute Levada, located in Moscow, in April 52 per cent of state sector employees reported that they worked as before compared to 40 per cent in the private sector (Levada 2020c). The pandemic thus affected the private more than the state sector. In late April, 85 per cent said that their industry was affected by the crisis (Levada 2020d). The unemployment rate rose

to 6.3 per cent in October 2020, from 4.6 per cent in October 2019. This is the highest unemployment rate in the last eight years (World Bank 2020: 26). The ratio of registered unemployed[12] to job postings increased from 1.9 in 2019 to 2.7 in 2020. The number of job postings was not very different, around 1.7 million jobs: it was the number of registered unemployed that has increased and these did not match the job openings (World Bank 2020: 27). A series of policies designed to mitigate the impact of the pandemic on labour markets was introduced in Q2 2020. The maximum level of unemployment insurance benefits was increased from RUB 8,000 (USD 103) to RUB 12,130 (USD 157)[13] per month (World Bank 2020: 29). Preliminary evidence seems to indicate that these polices were indeed rolled out and in turn provided incentives to register. By August 2020, 3.4 million out of 4.8 million unemployed workers, or 70 per cent, were registered as unemployed and received benefits. This is in contrast to March 2020, when only 6 per cent of the unemployed were registered with the employment service and could receive benefits (World Bank 2020: 29).

When the government introduced coronavirus restrictions, incomes immediately began to fall. According to a Levada poll in April, about a third of the households, where there was someone employed, answered that they or a family member had experienced decreases in wages. Another 25 per cent had experienced delays in wages and 26 per cent had lost their jobs, while 37 per cent of those working in the private sector had experienced decreases in wages (Levada 2020e). According to a survey by the Higher School of Economics in late May 2020, 13.5 per cent of the respondents reported that they had lost their entire income and a third that they had experienced a substantial reduction. In total, 61 per cent reported that their earnings were lower than before the outbreak of the pandemic (Cook and Twigg 2020; 255).

Real wages increased by 0.1 per cent on a year-on-year basis in August 2020. However, this apparent stability masks important differences across economic activities. Real wages increased in agriculture, communications, education and health services, but fell in most of the other sectors, with large declines in hospitality services (-11 per cent), construction (-5.8 per cent) retail trade (-4 per cent) and manufacturing (-2.9 per cent) (World Bank 2020: 28).

The combination of job losses and lower wages led to a sharp decline in average disposable income. For Q2, the year-on-year decline in real disposable income was

[12] Registered unemployment" reflects how many people are registered with the Russian employment service, according to their rules for registering, which is a prerequisite for being eligible to benefits and other support. The rate of "unemployment", which is used to establish the level of unemployment in a country comparable to other countries, is calculated according to the International Labour Organization's (ILO) methodology, which involves monthly surveys of the population conducted by Rosstat.

[13] The unemployment benefit had to be raised, since it was under the subsistence minimum, RUB 10,890 in 2019. The average monthly per capita income in 2020 was RUB 35,231.

-8.4 per cent and -4.8 per cent in Q3 of 2020. This shows that the improved benefits and allowances to families did not have sufficient effect on disposable income. The decline in disposable incomes has had a serious impact on the poverty rate. The national poverty rate increased from 12.3 per cent at the end of 2019 to 13.2 per cent in Q2 2020. This was the largest increase of the ratio in many years (World Bank 2020: 28). In the decree on the developments up to 2024 (Ukaz 2018), Putin called for a halving of this ratio up to 2024, a goal which will be even harder to reach now (Oxenstierna 2019: 102).

5.3 Informality and migrants

Russia has a large informal sector, which has grown in the 2000s. According to the World Bank (2019: 27), informal employment rose from 12.5 per cent of total employment in 2001 to 21.2 per cent in 2016. A reason for the rising informality is the difficulties small companies and the self-employed have in managing the corrupt bureaucratic environment for entrepreneurs, typical for Putin's economic system.

During the pandemic, informal employment between June 2019 and June 2020 has decreased, by 1.9 million jobs. This reduced the rate of informal employment from 21.2 per cent to 19.4 per cent of total employment (World Bank 2020: 28).[14] Informal workers lack proper labour contracts and concentrate in manual work that cannot be performed remotely by telework and were those most affected by the lockdown. Lacking employment protection or social security during normal times, they were not eligible for emergency benefits. However, as Russian citizens they were eligible for medical care and family and child support.

Labour migrants faced a more difficult situation, since they are excluded from social welfare. In addition, they were more likely to become sick due to living and working in crowded areas (Cook and Twigg 2020: 256). In 2018, 566,000 people went to Russia from other countries, the majority from the Commonwealth of Independent States (CIS), and the largest numbers were from Ukraine, Kazakhstan, and Tajikistan. However, simultaneously, people emigrated: net migration was but 125,000 (Oxenstierna 2019: 100-101). Experts estimate the number of migrants living in Russia to between 6 and 7 million. In 2019, there were more than 2 million Uzbeks, over 1 million Tajiks and about 700,000 Kyrgyz nationals in Russia (Eraliev and Urinboyev 2020: 258). Migrants in Russia mainly engage in low-paid jobs and many are seasonal workers. They typically arrive in Russia in the spring, when economic activity picks up, particularly in construction and agriculture, and return to their countries in late autumn. Men find jobs in construction, transportation and agriculture; women, predominantly in domestic and cleaning services. Men prevail in the migrant group but women, especially

[14] In 2020, the official number of total employment was 71.637 million (Rosstat 2021).

from Kyrgyzstan, are increasing.[15] Migrants are indispensable to the Russian economy because of the decrease in Russian working ages (Eraliev and Urinboyev 2020: 258). Their remittances to their home countries are of great importance to those economies.

Immigration to Russia has varied over the years, largely depending on Russia's specific immigration rules, which have varied considerably since the fall of the Soviet Union. Malakhov and Simon (2018) point out that there is a collision between liberal and more conservative views on migration. The liberal view is that migration is necessary and should be supported, while the conservative view is that Russian society requires strong restrictions in order to ensure stability. With the dramatic fall in the Russian population by 11 million up to 2030, net migration ought to be at least 340,000 per year (Malakhov and Simon 2018: 257–258). Those representing the conservative approach of making it difficult for migrants to work in Russia do not see the advantages of a more open policy. Apart from the economic necessity, migration from the post-Soviet republics is a way of keeping the economic and broader cultural ties to these countries.

Although Central Asian migrants enter Russia legally, they often fail to comply with immigration regulations and become undocumented. Many migrants are compelled to find jobs in the informal sector. Another challenge facing migrants is the racism they experience in everyday situations across all social settings, including in their interactions with government officials, police officers and border guards. They rely on the informal safety nets and infrastructures found in many migrant communities (Eraliev and Urinboyev 2020: 260–261).

Infection spread quickly among migrants, who often live in dormitories and other unmodern housing. Mass outbreaks among migrants living in dormitories occurred in St. Petersburg and in the regions of Murmansk and Bashkorstan. Authorities realised that locking down large groups of migrants would lead to more outbreaks. Therefore, Putin urged governors to let migrants return to construction sites (Eraliev and Urinboyev 2020: 262). On 18 April, he signed a decree allowing migrants to work without work permits from 15 March to 15 June (Ukaz 2020d). Their stays in Russia would be automatically prolonged without fines or deportation. Yet, migrants working in other sectors were caught by the lockdown, neither being able to work nor go home. According to Russian immigration rules, migrants must work in the jurisdiction where they have obtained their work permits. A migrant who loses a job in Moscow, and finds another one in a different province, has to start the whole process of applying for a new permit. This rule was problematic during the lockdown in May, when jobless migrants were stuck indoors in large cities such as Moscow and St. Petersburg, at a time when there

[15] Kyrgyz nationals can work on their own passports in Russia as part of the Eurasian Economic Union (Voices on Central Asia 2021).

was a growing need for labour in southern regions, as spring arrived and the season for agricultural work began (Eraliev and Urinboyev 2020: 262).

The migrants have been one of the most vulnerable social groups in Russia during the pandemic. Many have lost their jobs, while others were compelled to work on construction sites and in domestic services, thus risking their health. If they tested positive for COVID-19, they had minimal access to health care services.

5.4 Long-term effects

The pandemic does not ease the problematic demographic situation in Russia. Fighting high mortality and declining birth rates has been on the political agenda for many years. Nevertheless, the population of Russia is shrinking (see Figure 4.1, above) and this tendency will continue during the next 10 years. Excess mortality during the pandemic produces yet another backlash, which will eventually show up in mortality statistics and affect population forecasts. Furthermore, before the pandemic the decreasing tendencies were already transpiring, particularly in the working ages; forecasts show that by 2030 Russia's employment level will be 7 million less (65.5 million persons) than in 2015 (72.3 million). The major losses in employment are concentrated to the younger age groups, whose contribution to employment will have shrunk by 25 per cent (Gimpelson and Kapeliushnikov 2019: 129). The labour force is aging, which may impact employment rates and productivity, because of the reduced employability and contemporary skills of older workers compared to younger.

Because increase in employment is one of the basic determinants of economic growth, this 10 per cent projected decrease of the working population represents a major challenge for the economy. The proposals for improving the situation are to raise labour productivity and allocate labour more efficiently, increase immigration of population in working ages, and raise the pension age. Affecting labour productivity and the efficiency of allocation will be hard in Putin's politicised economy (Oxenstierna 2019: 110). Russia has begun a gradual increase of the pension age, but in the medium perspective increased migration will be necessary. This means that immigration policies need to be reformed and it should be easier for labour migrants to get formal legal employment so they can receive social protection. Several other aspects of migrants' life conditions need to be addressed as well in order to make Russia attractive for migrants.

Before the pandemic, a growth rate of around 1–2 per cent is what most economists forecasted for Russia in the coming years. According to a World Bank study by Okawa and Sanghi (2018), the "potential growth" of GDP – the maximum growth that an economy can perform under given institutional conditions, if economic resources are used efficiently – lies around 1.5 per cent. Potential growth is a long-term indicator and actual growth can vary both over and under this mark. The study identifies total factor productivity, investments, and labour as the main drivers of

potential growth. The contraction of GDP in 2020 entails that Russia's growth will take place on a lower trajectory than before. A growth rate of 1.5 per cent will not enable the country to catch up. This means that living standards will remain low in comparison to developed countries.

Nevertheless, despite the fact that there is low potential growth and that neither demography nor the structural problems of the economy have improved, at the 2021 Gaidar conference [16] hope was attributed to the vaccine roll-out, the revival of the global economy and the possibility of already opening up the Russian economy and reaching normality in 2022. The World Bank forecasted growth for 2022 of 4 per cent and the Central Bank 3–4 per cent (Investforesight 2021).

[16] The Gaidar conference is an open yearly event where economic experts and members of the government and other state organisations discuss the prospects of the Russian economy. It is named after the reform economist Egor Gaidar (1956–2009).

6 Assessments of Russia's anti-coronavirus policies

Several international observers have assessed the delay of action early in the pandemic negatively and the policies presented to curb the pandemic and the consequences for the economy as insufficient. The well-established Russian political scientist Lilia Shevtsova (2020) is very critical of Putin's crisis management. She finds that the coronavirus has exposed the inadequacies of Russia's top-down system and that it has paralysed the system of personal power. The Kremlin has tried to avoid severe measures, such as a state of emergency, and instead of lockdowns the political leadership declared non-working weeks, as if they feared to admit the seriousness of the outbreak. She asks the rhetorical question: "An authoritarian system reluctant to use authoritarian instruments?" (Shevtsova 2020). She finds that most of the relief aid was intended for state-owned industries, including companies affiliated with interest groups that have close ties to the Kremlin. SMEs and the millions of private sector workers who have lost their jobs were promised only 3 per cent of the state's total financial assistance package. The power vertical should have been used to effectively provide ventilators, face masks and other protective equipment (Shevtsova 2020).

Likewise, the senior expert on the Russian economy, Anders Åslund (2020), is critical and points at the several weeks in delaying to react, until Putin spoke to the people, and the fact that he refrained from establishing a coherent federal policy. Åslund argues that in the beginning of 2020 Putin was preoccupied with the 13 national projects (Ukaz 2018), the referendum to amend the constitution and the 75th jubilee of the end of WWII, on 9 May. The referendum was important to Putin because it included a clause that would make him eligible to run for two more six-year terms, potentially extending his presidency to 2036. Åslund compares Russia with the policies in Ukraine. Unlike Russia, Ukraine has a free press and does not censor information; the population was directly informed about the risks of the virus, which resulted in a quick policy response from the government, so that quarantine policies were already imposed by 12 March. In Russia, bad news was supressed and the government was late in undertaking any policy measures, the start being the national address by Putin on 25 March. A quarantine was imposed on 29 March, but Putin did not deploy his vertical power and the federal government played a minor role. Instead, Putin asked the regional governors to take command, which resulted in inconsistency in the actual policies (Åslund 2020: 542-543). The Russian economist Sergey Guriev similarly highlights the late response to the pandemic and argues that the relief packages were too small. At first, the package was 0.3 per cent of GDP, then 1.2 and, finally, 3 per cent. The SMEs and households received but a meagre part of this relief (Guriev 2020).

It is true that the reaction was delayed and that the political leadership did not use its vertical power in a way that was expected. However, delays and hesitation at the beginning of the pandemic have characterised the actions of most other countries, as well. It seems that in the beginning the primal concern of the leadership was the health sector, which was unprepared for this pandemic, and its ability to cope. A more collective approach was used with the formation of a Coordination Commission under the government and leading roles played by the Ministry of Health, its agencies and regional authorities. The significant rise in health care funding during 2020 further indicates a strong political will to strengthen health care and fight the virus. Measures have been coordinated between different ministries at the federal level, as for example the assistance from the Ministry of Defence shows. In addition, the situation varied among regions, which made it difficult to impose a unified policy.

As the pandemic progressed, it appears that economic and especially political considerations overtook public health imperatives in driving key elements of the coronavirus policies. The referendum was rescheduled to run from 25 June to 1 July and it was held despite the fact that Moscow and other parts of the country were still falling short of established benchmarks that would have indicated that the virus was under control. The timetable for reopening was accelerated so that in-person voting could occur, with maximum turnout (Cook and Twigg 2020: 252).

6.1 The population's views of the situation

Levada's regular opinion polls provide a clue as to how the population assesses the situation in the country. In the beginning of the pandemic, in March, the number of people feeling anxiety about the virus had increased from a third to half of the population. Some hoarding of basic foods could be noticed in the shops. In the beginning, the disease was perceived as largely a foreign problem. Very few Russians feel that they are part of the global economy. During the year only 10 per cent of Russians had been abroad, 5 per cent had visited Europe and 1 per cent China, the source of the virus. The pandemic developed against the background of falling oil prices but there was no rush in exchanging RUB for USD (Levada 2020a). Only 16 per cent of the respondents had experienced food shortages. However, 59 per cent of the respondents did not trust or only partly trusted the official information on the pandemic. About 48 per cent thought that it was probable that Russia would have an epidemic and 48 per cent that the health care system would not cope (Levada 2020b).

In April, about two-thirds of the population thought that the government did all it could and undertook sufficient measures, but 30 per cent thought that the measures were not sufficient. 44 per cent worked as they did before the pandemic and about two-thirds worked remotely, while 15 per cent had to take vacations without pay (Levada 2020c). By the end of April, 85 per cent of the respondents found their

industry to be affected by the crisis and most people lacked the freedom to move around during their free time. The politicians whose names were most often named in connection with the crisis were Moscow Mayor Sergey Sobyanin, Prime Minister Mikhail Mishustin and President Vladimir Putin. Sobyanin was mentioned 3 times as often as Putin and Mishustin (Levada 2020d).

The Levada analysts point out that there is a difference between "confidence" (*doverie*) in a politician and "approval of accomplishments" (*odobrenie deyatel-nosti*) of that person (Levada 2020h). At the end of May, a poll showed that the *confidence* in President Putin had fallen to 25 per cent (Levada 2020g). This rating is at the same level as the pre-Crimea rating (25 per cent) and is lower than during the protests against Putin at the end of 2013 and until the beginning of 2014 (30–35 per cent). On the other hand, *approval* of Putin's actions in general, in particular his foreign policy, is in regard to the present and the past; this rating had fallen from 70 per cent in October 2019 to 59 per cent in May 2020.

The *confidence* rating of 25 per cent regards the future and whether the respondents would like to see Putin as president again or not. This rating has been falling for a long time: 3 years ago it was 60 per cent. The main reasons behind this fall are the worsening economic situation, which started long before the pandemic. Putin's attempts during the pandemic to show that he is managing the situation and is still the leader have not helped. Only his first speech on 25 March had some positive effect on the rating; it continued to fall during the rest of the period. The population's experience of the economic problems and the several years of falling living standards, which they are finding that Putin obviously cannot solve, has lowered their confidence. In order to increase that confidence, there has to be a rise in real income and people need to start believing in tomorrow (Levada 2020h).

Regarding the management of the pandemic, a poll in June showed that over 60 per cent of the respondents found that the president and the government as well as the regional authorities did all they could to fight the coronavirus (Levada 2020i).

7 Discussion and conclusions

What are the economic and social consequences of the pandemic in Russia? As in many other countries, it took a couple of weeks for the political leadership to react. Putin's first address to the people was 25 March, when the pandemic was already a fact in the big urban centres and North Caucasus. Quarantine measures were introduced on 30 March. Of primary concern at the beginning of the pandemic was to support health care and engage the Ministry of Health and its agencies, as well as coordinate measures with other ministries that could support the health sector.

Apart from the designation of the non-working weeks in April-May 2020 and around the May holidays in 2021, the pandemic has not been managed by presidential decrees. Instead, the political leadership has relied on several factors: the Soviet-legacy hierarchical structure of the health sector, the establishment of a Coordination Commission to fight the virus, and the actions of regional governors in mobilising resources and undertaking the necessary measures to diminish the dispersion of the disease and provide adequate care of the sick. Enhancing the capacity of the health sector and reducing the proliferation of disease were prioritised during the first months.

As in other countries, Russia has struggled to find a balance between measures that diminish the dispersion of the disease and the negative impact that restrictions have had on the economy. Measures were introduced to diminish the effects on the economy, and it appears that the lifting of the quarantine in May 2020 was motivated primarily by economic and political considerations – carrying out the referendum on constitutional amendments – rather than some objective assessment of whether the coronavirus situation was under control.

Opinion polls reveal that about 60 per cent of the population in principle approved of the way the pandemic was managed. However, during the spring, the confidence rating of the president declined to 25 per cent. This may be a reflection of Putin's delegating decision-making to other federal officials and the regional governors and that he himself was not very visible in the fight against the coronavirus. However, this rating is not only due to the pandemic, but is a long-term trend caused by decreasing incomes and living standard.

GDP declined by 3.1 per cent in 2020. The pandemic has hit particularly hard in manufacturing, construction and retail trade. The private sector has been more affected than the state sector. The fiscal response channelled into the economy in the form of expenditure measures, tax concessions and loans and guarantees amounted to 4 per cent of GDP, which is in line with other middle-income countries, but low compared to developed economies. Several commentators find the relief packages too small. However, fiscal stimulus must be weighed against financial stability. Due to the downturn in the economy and the measures undertaken, the budget deficit landed at 4 per cent of GDP. Job losses occurred in

industries where there was no possibility of remote work or the lockdown decreased turnover, such as in retail trade. Unemployment increased to 6.3 per cent. Wages were cut or not paid out. The combination of job losses and lower wage level led to a sharp decline in disposable income during the second quarter of 2020. The poverty rate increased to 13.2 per cent, which is a trend in the wrong direction if compared to the goals of Russia's development strategy. Persons working in the informal sector and migrants have been among the most vulnerable, as they lack a social safety net.

The Russian health sector mobilised all its resources as the pandemic spread over the country. Testing capacity, equipment and personnel were enhanced. The Armed Forces' medical teams have assisted in some instances, for example in Dagestan. Health care funding rose to a historical 4.6 per cent of GDP, which shows there has been the political will to give priority to the sector during the pandemic, in terms of resources. Nevertheless, access to care and quality of care have varied among regions and between urban and rural areas. Russian health care has for many years been caught between the generous state guarantees of free care for all citizens, on the one hand, and underfinancing on the other. There are many intermediates involved in health care funding, and despite reforms, there are many shortcomings as well as rent-seeking. In the beginning, the health sector was overwhelmed by the pandemic, but protective equipment, ventilators and other items were subsequently produced and delivered to the health providers. Russia has developed its own vaccines and vaccination of the population started in December 2020. To some degree, Russia's several-year-long strategy of self-sufficiency, due to import substitution and Western sanctions, has been an advantage: the country has been able to mobilise domestic production and has not been dependent on imports from the West for necessary equipment.

Russia is the fourth country in the world in terms of number of infected cases. The Russian statistics of registered deaths due to coronavirus reported to WHO have been questioned. Study of the indicator "excess deaths", which should ideally be in the same interval as "registered deaths", reveals that excess deaths were at least a factor of 3 higher than the reported registered deaths in 2020. This entails that deaths during the pandemic in 2020 corresponded to 0.13 per cent of the population, instead of the 0.04 per cent that had been reported. To some extent, the divergence is explained by how the causes of death have been defined by Russian doctors: when there been an underlying disease in COVID-19 patients, the cause of death has been attributed to that, rather than to the COVID-19 infection. However, according to WHO regulations, which say that deaths both from confirmed and suspected COVID-19 should be reported, this is not correct procedure. This large divergence points at manipulation and a fear of reporting COVID-19 deaths upwards in the system. That the excess deaths do reflect COVID-19 deaths has even been admitted by Deputy Prime Minister Golikova, but the reporting to WHO has not been changed.

The excess deaths, whether attributed to COVID-19 or not, will turn up in the Russian mortality statistics and will add to the high mortality. Depending on which age groups have been hit, this can affect Russia's already negative population growth. Russia already has a demographic crisis and the pandemic has made it more difficult to counteract this development. In particular, the decline of the working age population is a challenge to economic revival. Russia needs more migrants to mitigate this problem, but migrants have been struck very hard by the pandemic; in principle, they lack a social safety net, and the closing of borders often resulted in their being locked down in Russia, without possibilities to work or to return home. The regulations around labour migrants are complex and of a kind that more satisfy Russia's security establishment than its economic actors. The regulations need to be liberalised and simplified so that migrants can more easily get formal jobs and change jobs between regions without too many bureaucratic problems. On the whole, to solve its labour shortage, Russia needs to become more attractive to migrants from the former Soviet republics.

The pandemic will have repercussions in Russia, as in other countries, for several years. A positive factor is that the health care sector, which has struggled with underfinancing and unsystematic reforms for a long time, has gained more political attention and gaps in care have been identified during the course of the pandemic. If this spurs the political leadership to continue strengthening the health sector after the pandemic, it will serve the Russian population well.

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