

Paper to be presented at the Urban Research Symposium 2003

Tomsk Region: Poverty at a Glance  
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Please indicate the topic(s) and theme(s) which your proposal addresses (check all that apply):

Topic	Theme
<input checked="" type="checkbox"/> _____ Strengthening the sources of (and reducing barriers to) urban incomes and livelihoods	<input checked="" type="checkbox"/> _____ Urban economic growth and poverty reduction
<input type="checkbox"/> _____ Enhancing welfare through human and social development, safety and security	<input type="checkbox"/> _____ Information and planning
<input checked="" type="checkbox"/> _____ Housing and urban services	<input type="checkbox"/> _____ Governance
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Abstract:

Quite a few studies of poverty and urbanization for Russia concluded that location-related factors play a very significant role in determining welfare of the population. A case study of urban poverty in Tomsk oblast was conducted in order to analyze this role more thoroughly and to reveal various welfare-influencing aspects of local economic development, urban infrastructure, social mobility, demographic situation and so on in different types of an urban environment. We focus on differences between the regional capital and secondary urban settlements, since the latter seem to be accumulating specific welfare problems and, without proper attention to the issues of municipal development, risk growing into true facets of urban poverty. One of the objectives was to check a hypothesis that residents of secondary urban settlements have much smaller resources to cope with negative effects of economic and social transformation. On the one hand, they live in an environment of fewer services and smaller potential to attract investment than large and more diversified urban centers. On the other hand, the size of subsistence economy is smaller than in rural areas, creating additional difficulties for consumption smoothing.

Tomsk oblast has been selected for the study due to availability of a household survey data. The survey was conducted in November-December 2002 by regional statistical authorities. The main focus of the survey was on information related to employment, income, education, inter-household transfers, housing conditions and other characteristics of the population that may help understand poverty phenomenon. In addition, the survey included a section on migration that has been expected to help link poverty with limited labor mobility, particularly in remote rural areas and small towns. As an attempt to reduce the problem of income under-reporting, the questionnaire contains a rather detailed section on expenditures.

Tomsk oblast may serve not only as an illustration of welfare issues in urban settlements of different kinds, but also as a case study that allows a look at specific issues of remoteness and the Far North, since part of the oblast lies in the area defined as Far North by Russia standards. In

the study of poverty in Tomsk oblast we will look separately at three subsamples of urban settlements:

- Regional capital,
- Petrochemical towns
- Other secondary urban settlements.

Such a breakdown helped to inform our understanding of the effects of various types of economic organization in these types of urban areas on welfare of the population.

The study compares FGT poverty indicators for urban sub-samples and rural settlements; it also introduces a definition of 'poverty in terms of deprivation' that includes poor housing conditions, inability to purchase the most basic food and medicines, lack of basic urban conveniences etc. Various assessments of poverty are provided for the whole region and different types of localities. In addition, trying to construct a profile of poverty incidence, we use household per capita expenditure as a welfare indicator in a system of equations containing  $\ln$  (household expenditure) as a dependent variable and a set of regressors that reflect both household characteristics and location-related parameters. In fact, we use two overlapping modifications of the same model: option 1 includes household variables (number of unemployed, number of pensioners and number of people with higher education) and option 2 includes individual dummies for household head (if s/he is unemployed, a pensioner or has higher education), while the rest of independent variables are the same. Two scenarios are run separately, the results compared. Probit regressions were also used to study poverty risk factors for the whole oblast and by different settlement types. The dependent variable is binary (poor – non-poor) and the set of dependent variables is the same as for OLS regressions (the same two model modifications applied). Probit regressions are run for the whole sample, and then separately for the capital city, other urban settlements and then again separately for petrochemical towns and other secondary towns, in order to reveal the differences between secondary urban settlements of different kinds, hidden behind averages.

The study shows that non-petrochemical secondary urban settlements are a big concern in terms of poverty measured in all ways. Poverty gap there is as high as in depressed rural areas, deprivation and a simple headcount are also the highest. Splitting secondary cities as 'petrochemical' and 'others' is quite illustrative as poverty indices between these two sub-groups differ by 3 times and more, especially deprivation index that differs almost by 4 times in favor of 'petrochemical towns'. The latter offer even somewhat better living conditions than the oblast center and they have the lowest poverty in deprivation terms. As for individuals with potentially high risk of transient poverty, we look at those within 10% above the poverty line and again secondary 'non-petrochemical' towns stand out with the highest indicator.

The outcomes show that household welfare is negatively affected mostly by living in secondary non-petrochemical towns and by unemployment of household members. Other significant negative effects are associated with demographic composition of a household (presence of children, especially of pre-school age, or pensioners). As for individual characteristics of household head, gender (male) and professional qualifications yield a welfare premium. The number of household members with higher education is a positive factor as well as higher education of the head of household. Location-related factors such as living in the capital city and oil towns imply positive welfare effects, but are less significant than a negative effect of living in a secondary urban settlement (non-petrochemical). Roughly speaking, we say then that

households that suffer from welfare losses in Tomsk oblast are concentrated in secondary small towns, headed by unemployed people and women, include children, especially small ones, and pensioners.

The analysis also shows that treating all secondary cities uniformly would not produce adequate explanations of poverty, mainly due to variations between small secondary towns and petrochemical ones. Examples of such differences are the following: (i) Household head working in a growing and well-paying industry is certainly reducing poverty risk in secondary, less diversified, cities, but in the regional capital the effect is not so significant due to differences in wage structure between the capital and other urban areas. (ii) Education matters less in the capital city, since the capital's population is more educated than in the rest of the oblast, but in rural areas and small towns it is associated with more significant positive welfare outcomes in secondary cities, where there are fewer such residents and therefore they may be enjoying a weaker competition for jobs with regular and higher pay such as in local governance authorities and administrative bodies. (iii) Poor housing conditions seem to matter quite a bit for residents of non-petrochemical towns, but the situation is quite the opposite in the capital city. (iv) Pensioners in the family are a risk factor for all sub-samples, but in secondary non-petrochemical towns they matter less than in petrochemical ones where retirement means a substantial drop in earnings, while in other urban settlements pension may be an important source of cash income. (v) Reflecting limited diversity of employment opportunities, household head's qualifications matters less in more homogenous economies of petrochemical towns than in other secondary urban areas. (vi) High positive coefficient of the 'gender of household head' variable in petrochemical towns indicates disadvantages of women in the conditions where hard and specific to the industry physical labor is the norm.