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Wage growth in Russia: opportunities and consequences

Abstract

The paper assesses the potential for increasing the minimum wage and the average wage in the Russian economy, the wages paid to employees, the profit of enterprises and the capital investments of enterprises. Based on the study of the research results published in periodicals, the socio-economic consequences of increasing the minimum wage and increasing the average salary of employees in the state and non-state sectors of the economy are systematized. When comparing the wages and profits of employees, it is possible to measure the potential for wage growth. The author attributes this dimension to the increment of knowledge. The results of the study show the possibilities of state authorities to improve the tax system in terms of a differentiated approach to the taxation of profits aimed at direct investment or personal enrichment. Change in the income tax should both stimulate the investment activity of business owners, and limit the desire for personal enrichment. The Russian economy has potential to increase the average wage twofold.

Keywords: Wages; Value Added; Profit; Capital Investments; Public Sector; Employees; Business Owners

JEL Classifications: E24; J38; J48; O15

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Зростання заробітної плати в Росії: можливості та наслідки

Анотація. У роботі оцінено потенціал для збільшення мінімального розміру оплати праці та середнього розміру заробітної плати в економіці Росії. На основі результатів досліджень, опублікованих у періодичних наукових виданнях, систематизовано підходи до оцінки соціально-економічних наслідків збільшення мінімального розміру заробітної плати та підвищення середньої заробітної плати найманих працівників у державному та недержавному секторах економіки. Науковою новизною дослідження є вимір потенціалу для зростання заробітної плати в економіці Росії в результаті порівняння часток доданої вартості, призначенням яких є оплата праці найманих працівників і прибуток. Систему вимірювання склали дані державного статистичного спостереження економічних показників: вироблена валова додана вартість, виплачена заробітна плата найманим працівникам, прибуток підприємств, величина капітальних вкладень. Результати дослідження показують можливість органів державної влади щодо вдосконалення системи оподаткування в частині диференційованого підходу до оподаткування прибутку, що спрямовується на прямі інвестиції або особисте збагачення (практична значимість роботи). Основні висновки стосуються обґрунтування зміни ставки податку на прибуток, який, з одного боку, повинен стимулювати

інвестиційну активність власників підприємств, а з іншого – обмежувати прагнення до особистого збагачення. Видається важливим обмежувати права керівників державних підприємств щодо встановлення розміру заробітної плати, яка формується з бюджетів, що забезпечить скорочення нерівності серед працівників, зайнятих у бюджетній сфері. Російська економіка має потенціал для збільшення середньої заробітної плати не менше, ніж вдвічі.

Ключові слова: заробітна плата; додана вартість; прибуток; капітальні вкладення; наймані працівники.

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Рост заработной платы в России: возможности и последствия

Аннотация. В работе оценивается потенциал для увеличения минимального размера оплаты труда и среднего размера заработной платы в экономике России. На основе изучения результатов исследований, опубликованных в периодических научных изданиях, систематизируются подходы к оценке социально-экономических последствий увеличения минимального размера заработной платы и повышения средней заработной платы наемных работников в государственном и негосударственном секторах экономики. Научной новизной является измерение потенциала для роста заработной платы в экономике России в результате сравнения долей добавленной стоимости, направляемых на оплату труда наемных работников и прибыль. В качестве системы измерения применяются данные государственного статистического наблюдения экономических показателей: произведенная валовая добавленная стоимость, выплаченная заработная плата наемным работникам, прибыль предприятий, величина капитальных вложений. Результаты исследования показывают возможности органов государственной власти по совершенствованию системы налогообложения в части дифференцированного подхода к налогообложению прибыли, направляемой на прямые инвестиции или личное обогащение (практическая значимость работы). В качестве основных выводов приводится обоснование изменения ставки налога на прибыль, который с одной стороны должен стимулировать инвестиционную активность владельцев предприятий, а с другой – ограничивать стремление к личному обогащению. Представляется важным ограничивать права руководителей государственных предприятий по установлению размера заработной платы, которая формируется из бюджетов, что обеспечит сокращение неравенства среди работников, занятых в бюджетной сфере. Российская экономика обладает потенциалом для увеличения средней заработной платы не менее, чем в 2 раза.

Ключевые слова: заработная плата; добавленная стоимость; прибыль; капитальные вложения; наемные работники.

1. Introduction

The study of the question of wage levels does not belong to new areas of economic science. The debate over the size of wages has been going on for over 400 years. Yet, the study of this topic still belongs to the current areas of economic science.

In the new Russia, the Presidium of the Russian Academy of Sciences discussed the issue of remuneration in the framework of the report «Economic Science and Development of Russia» by D. S. Lvov on 12 January 1999 (Lvov, 1999). Ascertaining the facts about low productivity and wages in Russia, the speaker noticed that per one dollar of wages the average worker in Russia produced approximately three times more finished products than in the USA (Lvov, 1999). From the author's point of view, the conclusion drawn more than 20 years ago is valid today.

The need to increase wages is noted by all strata of Russian society. Leading Russian economists continue to convince the government of the Russian Federation of the need to take measures aimed at increasing the wage level. The report «On overcoming the current crisis and ways of developing the Russian economy» by academicians among whom are A. G. Aganbegyan, B. N. Porfirieva and A. A. Shirova is one of the latest addresses. The report suggests that the government significantly increases the minimum wage level for workers employed in all types of economic activity. The abovementioned report prompted the author of the present paper to share the results of his own research accumulated over the past 20 years.

2. Brief Literature Review

It is important to pay attention to the subject of economic research which considers wages as a function or an argument. The most frequently published dependencies include:

- casual relationships between wages and inflation (Ivanova, 2016; Campos-Vazquez & Esquivel, 2020), including the rise in consumer prices (Korovkin et al., 2003);

- the relationship between nominal wages and unemployment rates (Caliendo et al., 2018; Cengiz et al., 2019; Selwyn, 2019; Brummund, 2020; Holtemoeller et al., 2020; Marjit et al., 2020; Bossler et al., 2020);
- the impact of the share of wages on GDP (Lvov, 2003; Brancaccio et al., 2018; Tridico & Pariboni, 2018; Kohler et al., 2019), as well as the dependence of GDP on minimum wages (Jung et al., 2020; Blumkin et al., 2020);
- the impact of minimum wages on productivity (Jackson, 2019; Mayneris et al., 2018; Taylor & Ömer, 2020) and migration (Monras, 2019);
- the indicator of inequality with regard to wage levels (Hammar & Waldenström, 2020) and labour productivity (Arestis, 2020);
- the wage level with regard to the volume of labour supply (Pol, 2020);
- the interrelationship between profit and wages (Mokre & Rehm, 2020).

In the above studies, attempts are made to establish important relationships that describe changes in the socio-economic situation as a result of an increase in the minimum and average wages. The author of the paper has established that a description of the source of wages for employees, namely the produced added value, is very rare to find in published studies. In the classical view of Marxism, the produced added value plays a key role and acts as the basis to describe the contradiction between labour and capital, which is a source of social tension in society.

3. Purpose

Based on the Marxist concept of the produced added value, the purpose of this work is to assess the potential that can provide an increase in average wages in Russia's economy. To achieve the goal, the following scientific tasks were solved during the research we:

- determined the changes in the shares of wages and profit in the produced added value;
- assessed the use of profits in order to preserve and modernize the existing facilities and create new ones;
- draw a conclusion about the existing potential which may foster an increase in the average wage level.

4. Research Methodology

The task of finding mathematical dependencies was not set when conducting the research. In this regard, there is no need to justify the division of quantitative indicators into functions and arguments (factors).

Publicly available government statistics were used as initial indicators. While carrying out the research, we were able to obtain quantitative values for the period from 2002 to 2019. The use of initial values correlated with the state statistics is the basis for the application of the methodological approaches established by Rosstat (the Russian Statistical Yearbook, hereinafter referred to as RSY), 2020, 286-295. For example, the produced added value is represented as a sum of three elements: employees' wages, taxes and profits.

In order to avoid a discussion about the actual value of money, the author proposes to use relative indicators that reflect the structure of the studied indicator (value added). To obtain a relative indicator, it is essential to divide employees' wages in Russian rubles by the actually produced value added in Russian rubles.

The research took into account the impact of the public sector on the economy («P» - Education; «Q» - Health Care; «O» - Public Administration), according to the Russian classifier of economic activities. For this purpose, an amount of GDP produced by the «P», «Q» and «O» types of economic activities at all levels of budgets in the Russian Federation was subtracted from the value added produced by the national economy within the year. Similarly, the values indicating profits and labour costs decreased. Thus, the reliability of the results obtained while studying the non-governmental sector of the Russian economy was ensured.

When drawing conclusions about the use of profits by the non-governmental sector of the national economy, the author of the paper deducted state capital investments from the annual volume of direct investments (RSY, 2020, 298). The obtained balance was divided by the amount of profit received by the non-governmental sector of the economy minus the profit received by the «P», «Q» and «O» types of economic activity.

The quantitative results are given in the form of graphs, since the computational procedures for each time period are not labour-intensive operations, and the necessary information

is quickly retrieved from the official Rosstat website (<https://rosstat.gov.ru>). The discussion of the research results obtained by the author was carried out in comparison with the proposals and conclusions set out in the open periodical scientific press.

5. Results

The statistical data graph describing the annual change in the shares of profit and labour costs in the non-governmental sector of the economy (Figure 1) allows us to draw the following conclusions:

1. Russian owners of production facilities are not ready to reduce the share of profit which is generated from each ruble of the produced added value.
2. A decrease in the share of labour costs leads to an increase in profits (2011, 2015-2019, Figure 1).
3. The only source used to increase wages in the nongovernmental sector of the Russian economy is profit. At the same time, the share of profit is apparently the same as the share of labour costs (Figure 1). Based on this, it follows that there is a significant potential for wage growth at commercial enterprises.

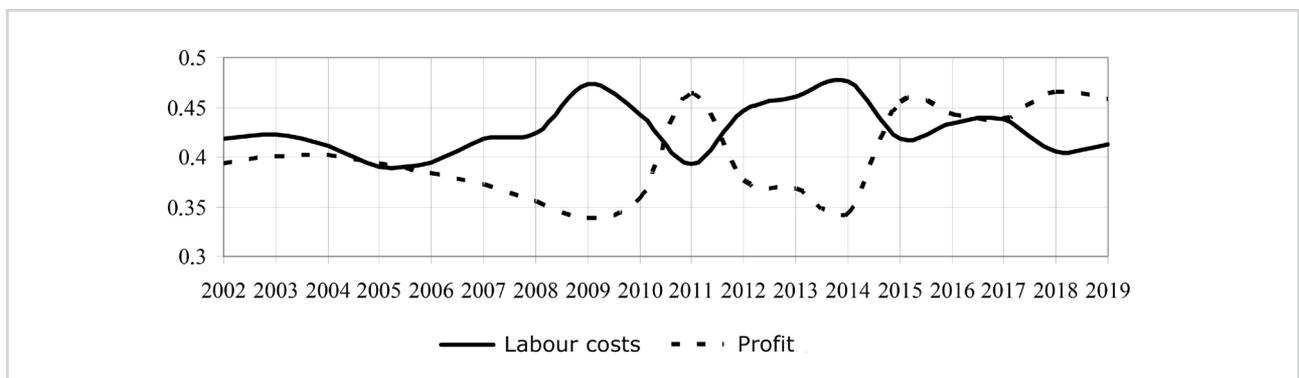


Figure 1:

Dynamics of changes in the shares of labour costs and profit in terms of the produced added value in the Russian Federation

Source: Compiled by the author based on RSY (2020, Tab. 13.17)

The point of view that owners of production facilities spend part of their profit on the restoration of the existing and creation of new production facilities is completely justified. In order to understand what part of the profit is spent on the creation of new and modernisation of the existing production facilities, a graph describing the share of profit spent to invest in fixed assets (capital investments) has been constructed. The dynamics describing the investment activity of Russian business owners is shown in Figure 2.

The analysis of the graphs shown in Figure 1 and Figure 2 leads to obvious conclusions:

1. Russian owners of production facilities seek to obtain profit distributed in the form of dividends in the amount of at least 20% of the produced added value. This indicator is achieved due to an increase in the intensity of production and savings on wages of hired workers.

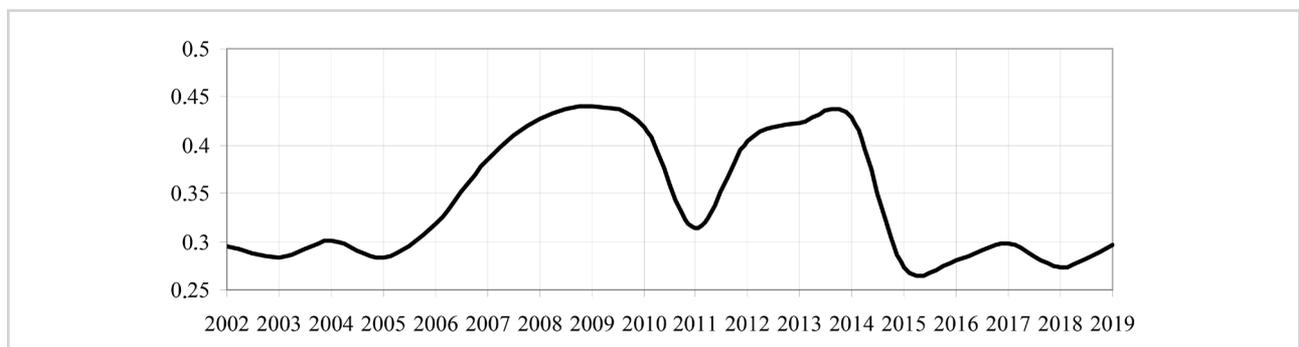


Figure 2:

Share of profit spent on direct investments in the Russian Federation

Source: Compiled by the author based on RSY (2020, Tab. 13.17, 14.2)

2. To achieve high profit (20% of the volume of the produced added value), owners of enterprises are ready to reduce costs, including the volume of investments spent on the modernisation of the existing and creation of new production facilities (2011, 2015 - 2019; Figure 1 and Figure 2).

The dynamics of changes in the share of profit received from a unit of the produced added value (Figure 1), as well as the share of profit spent on capital investments, confirms the well-known conclusion by Karl Marx that the capitalist will stop at nothing for profit.

When following the issues related to the problem of wage growth in the non-governmental sector of the economy, it is necessary to take into account the rather serious impact of the «P», «Q» and «O» types of economic activities financed from a variety of budgets of the Russian Federation. To prove this conclusion, the change in the share of the added value produced by the budgetary sector of the Russian Federation is given (Figure 3).

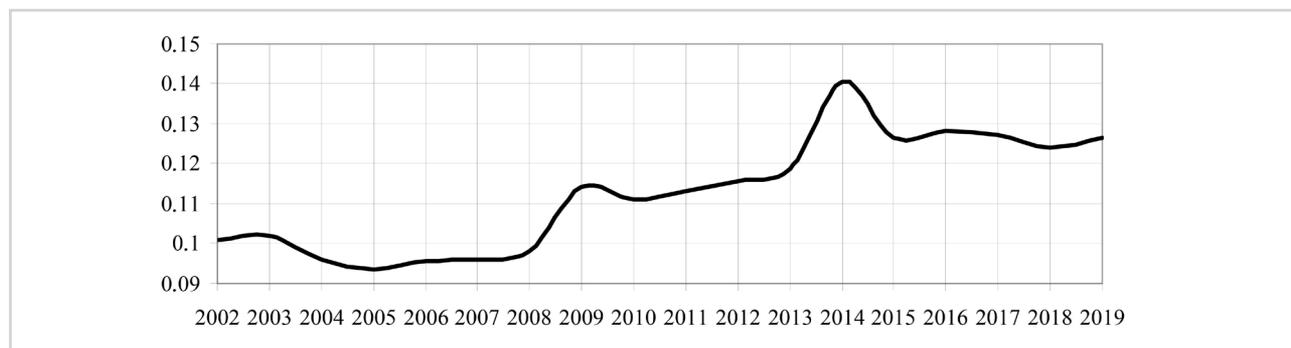


Figure 3:
Share of GDP created by state-owned enterprises of the Russian Federation
Source: Compiled by the author based on RSY (2020, Tab. 13.12)

Particular attention should be paid to the share of the added value spent on wages in budgetary enterprises. It is obvious that most of the funds are spent on wages in the field of health care, education and public administration (Figure 4). In such a situation, an increase in average wages is possible under the condition of an increase in government spending or as a result of smoothing out inequality in wages at enterprises belonging to public sector by the «P», «Q» and «O» types of economic activity.

The fact of mutual impact of the wage levels in the non-governmental and in the budgetary sectors does not require proof. At the same time, there exists a link between the average wages of public sector employees and the average wages in the industry, which is established by government authorities.

Based on the graphs (Figure 3 and Figure 4), the conclusion that the budgetary sphere of the Russian Federation does not have a clear internal potential (profit share) that can be used to increase the average wages is obvious. In the absence of internal potential for profit, for example, an increase in the minimum wage will inevitably lead to an increase in government spending on wages in education, health care and public administration.



Figure 4:
Changes in the shares of wages and profits in the added value produced by budgetary enterprises
Source: Compiled by the author based on RSY (2020, Tab. 13.12)

6. Discussion

With an increase in the minimum wage or the average wage in the economy, it is customary to study the socio-economic consequences in terms of changes in the real income of the population, as well as the possibilities of obtaining such income in the labour market. In addition it is customary to assess the impact of growth in wages on productivity. The present research does not quantify the socioeconomic and macroeconomic consequences of wage increase. Instead, based on the above graphs (Figures 1-4), the author provides a scientific analysis of published research results describing the impact of the growth of the minimum and average wages on the unemployment rate, inflation, inequality, labour productivity and migration.

6.1. Unemployment and wage growth

There are different points of view on the change in unemployment as a result of the increase in the minimum wage. Some researchers do not find the effect of change in the minimum wage on the unemployment rate (Caliendo et al., 2018; Monras, 2019; Marjit et al., 2020), others, who represent the majority, express the opposite point of view and find an increase in unemployment due to an increase in the minimum wage (Selwyn, 2019; Brummund, 2020; Holtemoeller & Pohle, 2020; Bossler & Oberfichtner, 2020). It is essential to pay attention to the fact that from the point of view (Marjit et al., 2020) an increase in wages leads to an increase in the attractiveness of jobs and thereby decreases the unemployment rate.

Types of economic activities financed from the Budget, such as education, health care and public administration, are most sensitive to increasing minimum wages. As a rule, this sensitivity is explained by the calculation of employees' wages basing on the minimum wage established by the national legislation. It is important to emphasise that an increase in the payroll of budgetary organisations is compensated by an increase in budgetary expenditures.

For the sake of fairness, attention should be paid to another opportunity considered by employers when increasing the minimum wage, i.e. reducing the length of the working day or giving workers part-time jobs. It should be noted that transfer to a part-time rate does not provide for a reduction in the amount of work in most cases. This approach most clearly demonstrates the desire of business owners to increase the degree of exploitation of employees.

6.2. Wage growth and inflation

If we proceed from the conclusions (Harasztosi & Lindner, 2019) which say that 75% of the growth in the minimum wage is paid by the consumer, and only 25% is paid by the employer, then we should expect a price rise, since the increase in the minimum wage is transferred to the consumer by owners of enterprises. Probably one can agree with this approach, provided there is unlimited consumer demand or a significant number of solvent consumers to whom producers can sell manufactured goods. At the same time, it is important to take into account the consumer value of the product, which is the consumer's willingness to buy in the case of increasing prices.

There is a fairly substantiated point of view that an increase in inflation is not detected in the case of an increase in the minimum wage (Campos-Vazquez & Esquivel, 2020). Indeed, increasing minimum wages in Russia may affect only those who are employed in the public sector and for whom wages are stipulated in the budgets. For the non-governmental sector of the economy, the need to increase the wages of all employees in a percentage equal to the increase in the minimum wage is not mandatory.

Another important finding is that the cut of the central bank rate does not automatically imply an increase in wages (Pol, 2020). Indeed, classical macroeconomics asserts the fact that a decrease in the central bank rate leads to an increase in entrepreneurial activity and, as a consequence, to an increase in the real income of the population. Yet, Russia's experience shows that owners of production facilities are not willing to refuse from the high profits. At the same time, if the lower limit of the profit share in the added value is easy to determine (Figure 1), then the upper limit is not established and is determined by the strength of the desire to increase profits.

In the course of the discussion of the problem of increasing average wages there may be fears that increasing wages may provoke a rise in prices. From the author's point of view, such a scenario can be viewed as very pessimistic. If we assume that business owners pay more attention to the absolute value of profit (dividends), then the absolute value of profit will

inevitably decrease with an increase in average wages. To maintain a given amount of profit, the easiest way to avoid the problem is to increase the price of products. However, this poses the risk of a decrease in sales volume. The only rational solution to this problem is to increase the volume of production through the modernisation of existing facilities or via construction of new production facilities. If modernisation leads to an increase in labour productivity, then the creation of new industries leads to an increase in workplaces. Both the concepts have a positive effect on the macroeconomic situation and intensify competition, which reduces the risk of increased inflation.

6.3. Wage growth and inequality

A study of published research results on the impact of wage growth, including minimum wages, on inequality indicators show a coincidence of the authors' views on the reduction of inequality (the value which is most often determined by the Gini coefficient) as a result of an increase in labour costs (Jung, 2020; Blumkin et al., 2020; Hammar & Waldenström, 2020). It should be emphasized that in some studies attention is paid to the need for an outstripping increase in wages of lower and middle-level workers (Caiani et al., 2019).

Research of statistical data describing the dynamics of changes in the Russian economy makes it possible to establish a high level of wage differentiation at enterprises of the non-governmental sector, and, which is particularly important, the public sector is approaching such a level of inequality in wages (Malkina, 2016). This conclusion is confirmed by a detailed study of budgetary enterprises. It is possible that at some point the heads of state-owned begin to feel like owners and, by analogy with those who operate in the non-governmental sector, consider it possible to increase the degree of exploitation of hired workers.

To reduce inequality in wages at public sector enterprises, the state will have to reduce the authority of managers in relation to stimulating the work of their subordinates. A return to strict government regulation of rates for each category of employees is inevitable. It is advisable for the heads of budgetary organisations to leave the opportunity to stimulate employees with profits received. Such an approach will ensure the targeted use of budgetary funds and simplify the implementation of state assignments in terms of expenditures provided for the remuneration of employees. It should be noted that this conclusion is based on the emerging trend toward an increase in profit related to the added value produced at public sector enterprises (Figure 4).

Reduction of functions of managers who redistribute the payroll at state-owned enterprises could have a positive impact on reducing inequality related to payments for various categories of workers. This conclusion is substantiated in the paper (Kabanov, 2012).

Special attention should be paid to the dependency describing a decrease in the value of the inequality indicator along with an increase in labour productivity, given in (Arestis, 2020). It is difficult to disagree with this conclusion, since if wages rise in proportion to the growth in labour productivity, the inequality rate will inevitably decrease. At the same time, the profit of the owners of the enterprise cannot decrease both in absolute and in relative terms. This statement has been proven by the author of the current paper in (Kabanov, 2012) with the use of indicators applied in the CVP-model.

6.4. Wages and labour productivity

The importance of studying the interdependence between wages and labour productivity has been repeatedly emphasized by Russian economists. For example, in the study of the lag between Russia's economy and the economy of the USA, the relevant indicator is estimated at 5-6 times, while the lag in wages is 15-25 times. From this statement it follows that per 1 ruble of paid wages, employees in Russia create threefold more added value than, for example, their counterparts in the USA. This approach casts doubt on popular conclusions about the backwardness and low efficiency of the Russian economy.

The impact of wages on labour productivity is under the close scrutiny of modern researchers. When studying the published results, it is advisable to highlight the main points of view.

1. If the growth rate of wages outstrips the growth rate of labour productivity, then there is a decrease in the profitability of production and a decrease in the income of business owners, which inevitably leads to a reduction in production capacity (Kohler et al., 2019; Jackson, 2019; Bukina & Orekhovskiy, 2018).

2. An increase in wages in proportion to an increase in labour productivity enhances the profitability of enterprises and the income of their owners (Caiani et al., 2019; Mayneris et al., 2018; Mokre & Rehm, 2020).
3. An increase in labour productivity is achieved as a result of a reduction in wage costs (Branaccio et al., 2018; Kapeliushnikov, 2009).
4. A decrease in wages leads to a decrease in labour productivity (Tridico & Pariboni, 2018).
5. There exists a lack of a stable relationship between labour productivity and wages (Kapeliushnikov, 2014).

The author of this paper assumes that there exists a positive, significant and reliable relationship between wages and labour productivity (Mokre & Rehm, 2020). Besides, we have determined the value of the excessing growth rate of wages over the growth rate of labour productivity with a constant value of profitability of sales along with a specified value of profit per unit of time in absolute values (Kabanov, 2012). Such a result can claim a high degree of reliability with regard to the rational behaviour of all groups of employees from management to personnel, ensuring the functioning of the production process of added value.

Summing up the considerations regarding the issue of the mutual impact between labour productivity and wages, we should pay attention to a need for state regulation of the procedure related to distributing the wage fund in the budgetary sector of the economy. Such regulation may provide for the fixation of rates for all categories of workers regardless of the territory. Meanwhile, for territories with extreme climatic conditions increasing coefficients are applied by analogy with the system that existed in the USSR.

The author is convinced that the practical application of the labour productivity - wages - profit dependency will make it possible to avoid the existing disproportion, which consists in different forms of taxation regarding employees' wages and profits received by enterprise owners. The statement that in the current Russian system of taxation when paying actual wages to employees, for example, in the amount of 1 Russian ruble, the employer must pay taxes, including social tax, in the amount of 0.5 Russian ruble, while the net profit tax from each ruble is 25 kopecks maximum. Simple calculations show that business owners have more favourable conditions for their income in terms of taxation. This factor has an additional impact on decision making in favour of limiting labour costs and increasing profits.

Obviously, the state has been motivating business owners with a low tax in order to increase the volume of direct investments (capital investments). However, as statistical observations show, such incentives lead to an increase in the net income of business owners. No more than 30% of profit gained by owners of enterprises is spent on the modernisation of the existing and creation of new production facilities (Figure 2). Hence, it is necessary to develop such a system of income taxation under which capital investments will continue to receive preferences, and part of the profits allocated to the payment of dividends will be subject to a higher tax rate. As a result, it can be assumed that in order to receive dividends in the desired quantity, an entrepreneur will have to consider an increase in sales. The increase in sales will require an increase in output, which is ensured by increased labour productivity or creation of new production facilities.

6.5. Wage levels and migration

Migration of the population should be considered to be an important indicator of the socio-economic consequences of increasing wages. The obvious conclusion is that the most active part of the population strives for territories with higher wages (Monras, 2019). In terms of the Russian economy these processes are manifested in metropolitan cities where population growth occurs due to classical and circular types of migration. Migration occurs not only due to the desire to have higher wages, but also due to infrastructure which satisfies the needs of the population which grow in proportion equal to their income growth. This explains a lower level of migration in Tyumen region and Yakutia, if compared with the level of migration in Moscow and St. Petersburg.

6.6. Wage growth tools

The scientific community recommends non-state owned enterprises to actively stimulate the growth of labour productivity by outstripping the growth of wages (Suvorov et al., 2020). At the same time, an important role is assigned to the democratic work control over firms proposed

by Karl Marx (Wisman, 2020). At the present stage, work control over firms has transferred into a tripartite agreement with the participation of public authorities. It is the tripartite agreement that is proposed to be used to monitor the established minimum wage at enterprises (Rzhanitsyna, 2000).

The author of the paper is not among the supporters of government subsidies for wages. At the same time, it should be admitted that a need for subsidies in some cases is quite convincingly argued. For example, government subsidies to support wages at enterprises are introduced in areas where there is a high unemployment rate.

In scientific literature, the concept of government subsidies (Blumkin et al., 2020) is considered in terms of the introduction of the so-called subminimum for young workers. Another mechanism for public authorities to directly impact wage levels is the system of taxation (Mokre & Rehm, 2020), the improvement of which should be carried out with regard to the following directions:

- regulation of the distribution of the newly created value by factors of production (Kozlova & Arzyakova, 2007);
- wage growth in proportion to the growth of labour productivity (Kuklin & Leontieva, 2010);
- maintenance of aggregate demand based on an increase in investment costs in the economy, as well as on growth of real income of the population (Ilyashenko & Kuklina, 2018);
- reduction of wage inequality for all categories of workers (Caiani et al., 2019).

The listed proposals aimed at improving the existing taxation system are of a larger scale and require further research.

7. Conclusion

Based on the dynamics of changes in profits and wages given by the author in Figures 1-4, as well as on the study of published research results on socio-economic consequences of the increasing minimum and average wages for the national economy, we can conclude the following:

- 1) to assess the socio-economic consequences of the growth of the minimum wage and the average value of wages in the Russian economy, it is necessary to forecast changes in inflation, unemployment, inequality, labour productivity and migration;
- 2) proposals aimed at increasing the income of the population mentioned in the report (Aganbegyan et al., 2021) should be implemented simultaneously with the introduction of the corresponding amendments to the tax legislation of the Russian federation, which should both maintain investment activities of business owners and limit the desire for personal enrichment;
- 3) making the simplest, from a technological point of view, decision to increase the minimum wage is unlikely to change the situation with wages in Russia's economy; subject to an increase in the minimum wage, the public executive authorities should establish a fixed amount of remuneration for all categories of public sector employees, including education and health care, regardless of the location of state-owned enterprises;
- 4) the increase in the minimum and average wages at enterprises in the non-governmental sector of the economy should be carried out as a result of improvements made in the current tax system: changes should include higher taxation for profits spent on paying the dividends and lower taxation for the amounts of money which are to become capital investments;
- 5) the research carried out by the author (Figures 1-4) show that the Russian economy has the potential for at least a twofold growth of wages in the non-governmental sector of the economy; the use of this potential can reduce the difference in the amount of the produced added value per one Russian ruble of paid wages by at least 50% in comparison with the developed economies of the world.

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