

Labour Market Dynamics in Russian Industry in 1992:

Results from the Second Round of the RLFS

INTERNATIONAL LABOUR ORGANISATION
East European Team for Labour Policy

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Results from the Second Round of the RLFS

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Note: Director, East European Team, Budapest. This paper has been prepared for the Conference on Employment Restructuring in Russian Industry, scheduled for Moscow and St. Petersburg, October 21-28, 1992. As it is a draft, it should not be quoted without permission. Comments would be welcome. Thanks for assistance, with the usual caveat about responsibility, are due to Tatyana Chetvermina, Tatyana Gorbochova and Jim Windell.

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Table of Contents

1. Introduction	1
2. Structural Characteristics and Accelerating Privatisation.....	1
3. The Slump in Capacity Utilisation in 1992	12
4. The Employment Crunch in Russian Industry.....	17
5. Vacancies and Labour Turnover	31
6. Occupational Shifts	34
7. The Impact on Vulnerable Groups.....	36
A. Women workers	36
(i) Disadvantaged by industrial restructuring.	36
(ii) Disadvantaged by employment restructuring.....	36
(iii) Disadvantaged by privatisation.	36
(iv) Disadvantaged by gender preference in recruitment.	37
(v) Disadvantaged by training.....	37
(vi) Disadvantaged by labour surplus.....	37
(vii) Disadvantaged by labour market segmentation.....	37
(viii) Disadvantaged by occupational segregation.	37
(ix) Disadvantaged by income.	38
B. Older workers.....	42
8. Wages and Benefits	46
9. Labour Efficiency and Employment Problems.....	52
10. Concluding points	53

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1. Introduction

Because the first round of the RLFS was carried out at a time of truly dramatic economic and labour market change, it was decided to conduct a second round in mid-1992. For time, cost and organisational reasons, the survey was carried out in a random sample of 200 industrial enterprises in the same three areas as was covered by the first round. Of the sample, 191 were completed, implying a 4.5% non-response rate, which is very reasonable by international standards.

Of the 191, 109 were included in the first round of the RLFS, and in this overview of the principal results attention will focus on the sub-sample included in both rounds, i.e., for which there is information for at least the past two years. It is recognized that this means that the results apply only to a sample that is one-fifth of the size of the first RLFS, and that therefore one should be even more cautious about making generalisations than for the original survey. Sampling procedures will have to be refined in subsequent rounds, yet the conduct of two rounds six months apart represents a start in providing an analysis of labour market dynamics at a time of rapid economic and employment restructuring. More detailed statistical analysis will be presented in subsequent papers, which will document and elaborate on the findings outlined in this paper.

2. Structural Characteristics and Accelerating Privatisation

A few remarks on the restructuring of Russian industry in the three industrial areas of Moscow City, Moscow Region and St.Petersburg will indicate the context in which employment changes were taking place. In the second round of the RLFS, engineering still predominated as the largest sector (Figure 11.1). Similarly, the mean employment size of establishments remained large by international standards, though in the sample of establishments that were in both rounds there was a decline in the number of large-scale establishments with more than 1,000 workers (Figure 11.2). The property form distribution was significantly different from that observed in late 1991. Because of the smaller sample size, we divided the property forms into state, leaseholding and "private", which included so-called "cooperatives", joint stock companies and partnerships, the largest number of the latter being joint stock. That in itself was a major change from the first round.

The share of the total sample that were state enterprises in 1991 was 66.5%; this had fallen to 58.6% in mid 1992. By contrast with the first round, a much larger proportion of the establishments were planning to change property form, with leaseholdings most inclined to be planning a further change (Figure 11.4).¹ Most of those expecting to change

1 Over 69% of the whole sample reported that they planned to change property forms, with 90% of leaseholdings reporting such plans or expectations. Some other, quasi-private establishments also indicated that they expected to change their property form, highlighting the fluidity in the "privatisation" process.

were anticipating becoming joint stock enterprises, and it is noteworthy that some of those that had reported at the beginning of the year that they were expecting to become leaseholdings were now anticipating becoming joint stock enterprises. However, most state enterprises that had made a change in the past six months had actually become leaseholding arrangements, and nearly 18% of those that had been leaseholdings had become quasi-private, as either partnerships or joint stock companies.

Most of those expecting an ownership change as of June 1992 expected to make that change within the next 12 months (72%, with a further 22.7% expecting the change in the year after that). Large-scale establishments were slightly *less* likely to expect that change in the next 12 months than the smaller-scale establishments.

The decline in industrial output was reflected in the recorded drop in *sales*. More establishments reported a decline in the real value of sales over the previous year than an increase. Although leaseholds had experienced the worst outcome in that respect, more private firms had also experienced a decline than an increase (Figure 11.5). And on average every size-category of establishment had a net decline (Figure 11.6).

Here the output-sales story becomes more interesting. Over the period 1989-1992, *exports* as a share of total output on average remained at the initially rather low level. However, the large-scale establishments, which initially had a relatively high export orientation, had seen the export share of their output decline, to about 2% of the total (Figure 11.7). And this decline was concentrated in the state sector, whereas exports as a share of output *rose* modestly in private and leaseholding establishments (Figure 11.8). Although the levels were not such as to offer much prospect of an export-led recovery, this is a potentially positive trend, since over the next few years it will be important for Russian industry to become more "outward-oriented", for foreign exchange, debt repayment and technological reasons.

A second interesting development is that *barter* had risen quite sharply, multiplying fivefold as a percent of total output between September 1989 and June 1992. One might question the accuracy of the estimates, which were those reported by senior managements and their chief economists.² However, the trend is unquestionable. It was much greater in large-scale factories than in others (Figure 11.9) and it had increased in all property forms of establishment, although the relative growth was greatest in leaseholdings and then state-owned establishments (Figure 11.10).

This upward trend in barter has several possible explanations. Undoubtedly, managements were faced with a greatly increased difficulty of paying money wages and bonuses in early 1992, and of course there was a truly horrendous increase in inter-enterprise indebtedness.³ For the factories, it was clearly an attractive option, if not the only available one, to pay workers more in kind, and resort more to barter so as to enable them

² One would expect that the increase in barter would be underestimated, because much of it would have been informal and unrecorded.

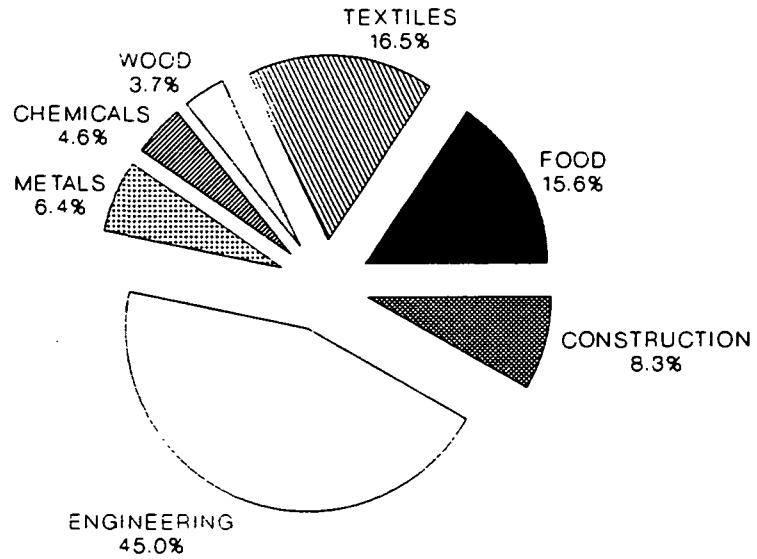
³ By mid-1992, inter-enterprise indebtedness in Russia was said to be two trillion roubles, although one is impressed by the estimate. See Ministries and Departments of the Russian Federation, et al, A Programme for Stepping Up Economic Reforms (Moscow, Nachala Press, June 1992), p.10.

to stock up old or extra shops on their premises, and to pay workers in consumer goods, including food, rather than in scarce cash. These factors must have been major causes of the expansion of barter exchanges.

It is known that in early 1992 retail sales fell more than wholesale sales, and that the steep rate of decline in output was actually less than that of sales. Various economists have interpreted that difference as reflecting a deliberate growth in stocks, attributing it to a desire by enterprise managements to speculate on a *rising* rate of inflation. A growth in stocks may be part of that story, although it seems a little too sophisticated to be convincing. It is far more likely that the relatively rapid decline in sales compared to output reflected a shift into barter and intra-enterprise transfers, which the RLFS2 also recorded as having increased in the period in large-scale enterprises. Two pieces of direct evidence support this interpretation—barter rose as a percent of output (non-sold output) and the growth of barter was *greatest* in establishments that recorded a fall in sales (Figure 11.11). There are reasons for policymakers to hope that barter and in-kind payments will stabilise and decline the near future.

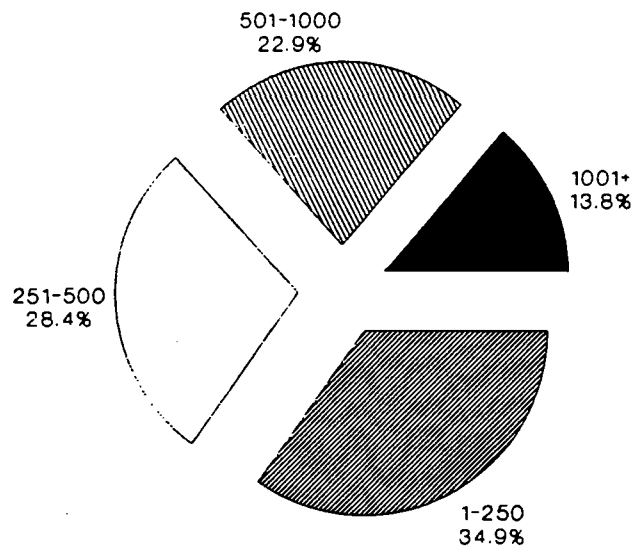
So, the second round of the RLFS revealed an accelerated restructuring process in the first half of 1992, involving an acceleration in privatisation, a strengthening of plans to change ownership form, falling sales in real terms, some redirection of industrial output and a substantial growth in barter. These changes were unlikely to leave employment intact, and it is surprising that some commentators believe that was the case.

**FIGURE 11.1
INDUSTRIAL DISTRIBUTION
OF ESTABLISHMENTS**



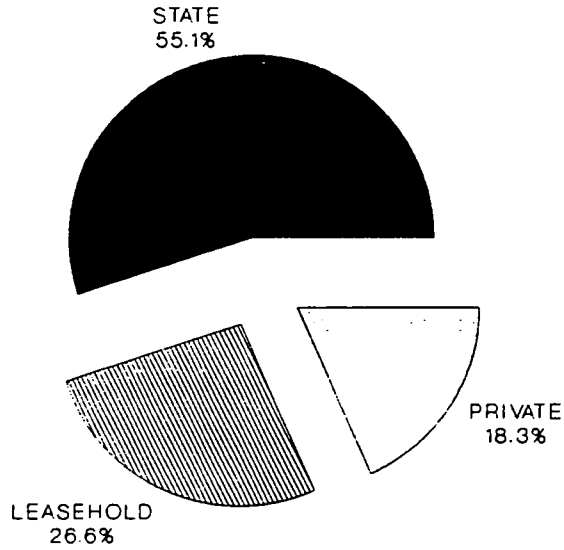
Russian Labour Flexibility Surveys 91-92
n = 109

**FIGURE 11.2
EMPLOYMENT SIZE DISTRIBUTION
OF ESTABLISHMENTS, JUNE 1992**



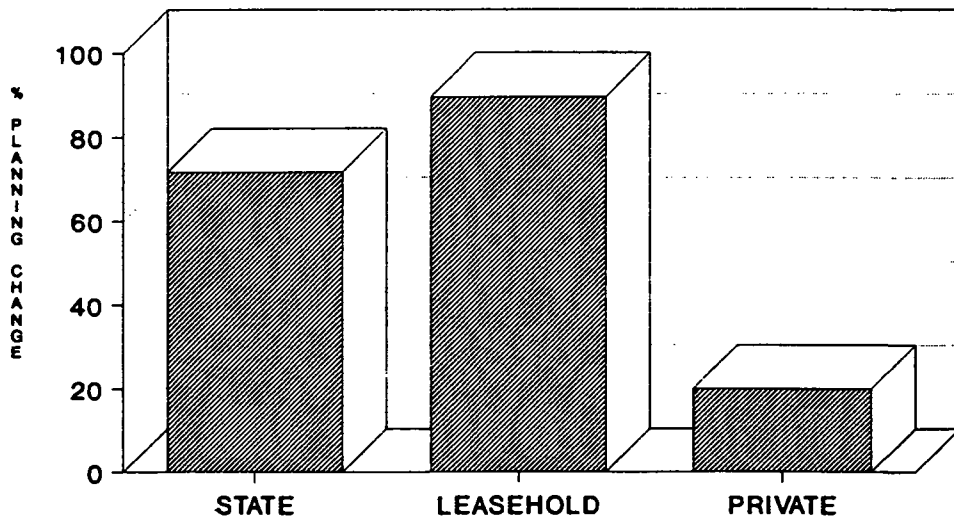
Russian Labour Flexibility Surveys 91-92
n = 109

FIGURE 11.3
PROPERTY FORM DISTRIBUTION
OF ESTABLISHMENTS, JUNE 1992



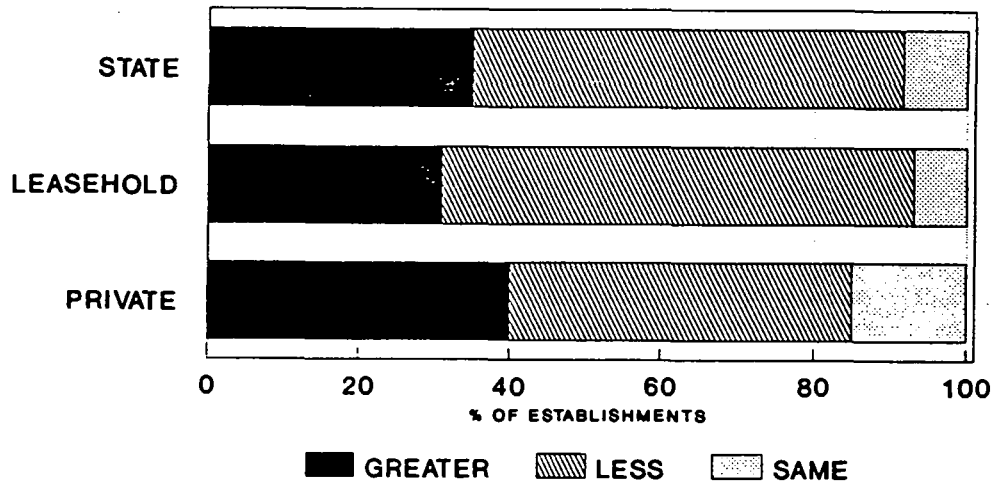
Russian Labour Flexibility Surveys 91-92
n = 109

FIGURE 11.4
PLANS TO CHANGE OWNERSHIP FORM
BY CURRENT PROPERTY FORM, 6/92



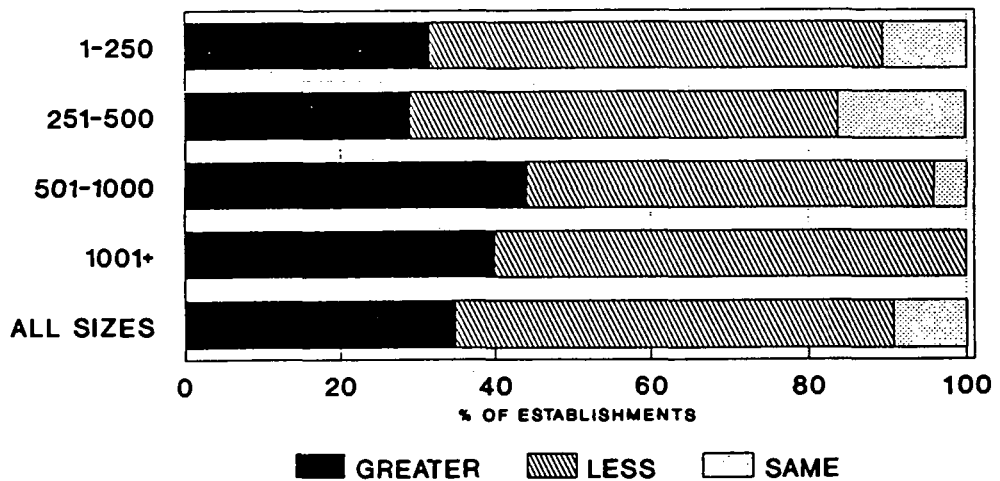
Russian Labour Flexibility Surveys 91-92
n = 109

FIGURE 11.5
VALUE OF SALES* IN JUNE 1992 COMPARED
TO JUNE 1990 BY PROPERTY FORM, 6/92



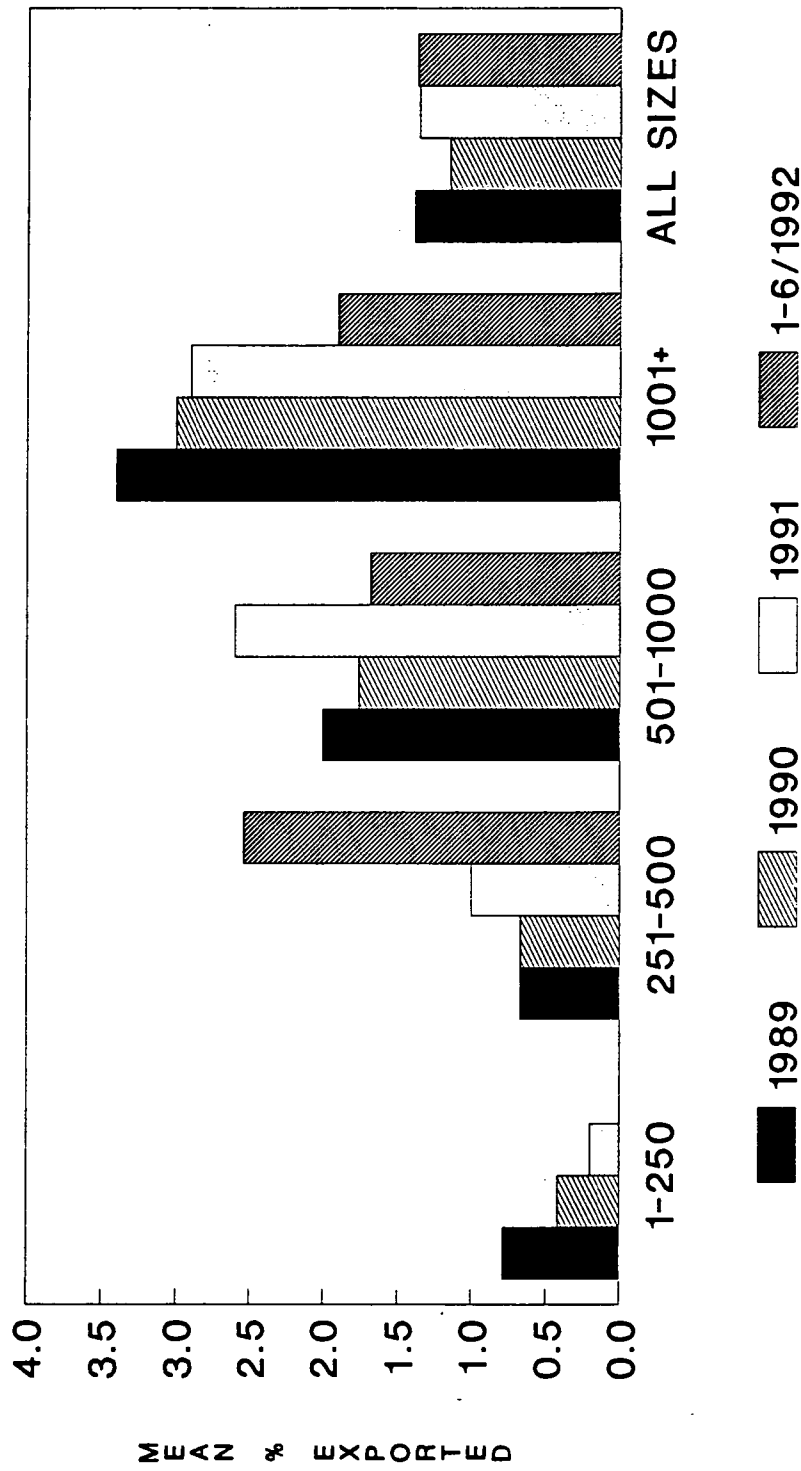
Russian Labour Flexibility Surveys 91-92
 * constant prices
 n = 109

FIGURE 11.6
VALUE OF SALES* IN JUNE 1992 COMPARED
TO JUNE 1990 BY EMPLOYMENT SIZE, 6/92



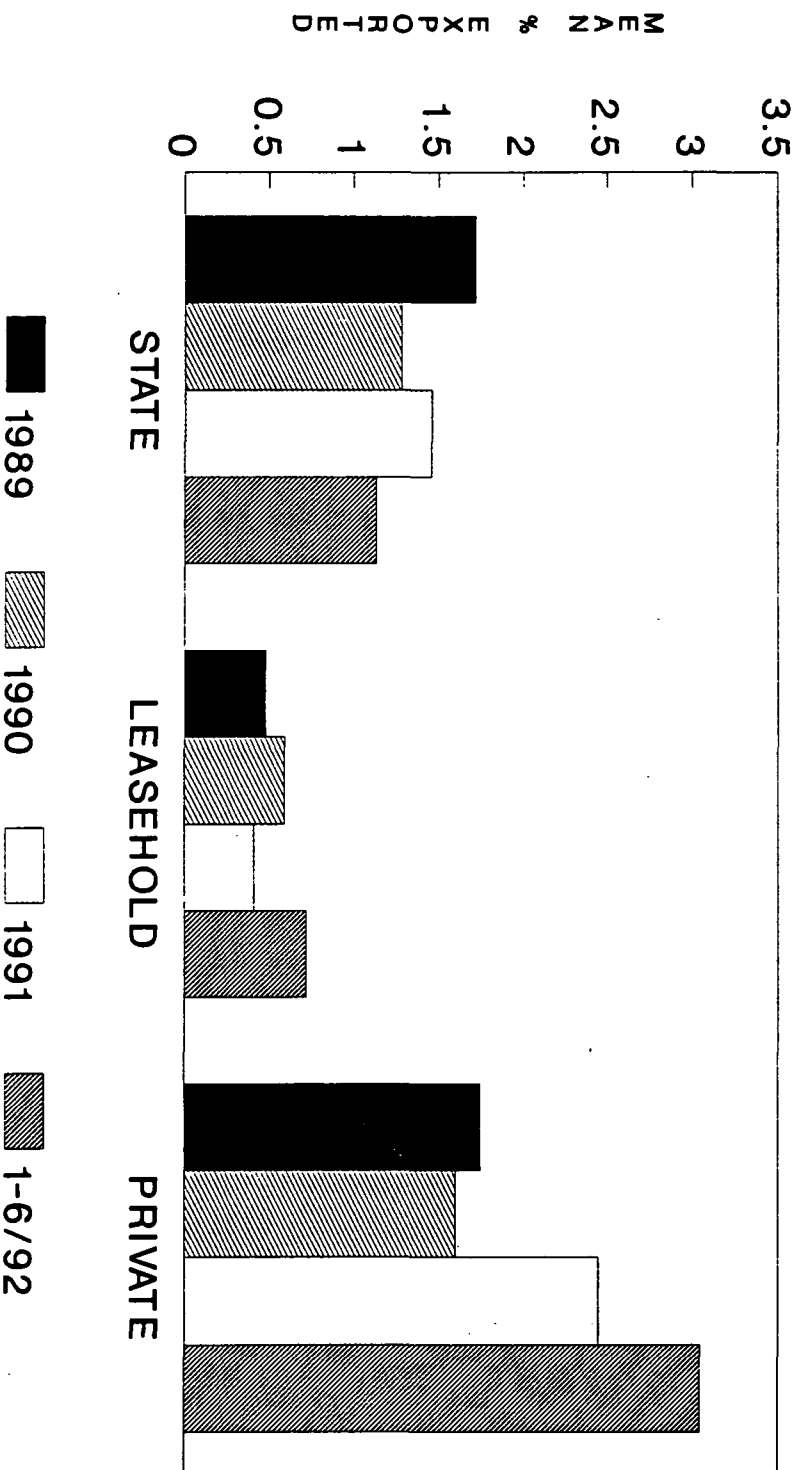
Russian Labour Flexibility Surveys 91-92
 * constant prices
 n = 109

FIGURE 11.7
PERCENT OF OUTPUT EXPORTED, 1989-92,
BY EMPLOYMENT SIZE, 6/1992



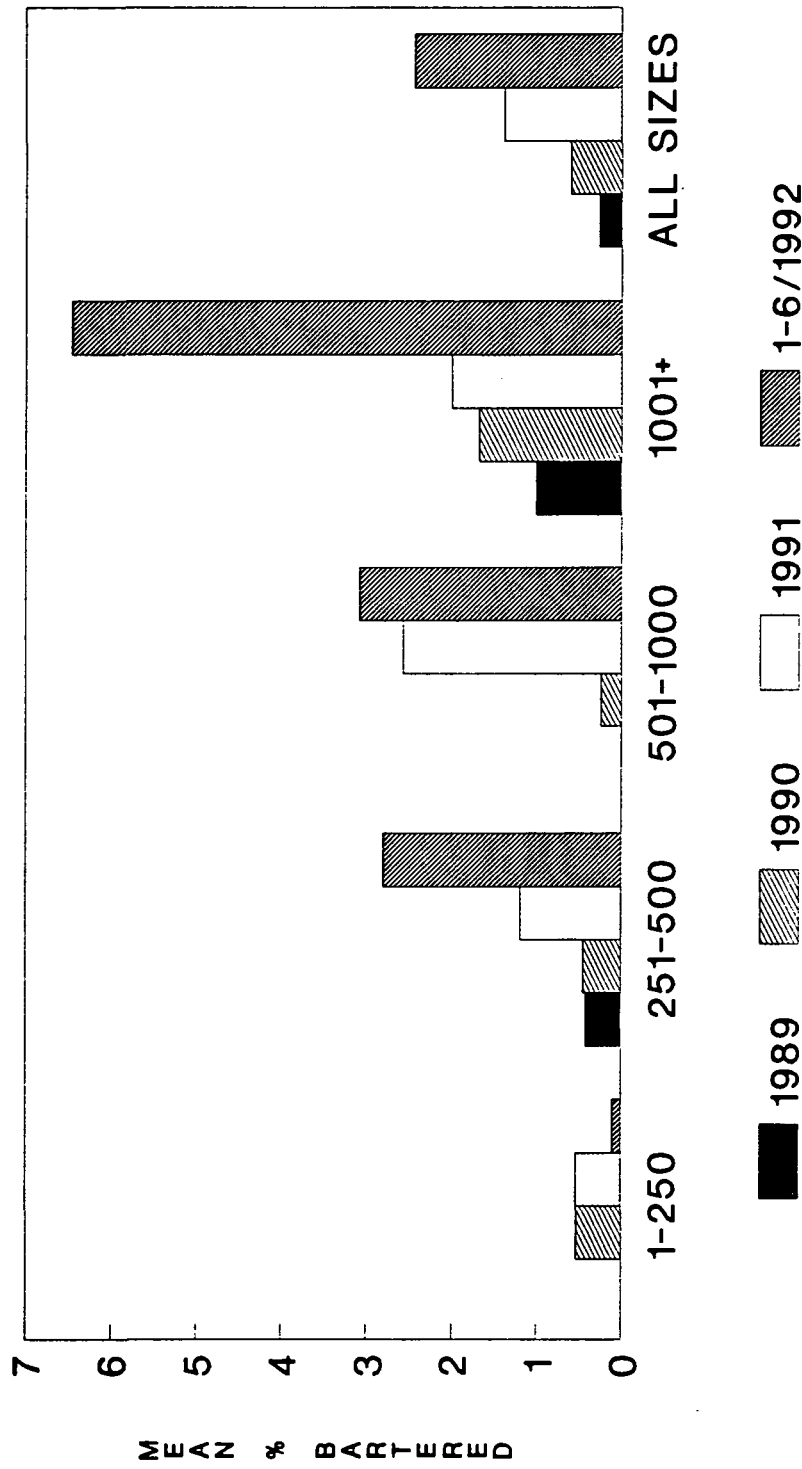
Russian Labour Flexibility Surveys 91-92
n = 109

FIGURE 11.8
PERCENT OF OUTPUT EXPORTED, 1989-92,
BY PROPERTY FORM, 6/92



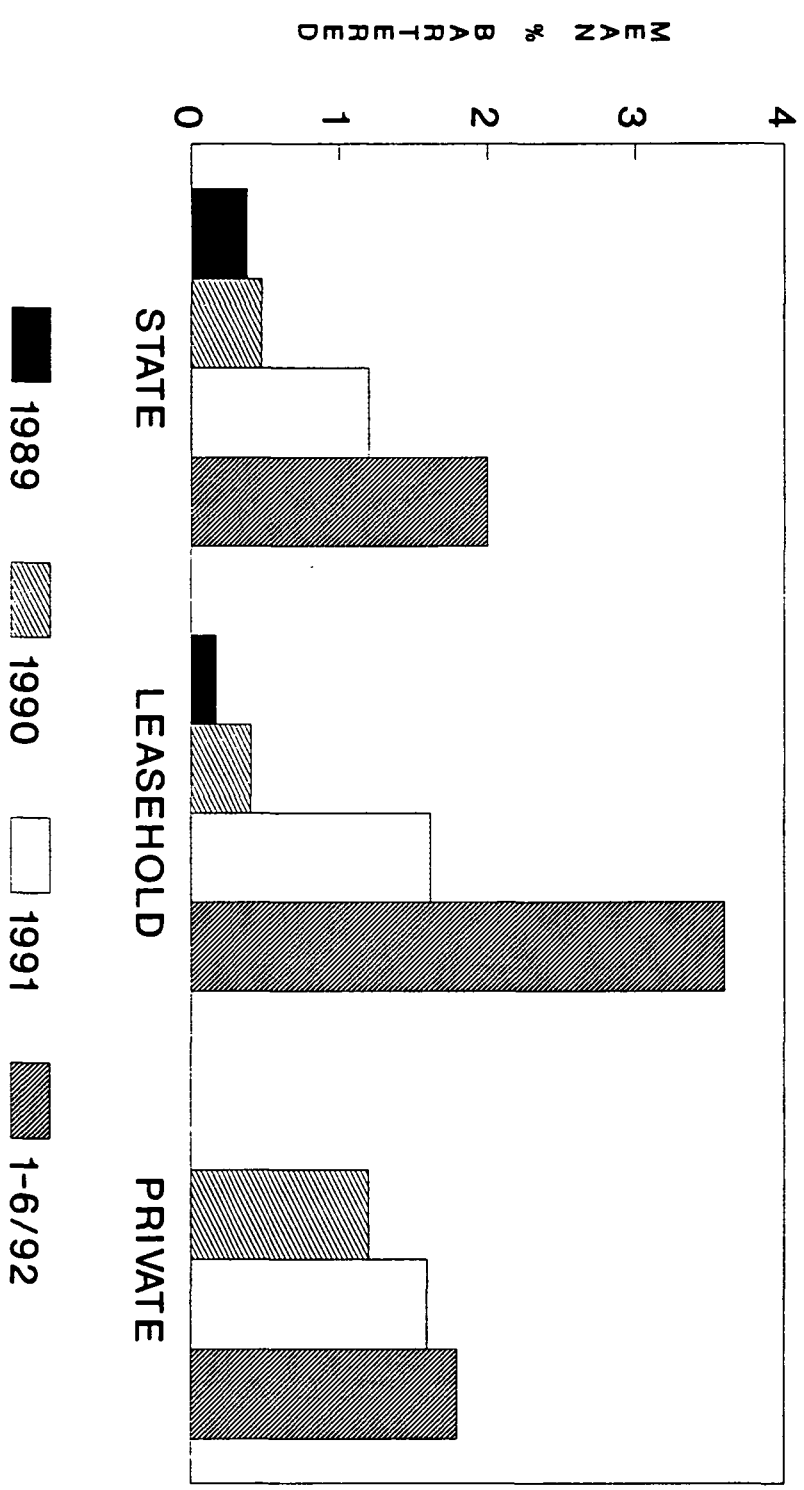
Russian Labour Flexibility Surveys 91-92
 n = 109

FIGURE 11.9
PERCENT OF OUTPUT BARTERED, 1989-92,
BY EMPLOYMENT SIZE, 6/92



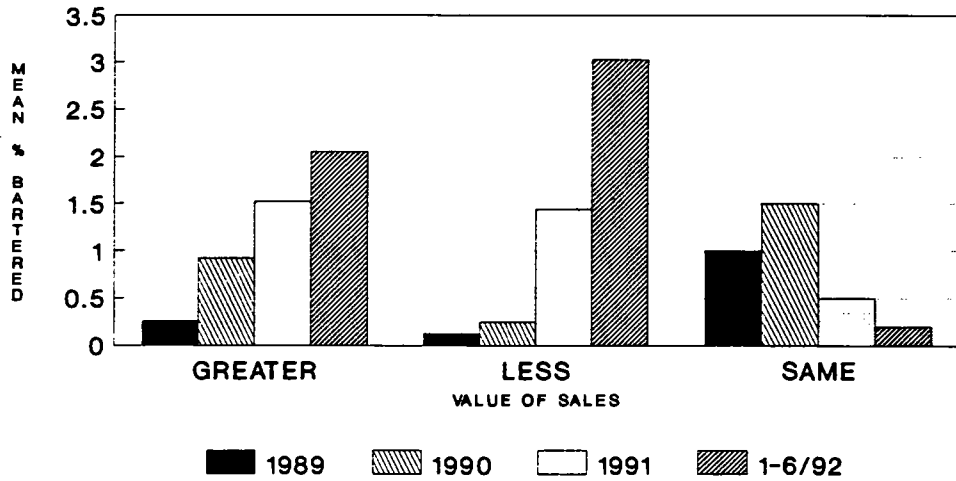
Russian Labour Flexibility Surveys 91-92
n = 109

FIGURE 11.10
PERCENT OF OUTPUT BARTERED, 1989-92,
BY PROPERTY FORM, 6/92



Russian Labour Flexibility Surveys 91-92
n = 109

FIGURE 11.11
VALUE OF SALES* 6/92 COMPARED TO
9/90 BY % OF OUTPUT BARTERED, 89-92



Russian Labour Flexibility Surveys 91-92
 • constant prices
 n = 109

3. The Slump in Capacity Utilisation in 1992

With sales declining and a background of deepening crisis in the Russian economy, one of the most striking trends observed in the second round of the RLFS was a sharp fall in the estimated level of capacity utilisation. Regrettably, no questions on this were included in the first round, so the following results are given for the full sample included in the second round.

Overall, capacity utilisation dropped from 88.3% at the end of 1989 to 82.9% at the end of 1991 and to 75.8% in June 1992. In other words, there was an accelerated decline. This was probably greatest in Moscow Region, followed by St.Petersburg and then Moscow City. All industrial sectors experienced a decline over the two-and-a-half years, although chemicals showed the greatest slump, followed by basic metals and engineering (Figure 11.12).⁴

Although the levels were lowest for each period for state enterprises, capacity utilisation fell for all property forms of establishment. One should thus be wary of expecting too much from privatisation per se, since capacity utilisation fell by no less than 10 percentage points for private firms (Figure 11.13). Interestingly, capacity utilisation levels were highest in those establishments that had started as private concerns and were lowest for those that had been and were still state enterprises. However, state enterprises that had become leaseholdings had higher capacity utilisation levels (80%) than those that had become private concerns (77%). And declines in capacity utilisation rates between the end of 1989 and June 1992 were much greater in those factories that had changed from state to private (9.7%) than in those that had become leaseholdings (5.9%), and were greater still in those that had gone from leasehold to private (15.4%).

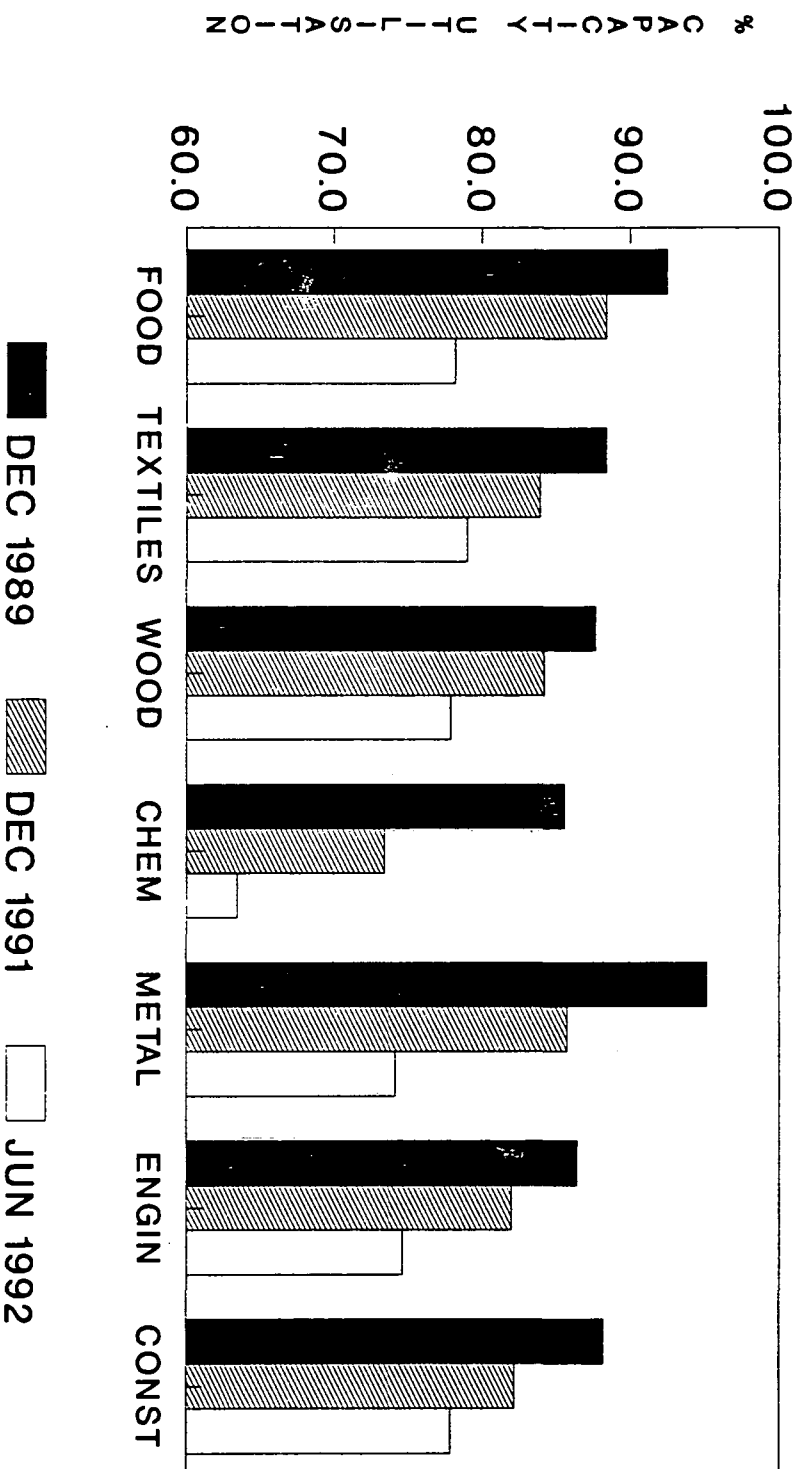
The declines in capacity utilisation were remarkably similar for all size categories of establishment, suggesting that it was predominantly a market-induced, or recession-induced, decline rather than a reflection of restructuring (Figure 11.14). However, one suspects that part of the underutilised capacity was effectively moribund, or was rapidly becoming so, and that productive capacity itself had declined, perhaps severely, after the many years of diminishing investment.

It is worth recalling that, according to Goskomstat data, capacity utilisation probably peaked in the mid-1970s, and that except for a brief revival in 1988 it had declined throughout Russian industry since about 1975. The continuing declines in the 1980s, and particularly in the period covered by the RLFS, certainly must have reflected sharp cutbacks in production, not any growth in potential capacity. In that case, one is inclined to conclude that the reality in late 1992 is that much of that unused capacity is now part of Russian industrial history, neither to be revived nor to be much lamented. If so, the low utilisation rate gives an illusion of the extent of untapped reserves. But it would be a mistake to write off all 25% of unused capacity as unusable. As observed in earlier papers based on the first round of the RLFS, although new investment is desperately needed, there

⁴ It has also been reported that in the 1980s the chemical industry's capital depreciation was greater than the average for all industry. B. Lavrovskii, "The paralysis of Soviet industry: Technological sources", Problems of Economic Transition, Vol.35, No.1, May 1992, p.70.

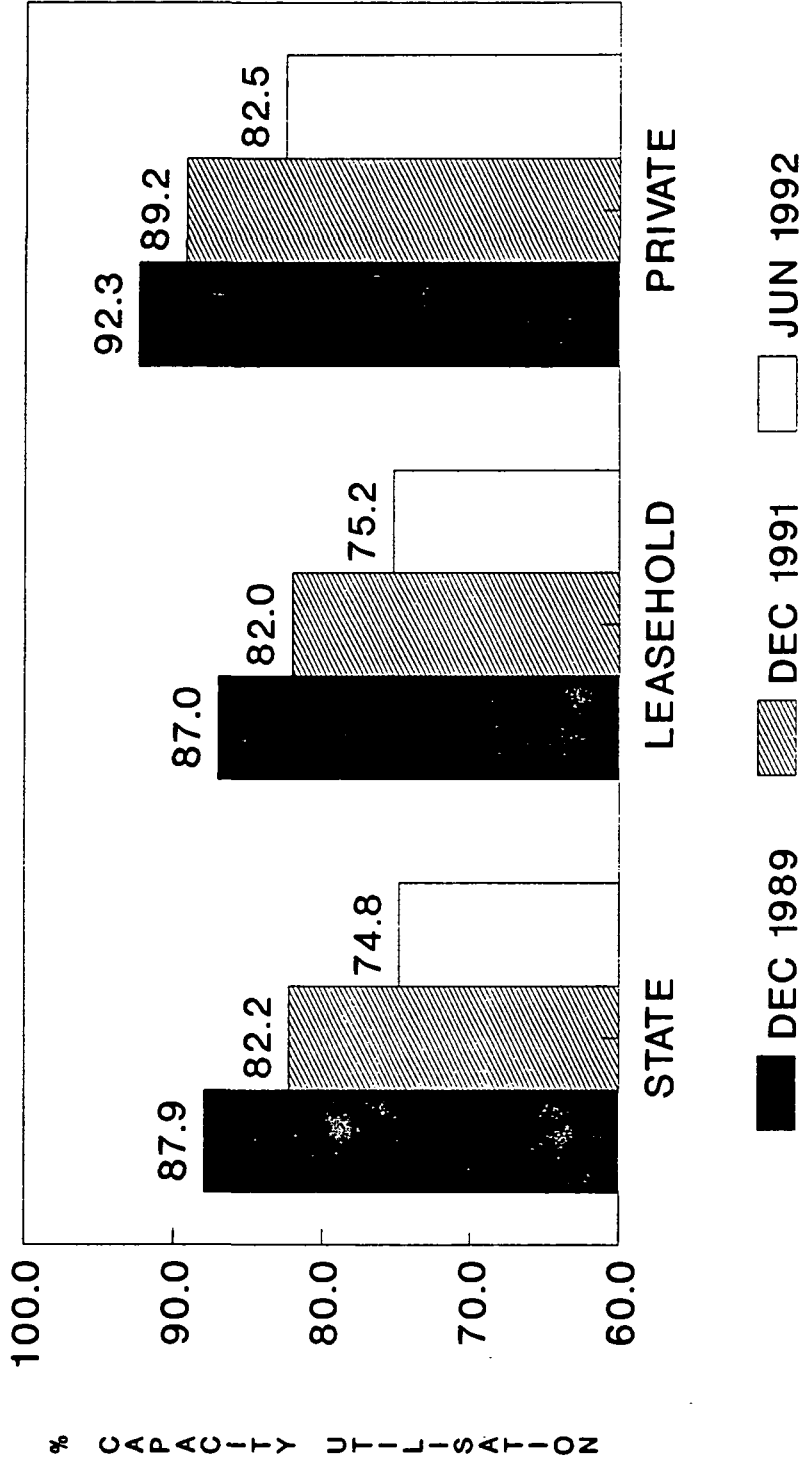
are ample means of raising output and productivity, with existing technology and equipment.

FIGURE 11.12
CAPACITY UTILISATION, 12/89 to 6/92,
BY INDUSTRY



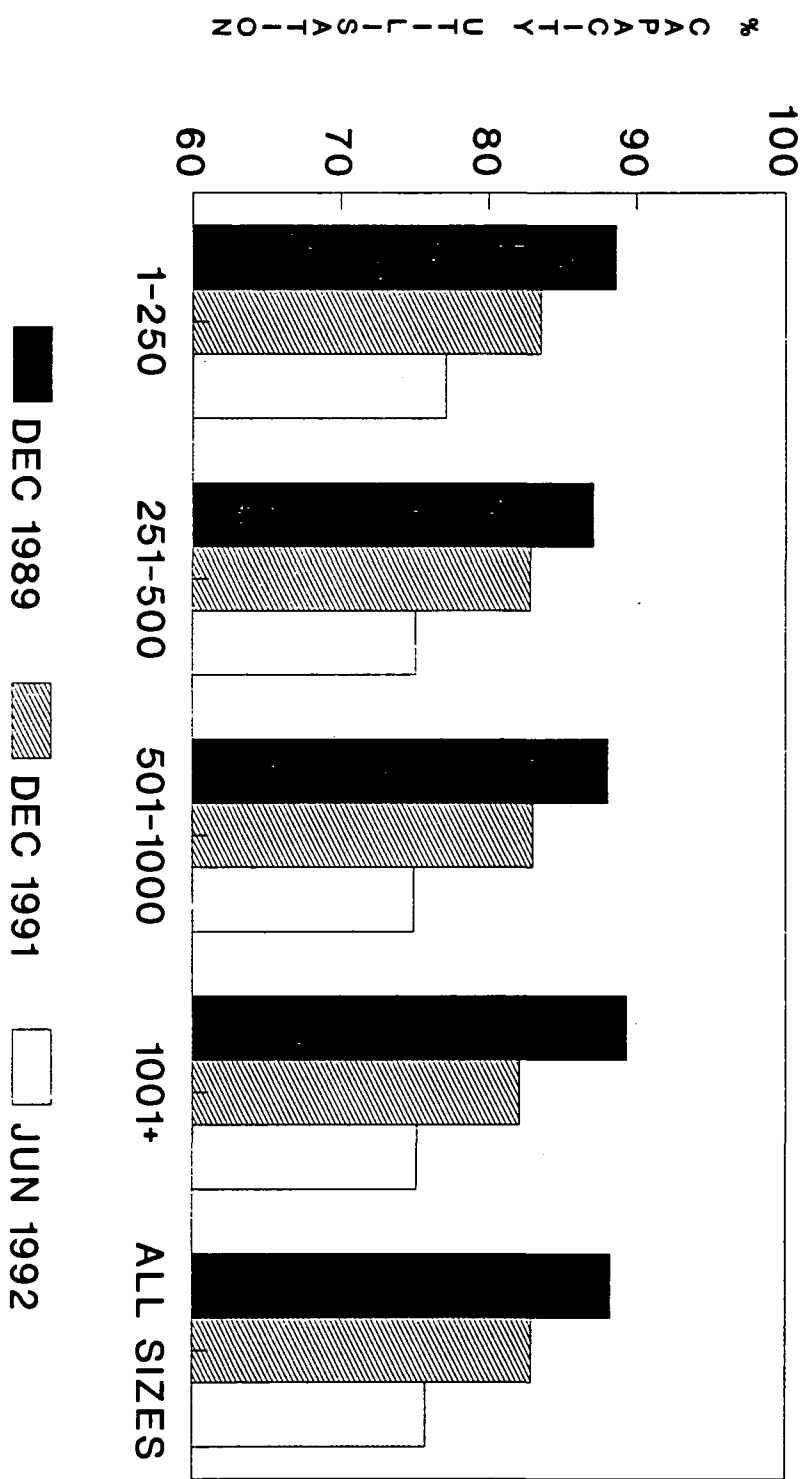
RLFS, 1992
n = 186/191

FIGURE 11.13
CAPACITY UTILISATION, 12/89 TO 6/92,
BY PROPERTY FORM, 6/92



RLFS, 1992
n - 191

FIGURE 11.14
CAPACITY UTILISATION, 12/89 TO 6/92,
BY EMPLOYMENT SIZE, 6/92



RLFS, 1992
 n = 191

4. The Employment Crunch in Russian Industry

While capacity utilisation levels were crashing, was the employment situation tightening? Unquestionably. In fact, no less than 55% of all establishments reported that they could produce the same level of output with fewer workers than they currently possessed. In the basic metals sector the figure was 89%, and in engineering over 63% (Figure 11.15). And large-scale establishments were far more likely to report this form of underemployment than their smaller counterparts (Figure 11.16). Interestingly too, nearly 59% of private firms said they could produce the same amount with fewer workers, compared with 55.4% of state and 52% of leaseholding establishments. We also looked at this by level of capacity utilisation and by recent changes in capacity utilisation (Figures 11.17 and 11.18).

Those that replied that they could produce with fewer workers were asked what percentage cut in employment they could make without reducing the level of output, other things equal. Overall, they estimated they could cut their workforces by 18% (Figure 11.19). In construction materials production, the estimated potential cut was 29%. On average, private firms that thought they could cut employment without impairing their current level of output reported that they could cut by 15%, leaseholdings by 17.5% and state establishments by 19%. These estimates are indicators of the depth of the oncoming employment crisis, since it is quite clear that during 1991 and 1992 large numbers of industrial enterprises held on to many more workers than was justified by their levels of production.

The RLFS2 also asked whether establishments had too little work for their workforce, a proxy measure of "labour surplus" defined as a shortage of work lasting for a month or more.⁵ If they reported having had surplus labour, they were asked what they had done about it.

Not surprisingly, a majority (62.3%) replied that they did have a labour surplus problem, with no less than 75% of establishments in the chemicals sector being affected. About 65.5% of private firms had experienced this surplus situation, 62.5% of state establishments and 60% of leaseholdings. Such underemployment was also particularly widespread in larger-scale establishments (Figure 11.20).

As for management actions, in June 1992 51% of those reporting having had labour surplus conditions in the past year had cut total employment by various means, and on average had done so by more than 10% in the previous nine months. However, they had also taken a variety of other actions to avoid actual employment cuts. Besides making some retrenchments—which were more widespread than many commentators would have us believe—many managements had responded by cutting working time, "encouraging resignations" and putting workers on extended paid or unpaid leave (Table 11.1). In addition, nearly 72% of all establishments reported that they had transferred workers within their enterprises solely so as to limit redundancies, with most of the larger factories

⁵ There is a methodological problem with this, since an establishment taking prompt action to deal with such a surplus labour situation should respond that it did not have a labour surplus, as defined in the survey questionnaire, i.e., as lasting for a month or more. However, given the widely reported inertia in Russian industry in the reference period, this theoretical possibility probably did not arise, and at most would have led to only a modest underestimate of the number with such a surplus problem.

having resorted to this procedure, even though the number of workers transferred for that reason usually seemed fairly small. The occupational groups most likely to be transferred for that reason were semi-skilled manual workers, followed by "specialists".

Table 11.1
Main and Second Measures to Reduce Labour Input,
besides Retrenchments and Transfers, All Regions, 1992
 (percent distribution of measures if had too little work)

<i>Measure</i>	<i>Main</i>	<i>Second Main</i>
None	20.0	5.3
Cut normal hours	25.8	13.2
Cut overtime	5.0	3.9
Extended vacation	0.5	2.6
Partially paid leave	8.3	9.2
Long unpaid leave	10.0	26.3
Encouraged resignations	20.0	23.7
Cut wages	0.8	5.3
Cut production	5.8	5.3
Other	3.3	1.3

Note: The "second main" figures are based on exclusion of those that gave none for "main measure".

This leads to consideration of the major employment development of the period. For the whole sample of 191 establishments, in the nine months *from September 1991 to June 1992, total employment fell by 8.2%, from 166,895 workers to 154,213*. If only those establishments that were in both rounds of the RLFS are considered, then on average *between September 1990 and June 1992, total employment declined by over 15%*. Most significantly, the percentage decline accelerated during the period, having been equal in the previous nine months to the rate of decline in the whole of the preceding 12 months.⁶ The fall was greatest in St.Petersburg (Figure 11.21).

For those observers believing that any employment cuts would be greatest in private firms, because of an anticipated tightening of the so-called "soft budget" constraint due to the enhanced pursuit of profits, it is instructive that employment fell most in percentage terms in state establishments (Figure 11.22). The common claim that in 1991-1992 state enterprises have been holding on to all or almost all of their workers through inertia is simply not supported by these data.

This does not mean that privatisation will have little effect on employment. We predict that the changes taking place will accelerate the decline in industrial employment, at least

⁶ In September 1990, the 109 factories had employed 82,949 workers, in September 1991 it was 74,774, and by June 1992 it was down to 67,907.

in the near future. Thus, in the second round of the RLFS over 55% of all those that had actually changed property form reported that the change itself had led to a reduction in employment (Table 11.2). To compound the implied adverse effect, the probability of such a negative outcome was positively related to employment size of establishment.

Table 11.2
Effect of Change of Ownership on Employment,
by Region, 1992

(percentage distribution within region)

	-----Region-----		
	<i>Moscow City</i>	<i>Moscow Region</i>	<i>St. Petersburg</i>
<i>Effect on emp</i>			
Reduction	56.4	44.8	59.4
Increase	7.7	3.4	6.3
No change	28.2	48.3	32.8
Don't know	7.7	3.4	1.6

Employment fell more in those that had experienced a decline in sales, but it fell sharply even in those that had expanded sales in real terms (Figure 11.23). In the longer-term, that may be encouraging, since it probably implies improvements in labour productivity.

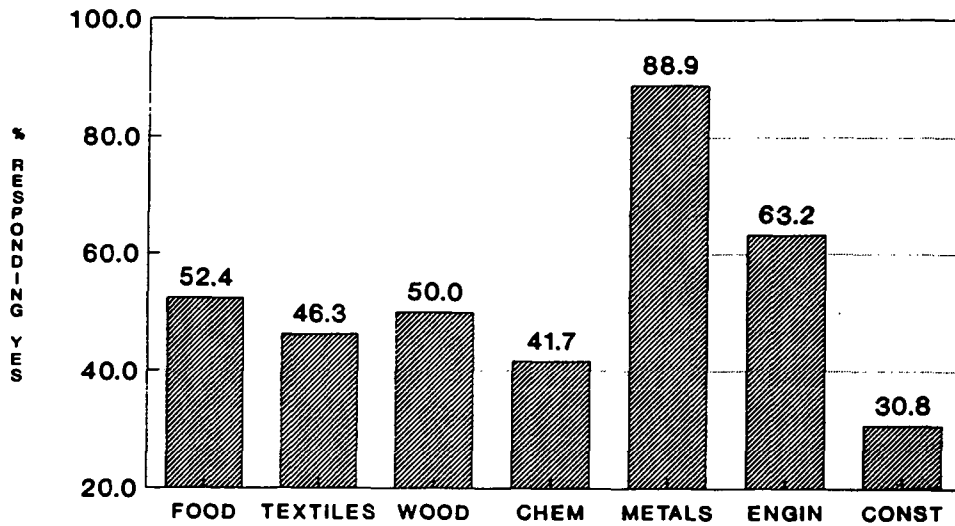
One major consequence of all these changes is that the average employment size of establishment had fallen quite dramatically, from a mean of 761 workers and employees in September 1990 to 623 in June 1992. And although it may reflect the industrial distribution of the sub-samples, as noted earlier, the employment cuts were greatest in St.Petersburg (Figure 11.24).

Looking forward was no more encouraging. For all establishments in the second round of the RLFS, far more expected employment to fall in the next year (42%) than to stay the same (32%) or to rise (11%), with a very large majority of those with more than 1,000 workers anticipating employment declines (Figure 11.25). The expectations by industry and property forms are shown in Figures 11.26-27, highlighting particularly pessimistic employment prospects in engineering. And those that had cut employment in the nine months up to June 1992 were far more likely to be expecting employment falls in the near future as well.

In this respect, there is a useful lesson to be derived from the two rounds of the RLFS. Expectations of employment change observed in the first round mostly proved too optimistic, or not pessimistic enough. Only the ranking was consistent. Those expecting a fall subsequently experienced a 12% drop. But, on average, those that had said they expected employment to rise actually experienced a fall of 5%, while those that had expected no change actually cut jobs by 6% (Figure 11.28). This raises the prospect that the depressing expectations recorded in the second round might also be underestimates of actual

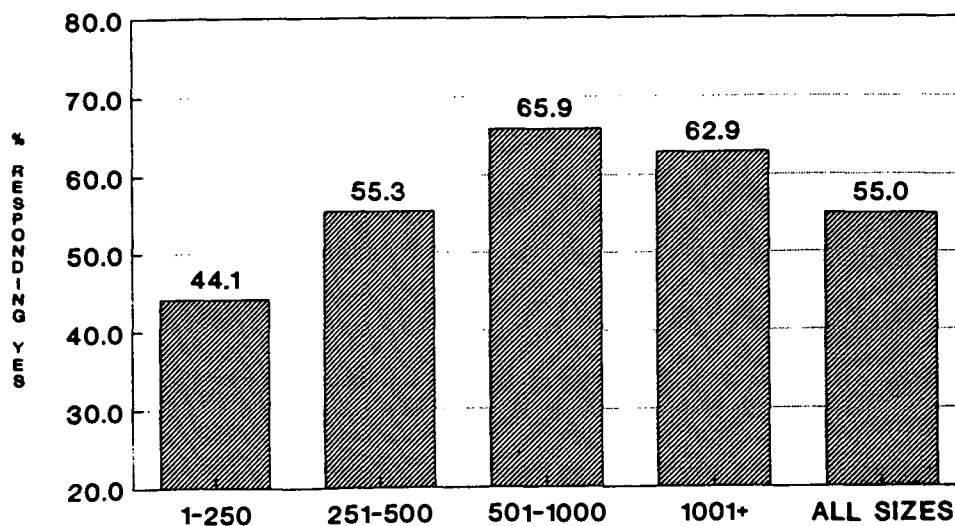
outcomes, unless managers and employers have become adjusted to an era of employment decline. Any determination to preserve as large a labour force as possible seems to have evaporated.

FIGURE 11.15
PRODUCE SAME LEVEL OF OUTPUT WITH
FEWER WORKERS, BY INDUSTRY



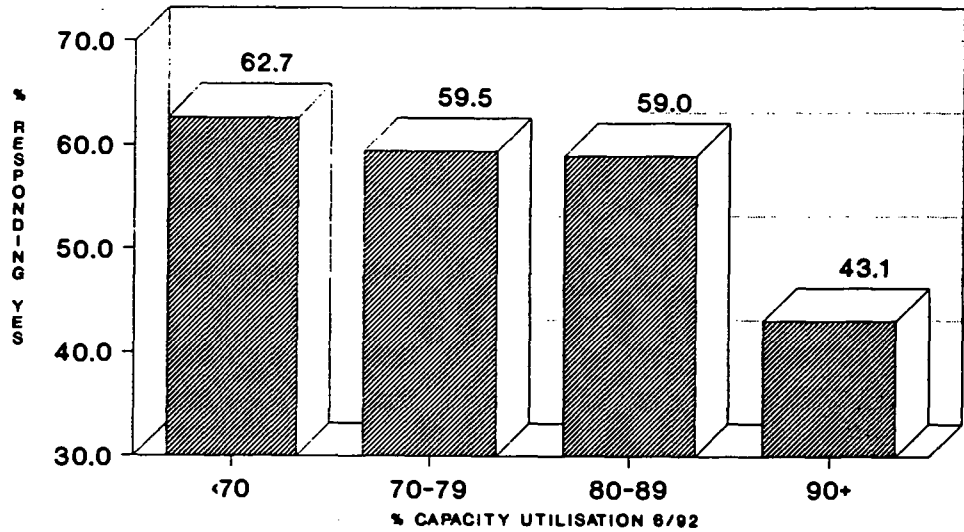
RLFS, 1992
n = 186/191

FIGURE 11.16
PRODUCE SAME LEVEL OF OUTPUT WITH
FEWER WORKERS, BY EMPLOYMENT SIZE



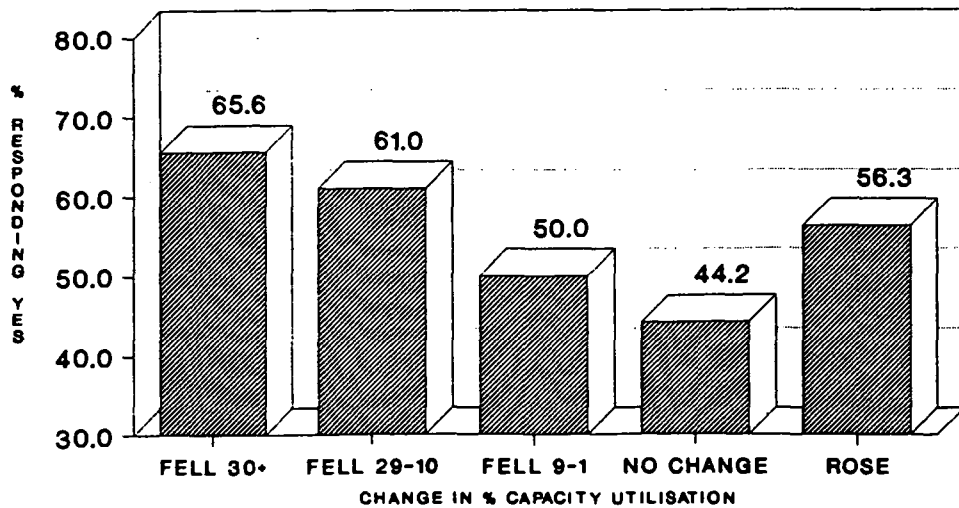
RLFS, 1992
n = 191

FIGURE 11.17
PRODUCE SAME OUTPUT WITH FEWER
WORKERS BY % CAPACITY UTILISATION



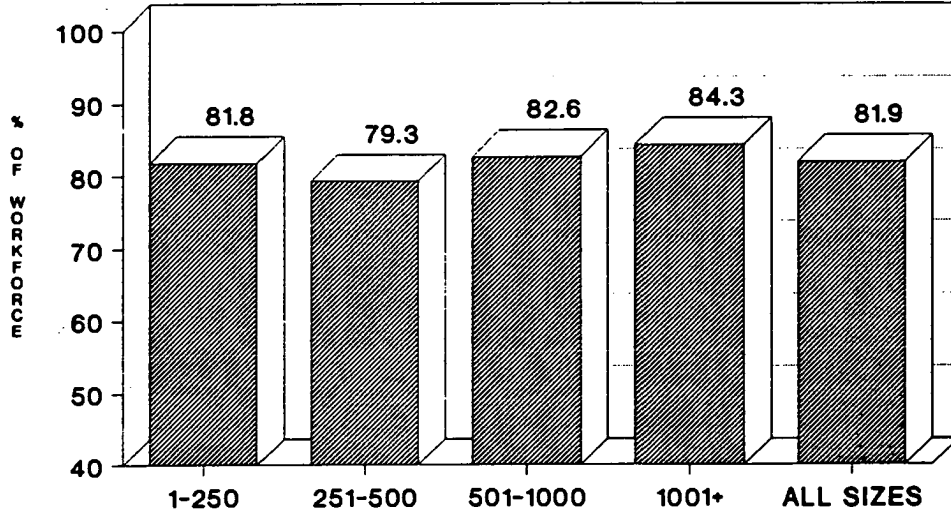
RLFS, 1992
n = 191

FIGURE 11.18
PRODUCE OUTPUT WITH FEWER WORKERS
BY CHANGE IN CAPACITY UTILISATION*



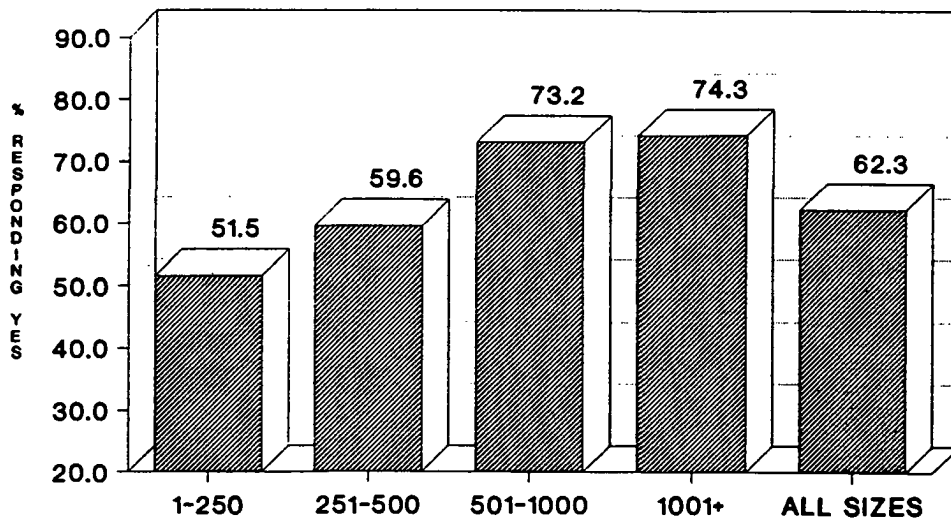
RLFS, 1992
*change 12/89-6/92
n = 191

FIGURE 11.19
% OF WORKFORCE TO PRODUCE THE
SAME OUTPUT, BY EMPLOYMENT SIZE



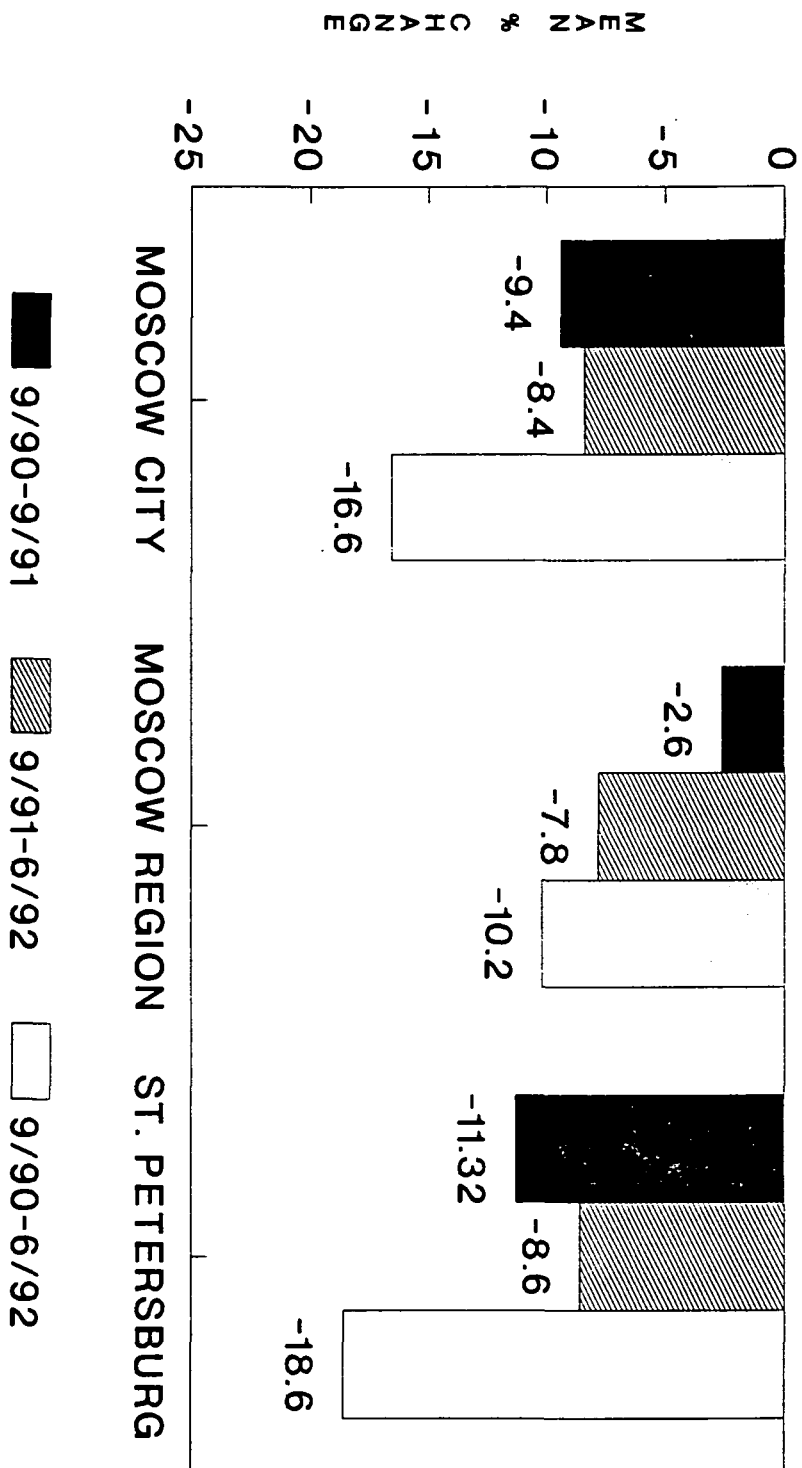
RLFS, 1992
n = 105/191

FIGURE 11.20
TOO LITTLE WORK FOR WORKFORCE IN
PAST 2 YRS BY EMPLOYMENT SIZE, 6/92



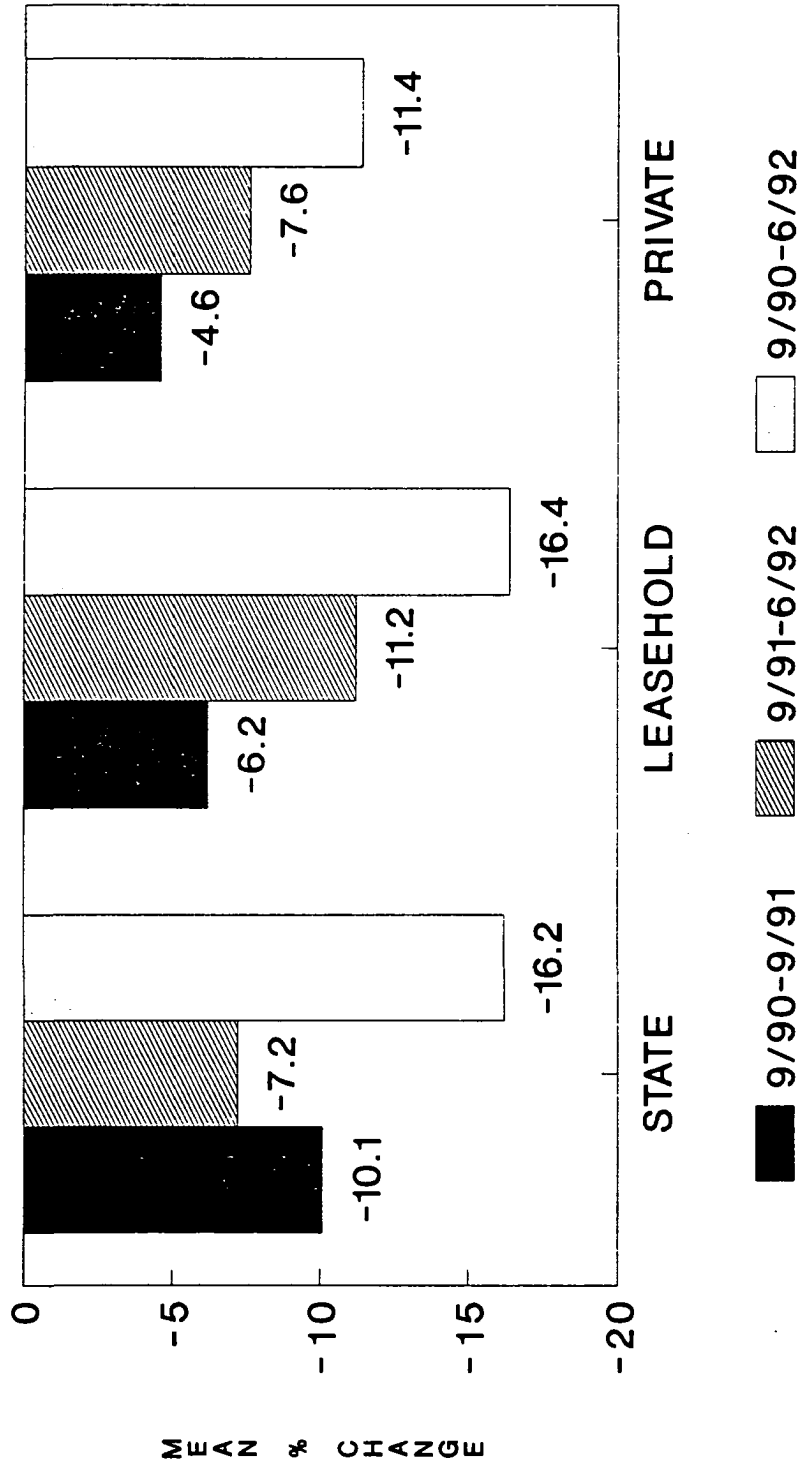
RLFS, 1992
n = 191

FIGURE 11.21
PERCENT EMPLOYMENT CHANGE,
9/90-6/92, BY REGION



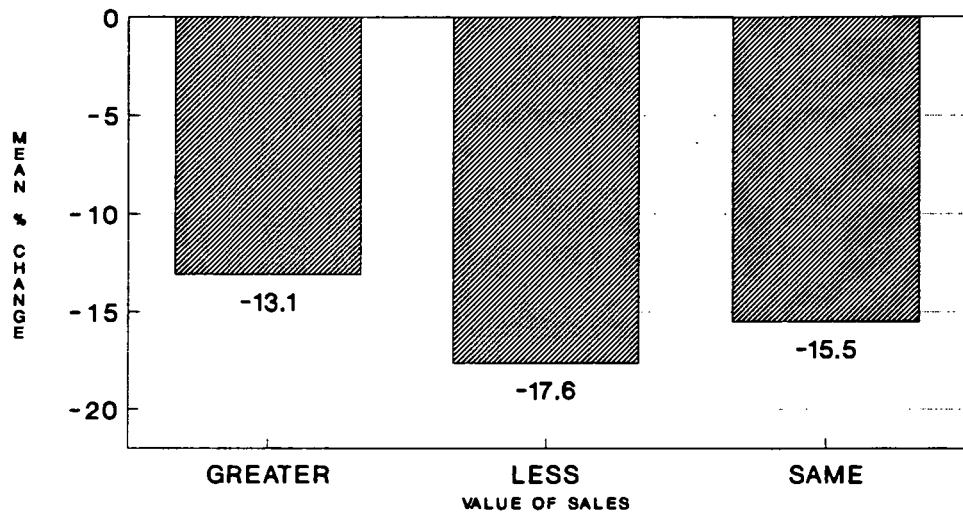
Russian Labour Flexibility Surveys 91-92
n = 109

FIGURE 11.22
PERCENT EMPLOYMENT CHANGE,
9/90-6/92, BY PROPERTY FORM, 1991



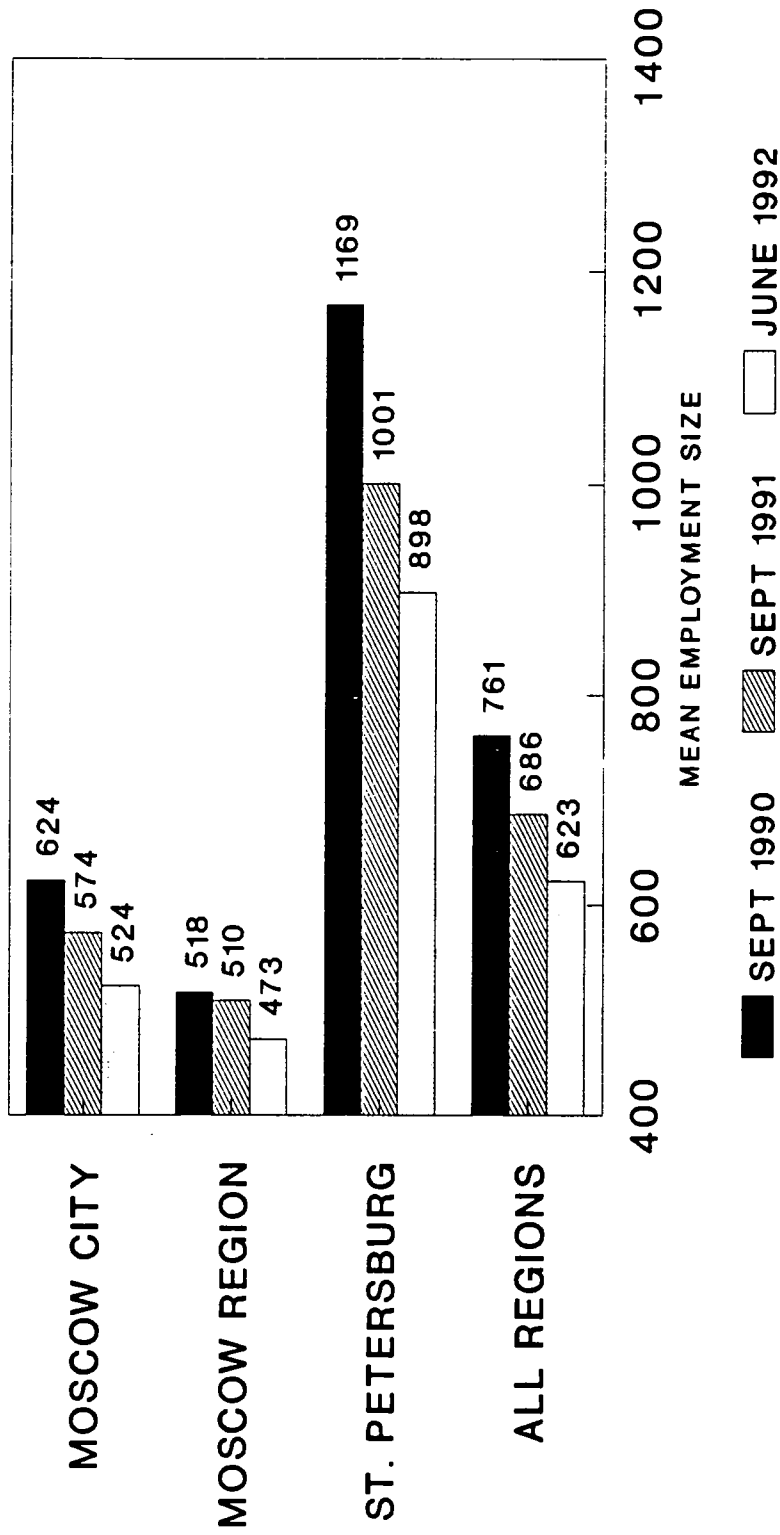
Russian Labour Flexibility Surveys 91-92
n = 109

FIGURE 11.23
% EMPLOYMENT CHANGE, 9/90-6/92,
BY VALUE OF SALES CHANGE*, 9/90-6/92



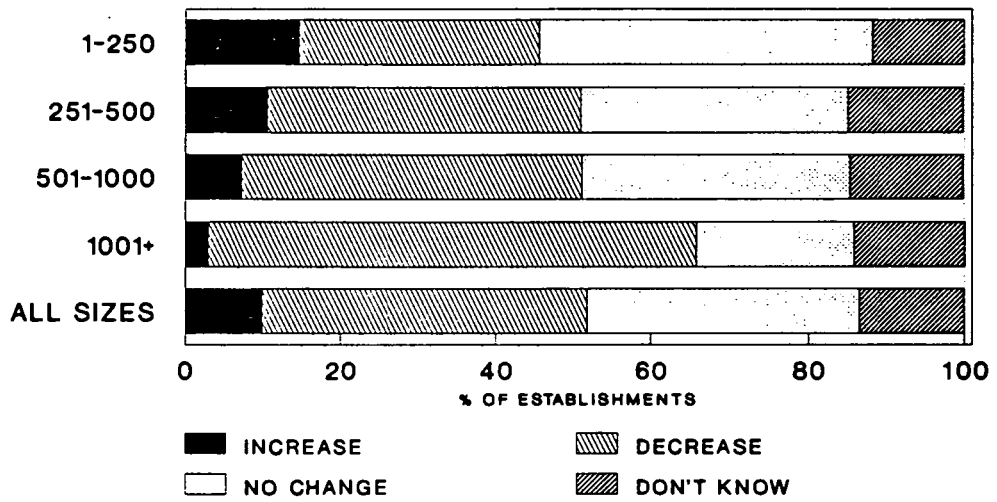
Russian Labour Flexibility Surveys 91-92
•in constant prices
n = 109

FIGURE 11.24
MEAN EMPLOYMENT SIZE, 9/90 TO 6/92,
BY REGION



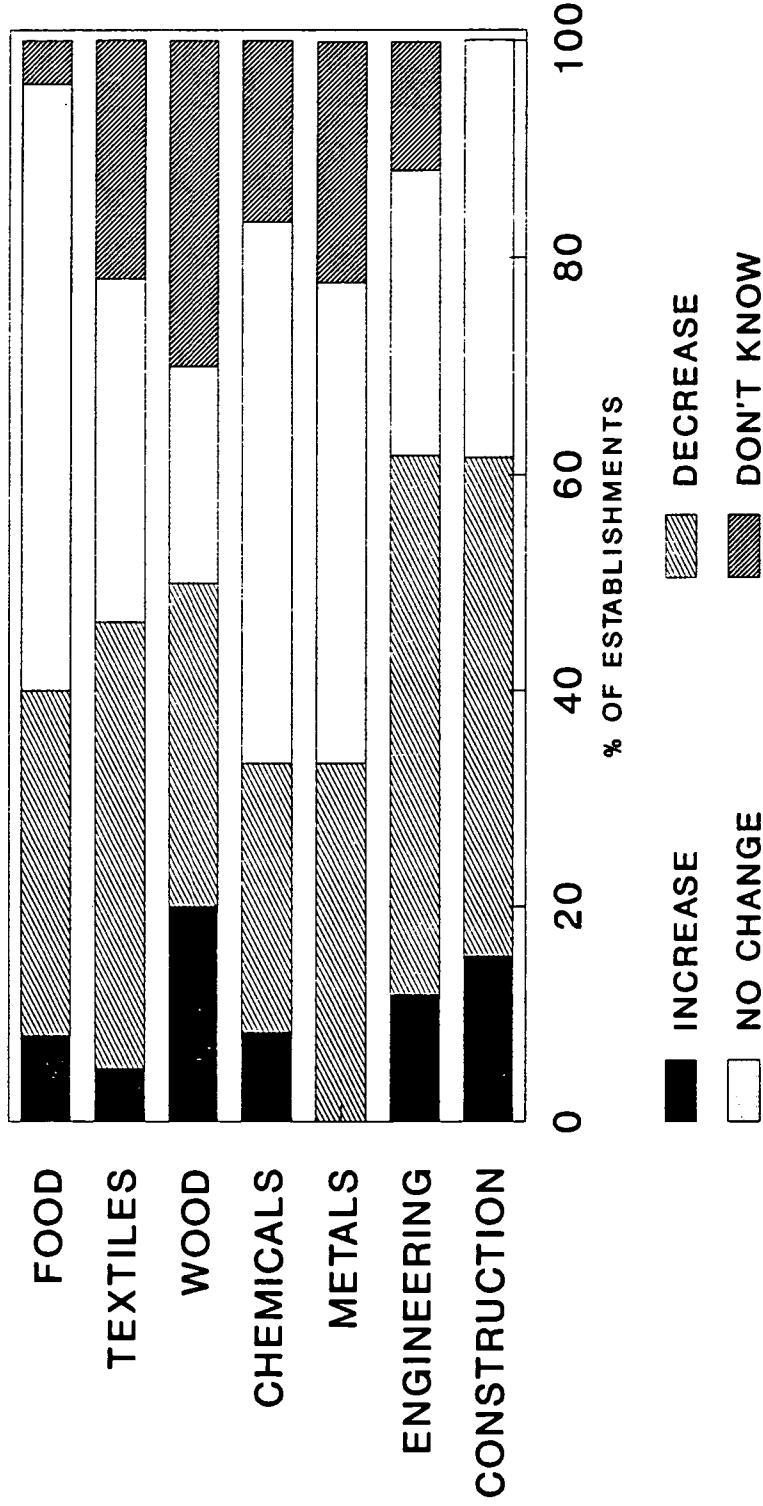
Russian Labour Flexibility Surveys 91-92
n = 109

FIGURE 11.25
EXPECTED EMPLOYMENT CHANGE
BY EMPLOYMENT SIZE, 6/92



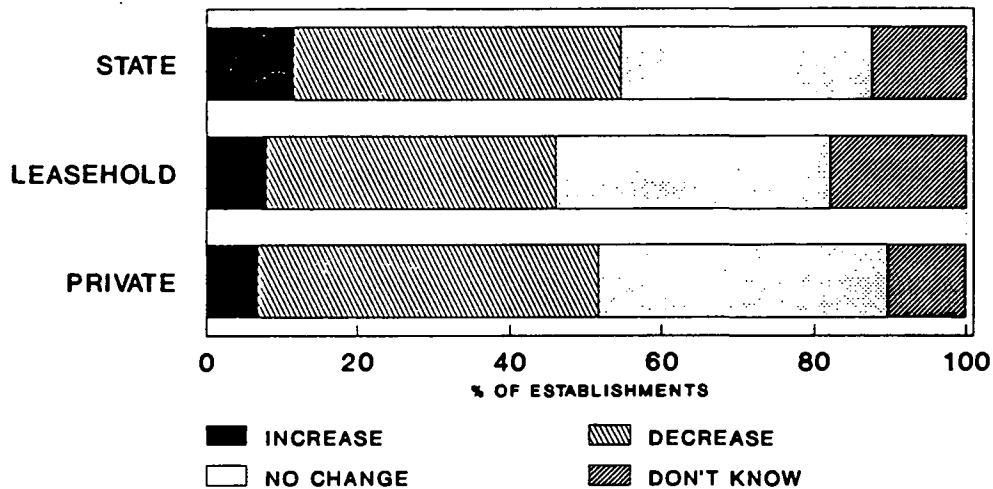
RLFS, 1992
n = 191

FIGURE 11.26
EXPECTED EMPLOYMENT CHANGE
BY INDUSTRY



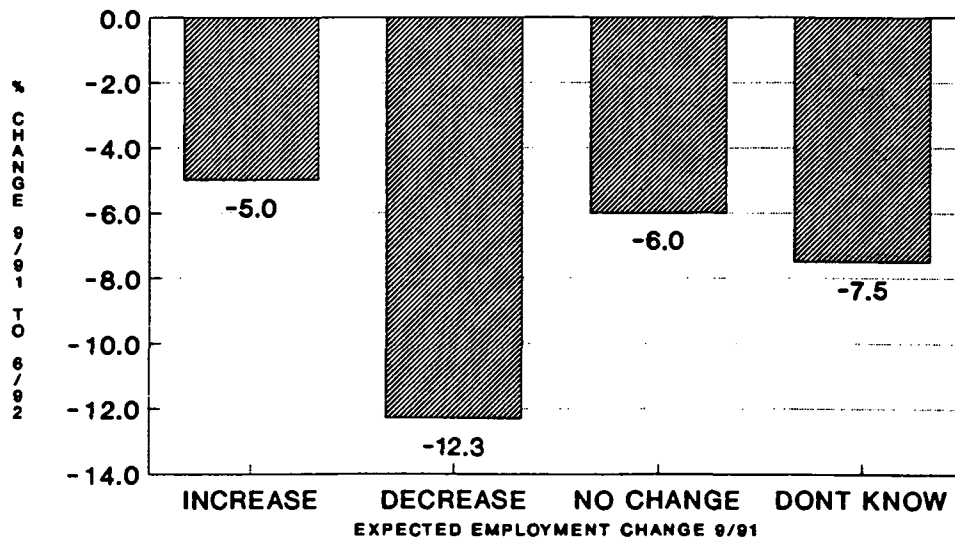
RLFS, 1992
n = 186/191

FIGURE 11.27
EXPECTED EMPLOYMENT CHANGE
BY PROPERTY FORM, 6/92



RLFS, 1992
n = 191

FIGURE 11.28
ACTUAL EMPLOYMENT CHANGE BY
EXPECTED EMPLOYMENT CHANGE, 9/91



Russian Labour Flexibility Surveys 91-92
n = 109

5. Vacancies and Labour Turnover

The last conclusion of the previous section leads to a review of findings from the second round of the RLFS on issues covered in *Paper 4*, dealing with the level and pattern of labour turnover and the level of job vacancies. The picture is not encouraging.

Consistent with the employment changes, the overall *vacancy rate dropped by nearly 50%* between September 1991 and June 1992, with the fall being much greater in large-scale establishments (Figure 11.29). In the full sample covered by the second round of the RLFS, total vacancies accounted for 2.7% of total employment in June 1992, with those establishments in Moscow City averaging 4.4% and the other two areas less than 2%. For no industrial sector was the level above 5%, and for no occupational category was it much above 3%.⁷

As for *labour turnover*, it continued to be remarkably high. Yet there were notable changes in the level and pattern of total turnover since 1991. So-called "voluntary" resignations had declined as a share of total turnover, while "retirement" and "release" had increased their shares, as would be expected in a rapidly deteriorating labour market. Thus, for the first six months of 1992 resignations accounted for less than half the turnover rate of managerial and specialist employees, as they did for supervisory workers, technicians and unskilled, or unqualified, manual workers. They accounted for a little over a half of the turnover of skilled manual workers, but for only a little over a quarter of the departures of "general service" workers and employees.

The pattern of employment decline has moved into what might be described as the second of *three phases of employment restructuring*, which have been mirrored in central Europe, notably in Poland and Hungary. In the *first phase*, employment decline comes mainly through non-replacement of those who leave jobs. Thus, in 1990 and 1991, in Russian industry employment fell mainly as a result of the traditionally high "voluntary" turnover coupled with a slowing down in recruitment, with the continued shrinkage of "dead posts", started under cost accounting reforms of perestroika in the late 1980s. By this means, as *Papers 6 and 7* suggested was the case, one would expect an ageing of the workforce and a relative shrinkage in the share of total employment taken by those groups with a high propensity to quit jobs, such as youths.

In the *second phase*, managements have to induce some departures and therefore one sees a spate of "early retirements", a possible increase in dismissals—for actions or capacities that would have been tolerated in a period of perceived "labour shortage"—and an increase in retrenchments. This second phase should have different implications for the composition of the workforce and for overall labour efficiency and productivity.

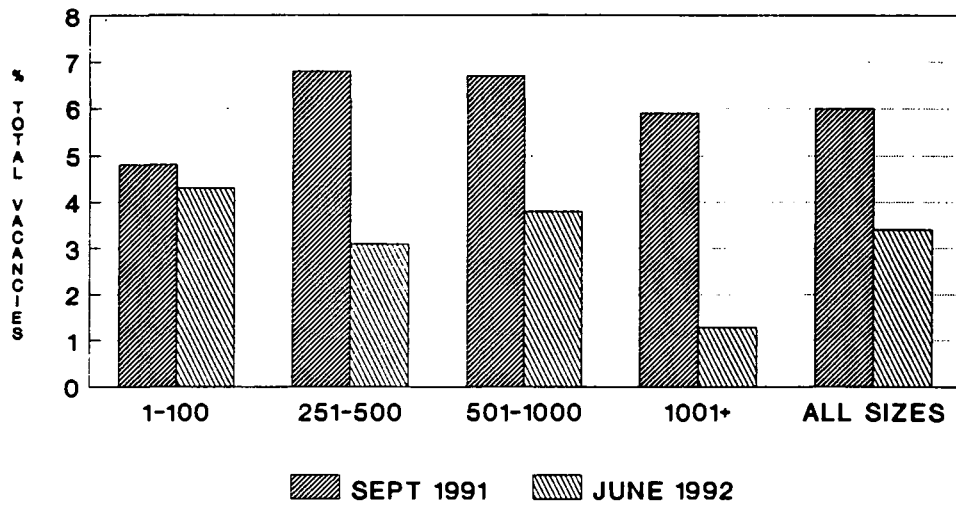
In the *third phase*, one is likely to see a resort to mass layoffs, closures of plants or parts of establishments and a break-up of large enterprises, all of which are likely to result in occupational changes in the pattern of labour turnover. This phase has been reached in a number of other countries pursuing a strategy of industrial restructuring, probably the

⁷ Somewhat surprisingly, state enterprises seemed to have a marginally higher overall vacancy rate than average.

outstanding case being Poland, where mass layoffs have risen sharply in the past year. One anticipates this phase arriving in Russian industry in early 1993, with drastic employment consequences.

That will be the time for a concerted interventionist policy to assist in labour market retraining and income protection. One hopes that the authorities have been making adequate preparations during 1992.

FIGURE 11.29
PERCENT VACANCIES, 9/91 AND 6/92,
BY EMPLOYMENT SIZE, 1991



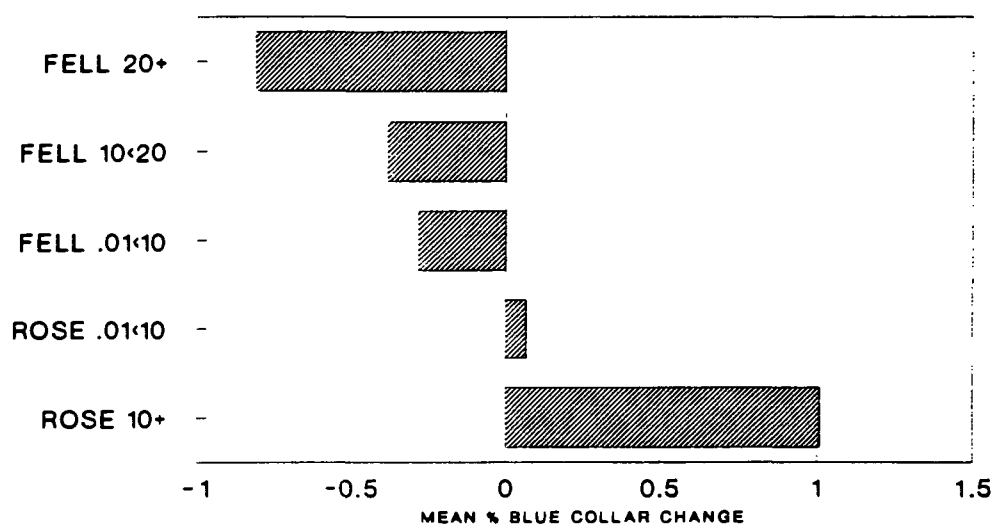
Russian Labour Flexibility Surveys 91-92
n = 109

6. Occupational Shifts

While the analysis of the data on recent changes in the structure of employment points to the need for interventionist labour market policies, the call for such assistance should take account of the actual pattern of employment restructuring. Further analysis will be made of this soon, yet it is worth noting, very briefly, that in 1991-92 there was a net shift in the occupational structure, as recorded in the second round of the RLFS.

There was a small shift from manual worker (blue-collar) employment to employee (white-collar) employment. The manual worker *share* fell in establishments in which total employment fell and rose where total employment rose (Figure 11.30). If further analysis demonstrates that this is a general shift, the pattern of retraining should take account of the restructuring of the likely demand for labour.

FIGURE 11.30
CHANGE IN % BLUE COLLAR EMPLOYMENT,
9/90-6/92, BY TOTAL EMPLOYMENT CHANGE*



Russian Labour Flexibility Surveys 91-92
 • % CHANGE 9/90-6/92
 n = 109

7. The Impact on Vulnerable Groups

A. Women workers

Similarly, it will be important to identify which groups will need most assistance through labour market policy, including assistance inside industrial enterprises. Two groups deserve higher priority than they typically receive.

As far as women workers are concerned, the second round of the RLFS replicated many of the findings of the first round.⁸ For the full sample, women continued to comprise a majority (52%) of the total workforce, expressed as a unweighted mean average. The very small percentage decline (0.5%) was statistically insignificant.

Schematically, we can highlight what seem to be the principal findings, which will be analysed in detail in a later paper. We will do this by reference to nine means by which women workers *might* be disadvantaged by industrial labour market restructuring:

(i) Disadvantaged by industrial restructuring.

Women could be disadvantaged if industries in which they have a high share of all jobs suffered relative to others. In fact, over the 1991-92 period this may have happened, especially as the shrinking engineering sector was the only one in which the female share of employment actually rose. Their share fell most in food processing, even though not by much in absolute terms. In short, the pattern of industrial restructuring is a cause of concern for women workers.

(ii) Disadvantaged by employment restructuring.

Women could also be adversely affected by the pattern of employment cuts. In fact, they did have larger shares of jobs in establishments in which employment fell most, and while their share declined in those in which employment rose, it rose in those cutting employment (Figure 11.31). And, women had lost a greater share of jobs in large-scale establishments, which are shrinking and are destined to shrink further (Figure 11.32). This trend may be bad news for women workers, in the sense that more could have their jobs threatened, not because they are women but because of their concentration in declining establishments.

(iii) Disadvantaged by privatisation.

Women had a higher share of employment in non-state establishments, and whereas their share of state-sector employment had fallen in 1991-92, in privatised firms it rose very slightly. As employment declines in state enterprises will accelerate and almost certainly outweigh in absolute terms any increase in employment opportunities in private enterprises, that aspect of restructuring will also be a concern for women workers.

⁸ See Paper 6 for the full analysis.

(iv) *Disadvantaged by gender preference in recruitment.*

What about direct discrimination ? For *workers*, 24.6% of managements said they preferred men, 13.1% women and 62.3% said they were indifferent. For *employees*, more managements said they preferred women (8.7%) than men (6.3%), although an overwhelming majority (84.8%) said they had no preference.

Given that there are more workers than employees, this preference pattern is also worrying for women's employment, even though the revealed preference pattern is much less discriminatory than is typical of most countries.

(v) *Disadvantaged by training.*

Women were not particularly disadvantaged in this crucial respect. Training was more likely in establishments with high proportions of women, and although 9.4% of managements said they preferred men to be provided with training, compared with 5.8% saying women, the overwhelming majority (83.8%) claimed they treated men and women equally in this respect. Although *retraining for upgrading* was somewhat more likely in establishments with high shares of women, this was reversed for *retraining for work performance*. So there was not much in it. Overall, the mean average of the percentage of women among workers and employees receiving training was 42%, but in large establishments it was nearly 57% (Figure 11.33). A worrying trend was that women were more concentrated in establishments that were reducing training in 1992.

(vi) *Disadvantaged by labour surplus.*

Those factories in which women comprised more than three-quarters of the workforce were relatively likely to have had a labour surplus, as defined earlier. Presumably, this increased their prospects of being laid off or put on unpaid leave.

(vii) *Disadvantaged by labour market segmentation.*

Women might be adversely affected by an increasing concentration in a relatively small number of industrial sectors. In fact, those establishments that had been relatively "feminised" became more so, whereas those in which women comprised less than 50% experienced a decline. This implies a growth in employment segmentation, which—if experience from more market-oriented economies is any guide—will lead to women being "crowded" into a narrow range of jobs, and thus finding their wages and benefits declining in relative terms.

(viii) *Disadvantaged by occupational segregation.*

If women were losing higher-level jobs relative to others, then they would be disadvantaged by the occupational restructuring. This seems to have been happening, although more detailed analysis is required. Thus, the female share of employment fell among managerial employees (by 0.5%), specialist employees (0.8%), general service employees (1.1%), supervisory workers (1.2%), technicians (0.7%), skilled workers (0.6%) and unskilled workers (0.6%); their share rose among general service workers (by 1.3%). So, there was a slight slip in their occupational profile,

in that their decline among employee categories exceeded that among worker categories.

(ix) Disadvantaged by income.

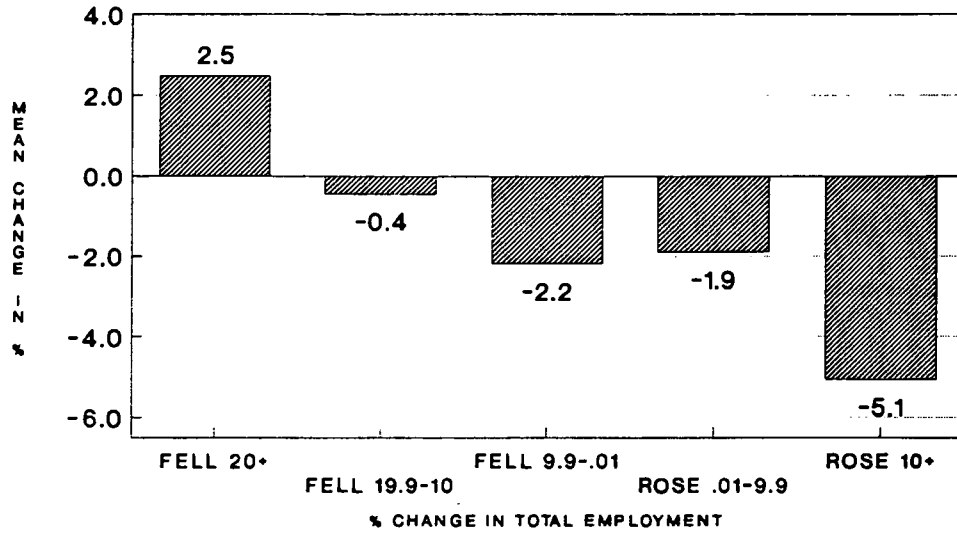
The principal form by which women could become more disadvantaged is if their relative earnings declined. In fact, in mid-1992, on average, women workers earned 87.6% of male workers' earnings, and 89.9% in the case of employees. This represented a slight adverse change of 0.5% for workers (Figure 11.34) and no change at all among employees. In short, the relative wage position of women, while remaining impressive by international standards, has begun to erode.

The *conclusion* is that, on balance, there should be concern that women's position in the industrial labour market will deteriorate. Although they remain a majority of all workers in industry, their share fell slightly in 1991-92, having risen slightly in 1990-91. This is consistent with the hypothesis presented earlier that Russian industry has entered the second phase of employment restructuring, when the employment of vulnerable social groups is likely to be increasingly threatened.

It is worth noting that in mid-1992, in response to a question about their expectations, nearly 27% of establishments expected the female share of their employment to fall, 3% expected an increase, 55% no change and 15% were uncertain (Figure 11.35).⁹ Expectations of a fall were stronger where women were already a minority, implying a further strengthening of gender-based dualism. It would be socially advantageous, and a considerable achievement in the circumstances, if that could be reversed and the position of women given equal attention to that of men.

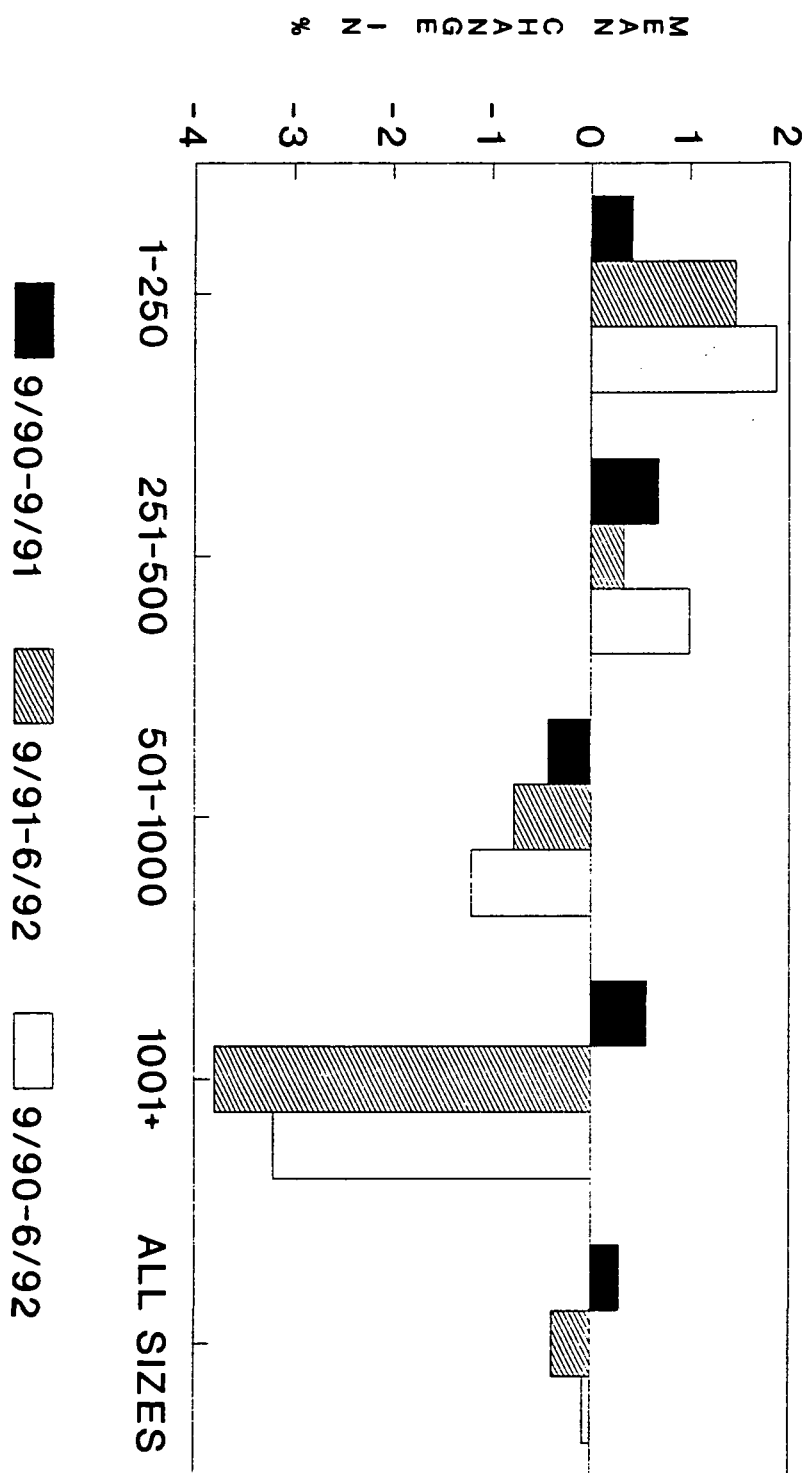
⁹ Of those establishments in both rounds of the RLFS, in June 1992 more expected a decline in the female share than had expected it at the end of 1991.

FIGURE 11.31
CHANGE IN % WOMEN, 9/90-6/92,
BY % CHANGE IN EMPLOYMENT, 9/90-6/92



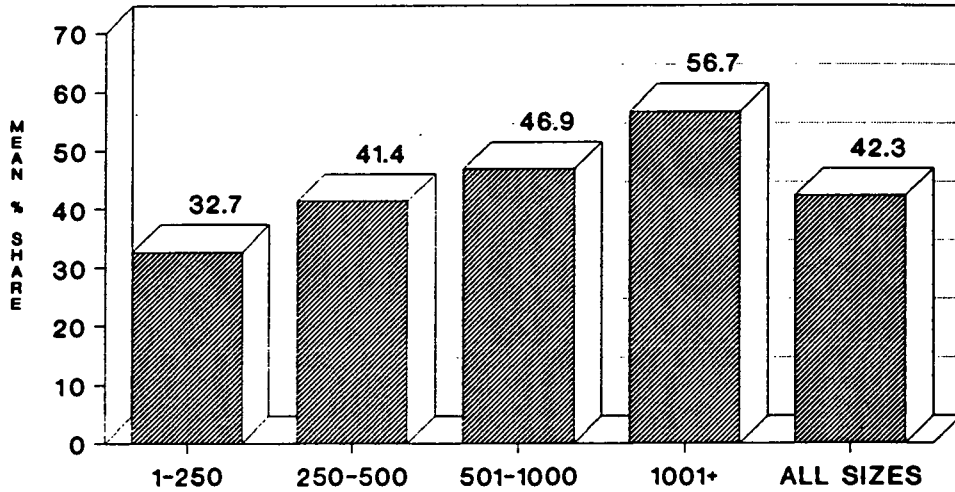
Russian Labour Flexibility Surveys 91-92
n = 109

FIGURE 11.32
CHANGE IN % WOMEN, 9/90-6/92,
BY EMPLOYMENT SIZE, 6/90



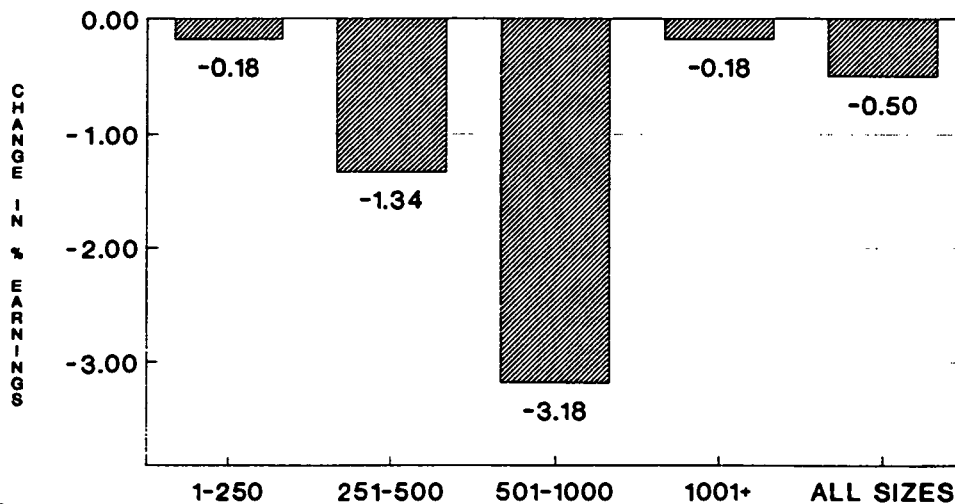
Russian Labour Flexibility Surveys 91-92
n = 109

FIGURE 11.33
FEMALE SHARE OF ALL THOSE TRAINED,*
6/91-6/92, BY EMPLOYMENT SIZE, 6/92



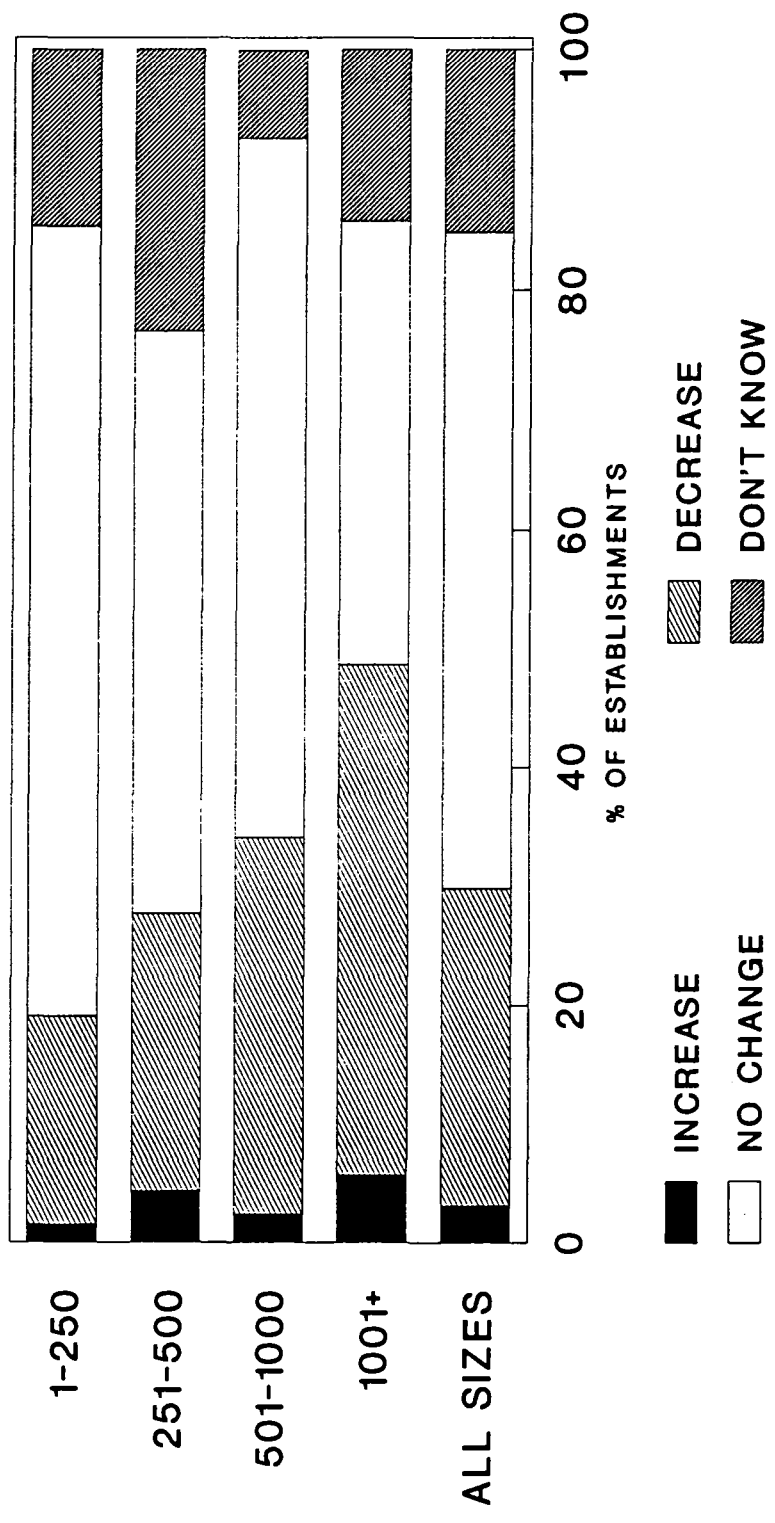
RLFS, 1992
 *initial training and retraining
 n = 191

FIGURE 11.34
CHANGE IN WOMEN'S EARNINGS AS %
OF MEN*, BY EMPLOYMENT SIZE, 1991



RLFS, 1992
 *production workers, 9/91-6/92
 n = 191

FIGURE 11.35
EXPECTED CHANGE IN WOMEN'S SHARE
OF EMPLOYMENT, BY EMPLOYMENT SIZE



RLFS, 1992
n = 191

B. Older workers

On average, workers over the age of 54 represented nearly 14% of all industrial workers in the establishments covered by the RLFS in mid-1992, with over 16% in the wood products and chemicals sectors. This is almost identical to what had been the average share in September 1991, even though there had been offsetting changes in the various sectors. But this conceals a deterioration.

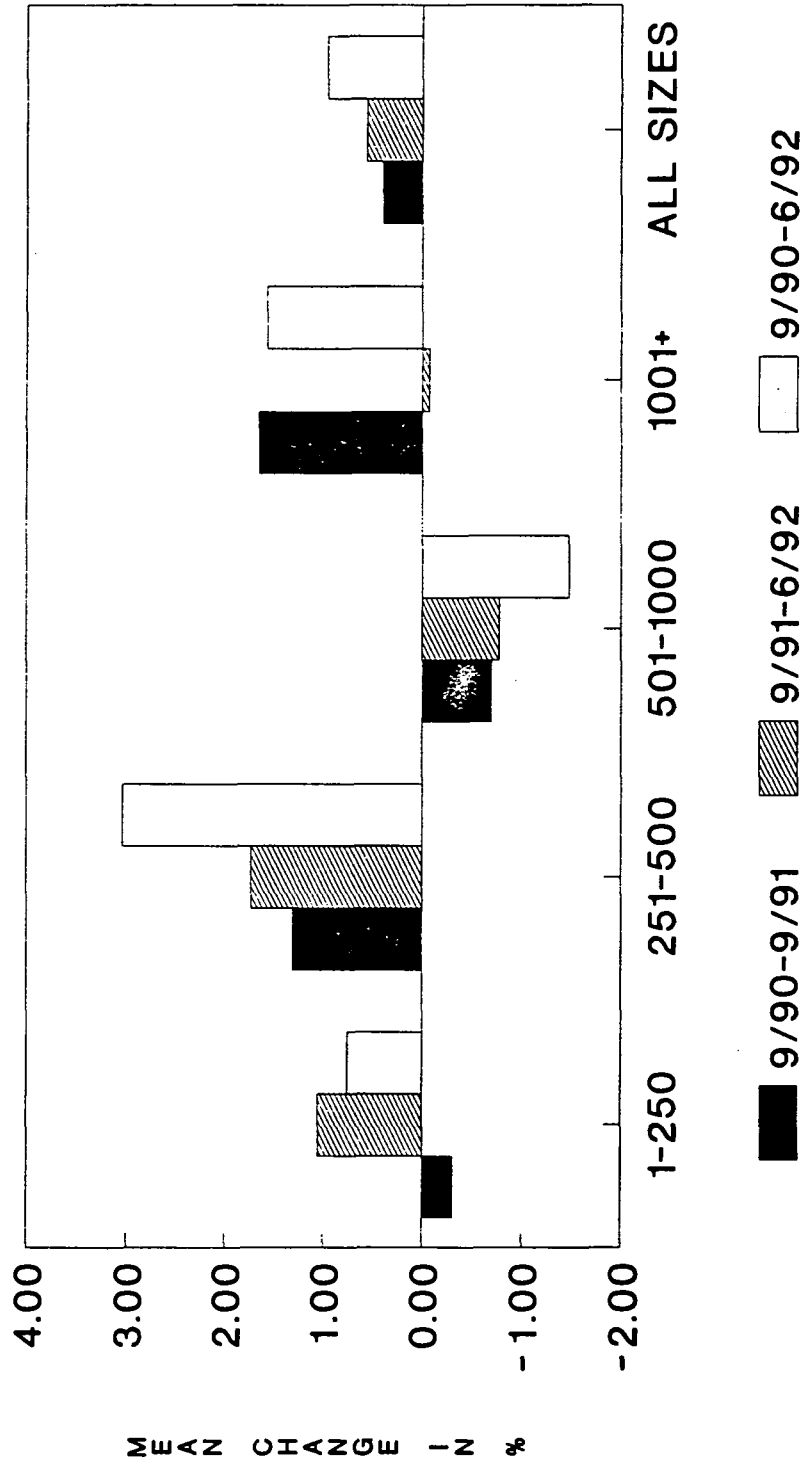
Their share had declined in large-scale establishments, and risen in small-scale ones, thus implying that the unweighted means concealed an aggregative decline. Moreover, in 1991-92 their share rose in factories in which total employment declined and fell in that minority in which employment grew.

As far as pension-age workers are concerned, in the sample of establishments covered in both rounds of the RLFS, over the period 1990-92 their share of employment on average rose (Figure 11.36). This is contrary to what would be the expectations of those not picturing the process of employment restructuring as one of phases. A rise in pension age employment at a time of employment decline is consistent with the process of restructuring being in the first phase, in which employment decline comes mainly from high labour turnover and with older workers holding on to their jobs. Now, the second phase has arrived. Significantly, their share of employment fell in private sector firms (Figure 11.37). And the employment share of pension-age workers rose in establishments in which overall employment declined and fell in those in which employment had increased (Figure 11.38).

Thus, as the employment restructuring moves into the second phase and is quickly overtaken by the third, the situation of older workers can be expected to deteriorate radically in the next year.

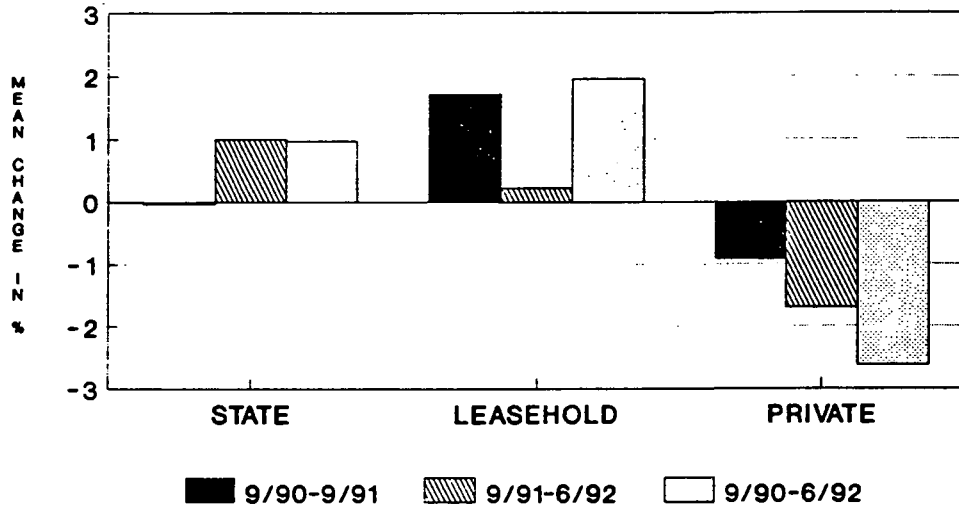
Significantly, as of June 1992, a majority of establishments reported that they expected that over the next year the employment share of older workers would decline (Figure 11.39). Declines were expected most in the metal-based industries, in large establishments and in joint stock companies. Their employment prospects are surely bleak.

FIGURE 11.36
CHANGE IN % PENSION-AGE, 9/90-6/92,
BY EMPLOYMENT SIZE, 1990



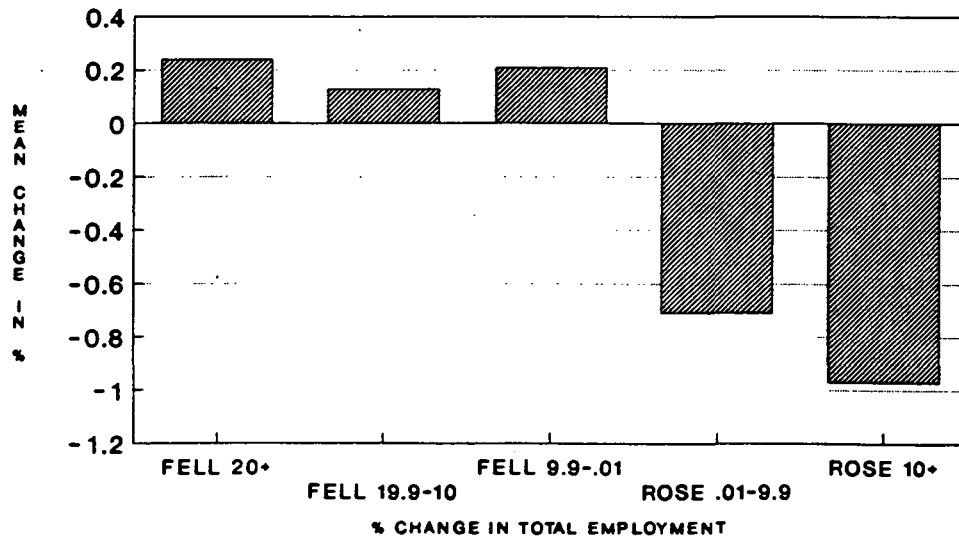
Russian Labour Flexibility Surveys 91-92
n = 109

FIGURE 11.37
CHANGE IN % PENSION-AGE, 9/90-6/92,
BY PROPERTY FORM, 1991



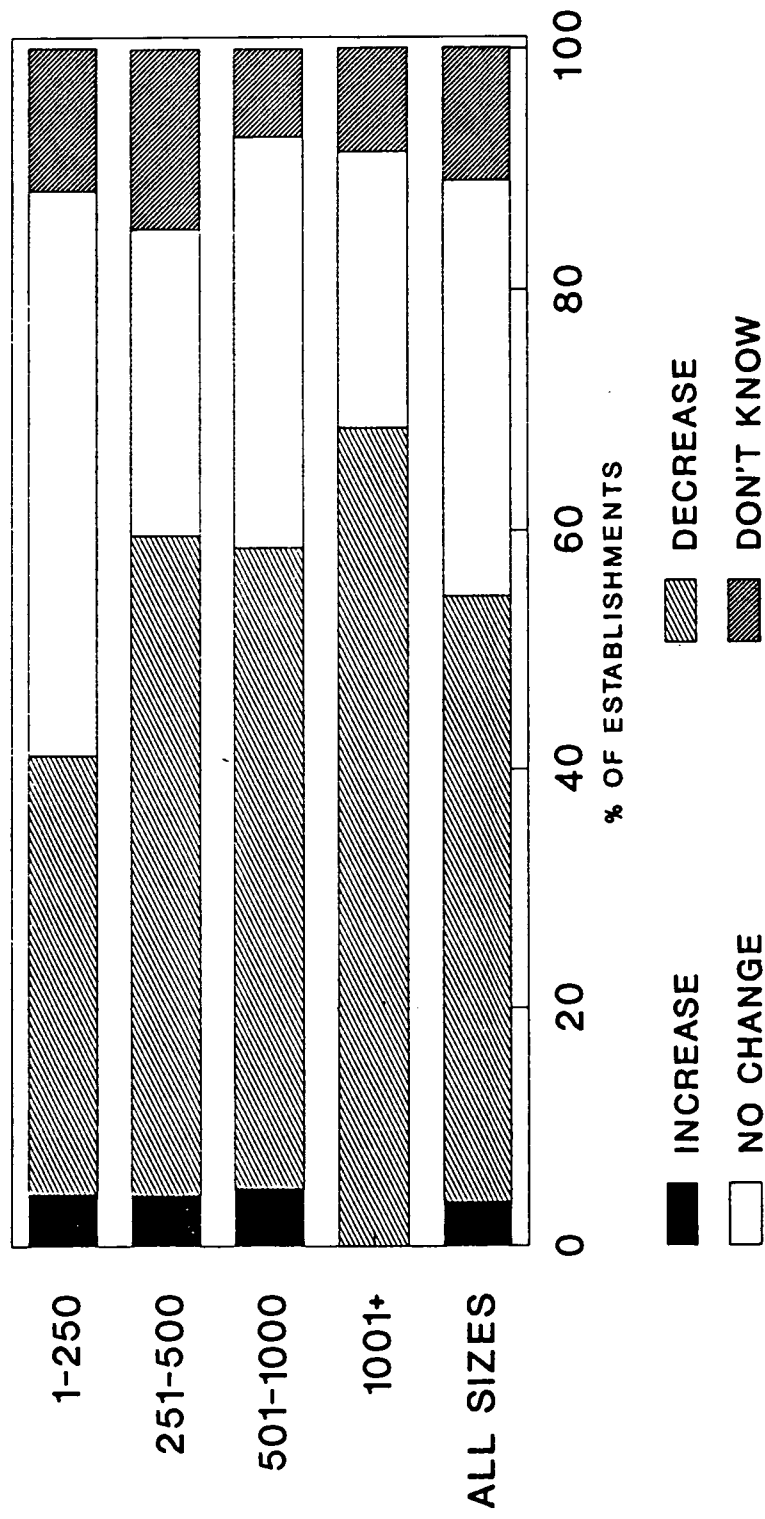
Russian Labour Flexibility Surveys 91-92
n = 109

FIGURE 11.38
CHANGE IN % PENSION-AGE, 9/91-6/92,
BY % CHANGE IN EMPLOYMENT, 9/91-6/92



RLFS, 1992
n = 189/191

FIGURE 11.39
EXPECTED CHANGE IN SHARE OF OLDER
WORKERS, BY EMPLOYMENT SIZE, 6/92



RLFS, 1992
n = 191

8. Wages and Benefits

The story of what happened to wages in Russian industry in early 1992 reminds one of the quip of a lady character in one of Oscar Wilde's plays, when she is advising a young girl on what to read and tells her, "The chapter on the fall of the rupee you may omit; it is somewhat too sensational."¹⁰

The basic fact is that between September 1991 and June 1992, in the factories covered by the two rounds of the survey *the average wage rose by no less than 681%*. That is consistent with other data and anecdotal evidence. For people attuned to static low money wages for many years, such a rise must have been almost bewildering.

By June 1992, the average wage was 3,496 roubles per month, which at current international exchange rates was less than US\$20. The rapid rise, which was less than the officially estimated rise in consumer prices in the period, varied by industry, although it rose substantially in all sectors. As in the first round of the RLFS, engineering had the lowest average wage. But contrary to the earlier pattern, basic metals had the highest average wage, which may have had something to do with the strike-induced wage rises in the mining sector. Construction materials and food processing had the next highest wages, and these had been the leaders in the first round.

As in the first round, average wages were highest in the medium-large establishments, although they had risen most in large-scale establishments (Figure 11.40). In the case of both wages and earnings, the lowest levels were in the smallest size category (Figure 11.41).

Non-wage earnings were also highest in basic metals, followed by construction materials and food processing. So, industry earnings differentials were substantially greater than wage differentials. However, whereas the ratio of earnings to wages in late 1991 was 1.36, this had shrunk slightly to 1.32.

Joint stock enterprises had the highest wages on average, leaseholding enterprises the lowest, and private sector wages had risen at the fastest rate (Figure 11.42). Differences in bonuses and other non-wage payments made the earnings differential slightly less than wage differentials (Figure 11.43).

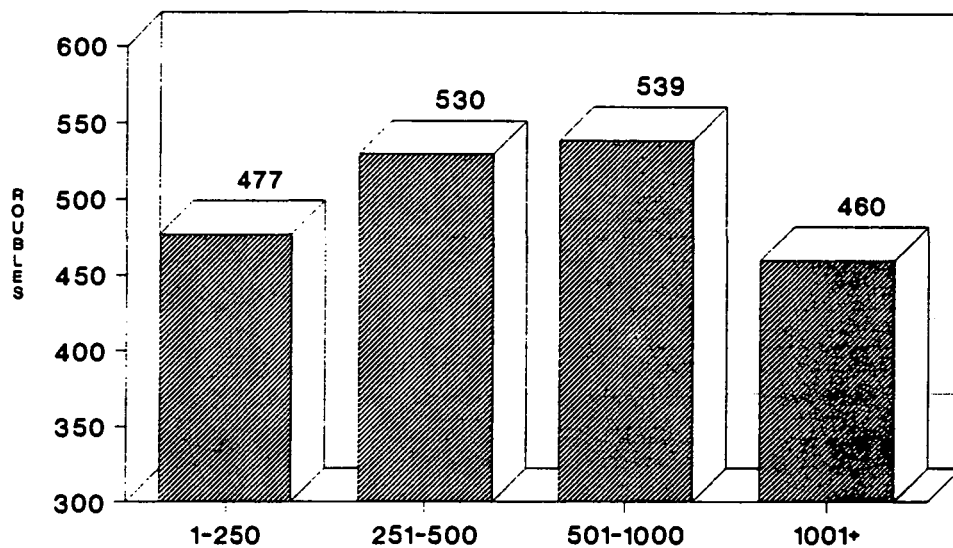
Average wages were again lowest in those establishments in which employment had fallen considerably. This was mirrored by differences in bonuses and other non-wage payments. Establishing causal links between wages and employment change is notoriously complex, but there is a *prima facie* case for saying that wages were not a major reason for the rapid employment declines in 1992.

Occupational wage differentials had widened, suggesting that the old "levelling" tendencies (to the extent that they were true) were being reversed. In particular, managerial salaries had risen relative to the wages of other groups, and those of skilled manual workers and technicians had risen relative to the average.

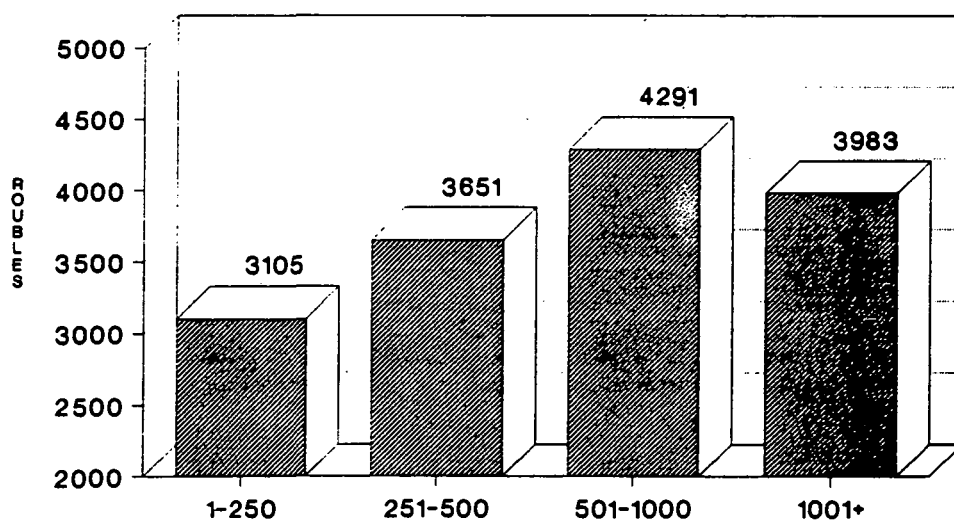
¹⁰ The Importance of Being Ernest (1895), Act.II.

Among other wage-related developments, we would again stress that a high percentage of total remuneration has come in non-monetary and non-incentive form. A very high priority should be given to reforming the wage system to give the wage mechanism a greater incentive and work motivation function. Inter alia, this means abandoning ideas of a wage tax as a tax-based incomes policy, as recommended by some international financial institutions.

FIGURE 11.40
AVERAGE WAGE, 9/91,
BY EMPLOYMENT SIZE, 6/92

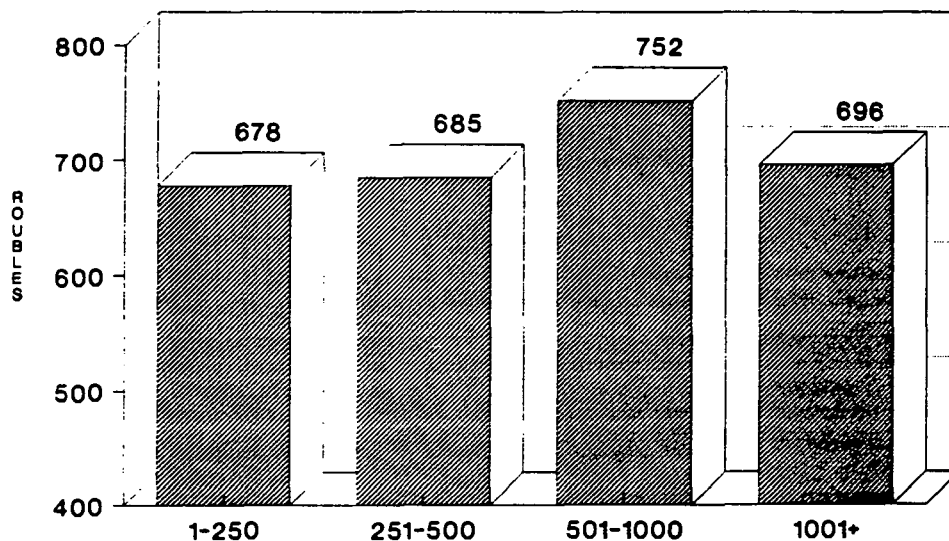


AVERAGE WAGE, 6/92,
BY EMPLOYMENT SIZE, 6/92

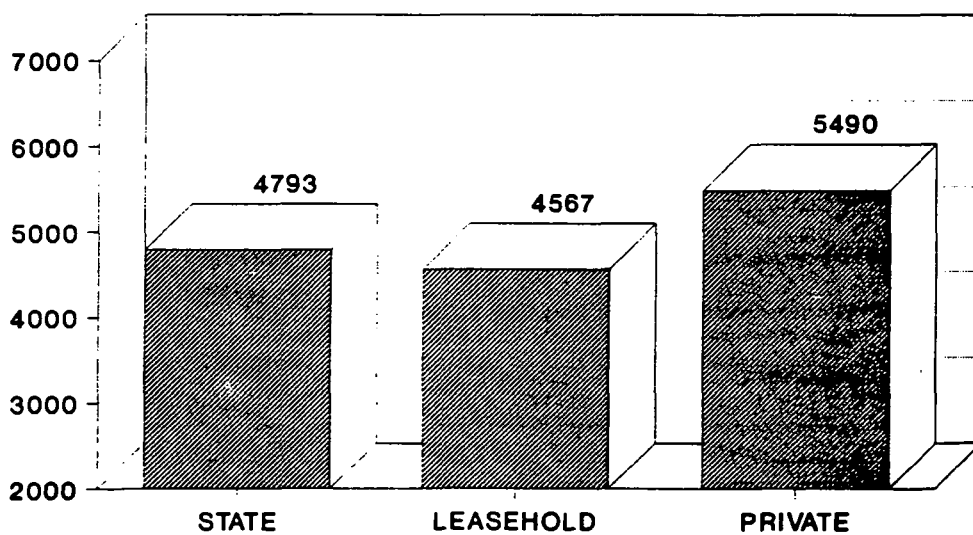


Russian Labour Flexibility Surveys 91-92
n = 109

FIGURE 11.41
AVERAGE EARNINGS, 9/91,
BY EMPLOYMENT SIZE, 6/92

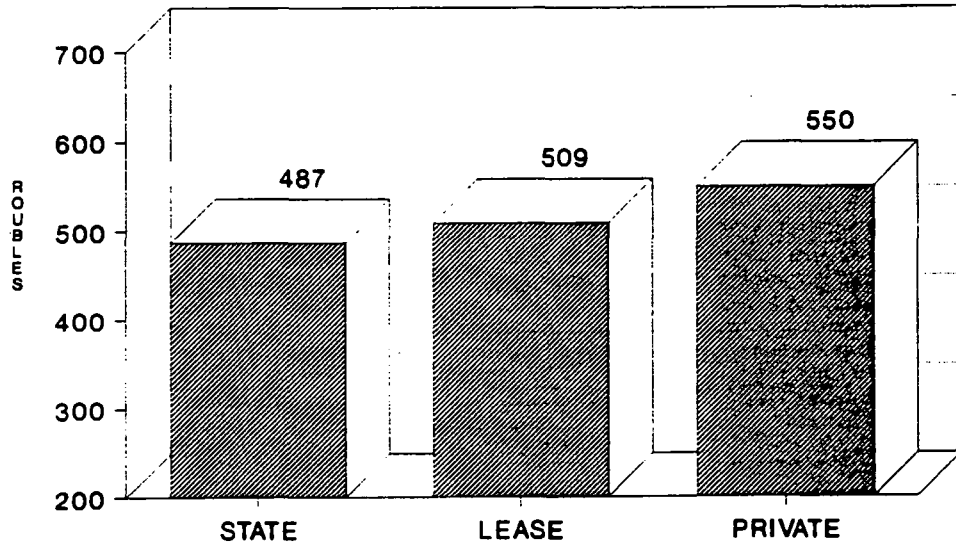


AVERAGE EARNINGS, 6/92,
BY PROPERTY FORM, 6/92

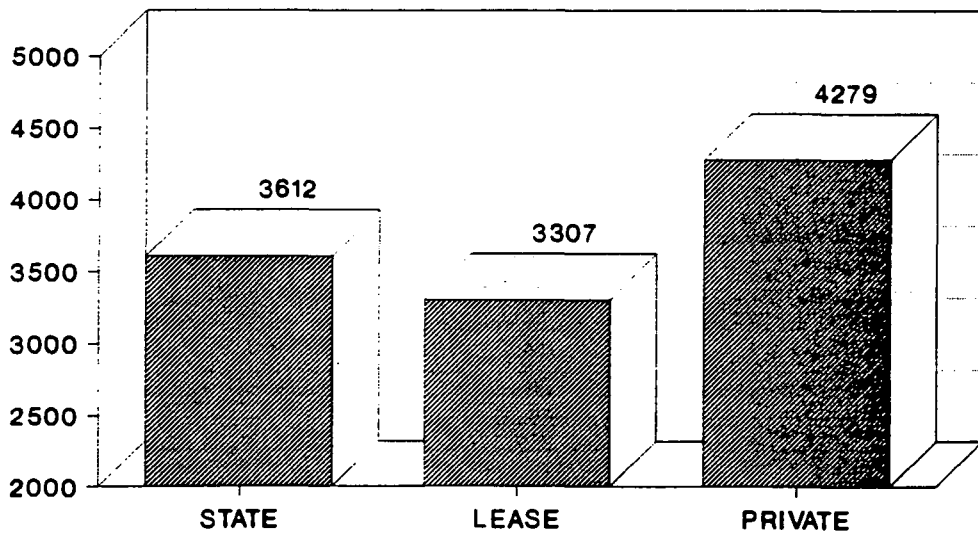


Russian Labour Flexibility Surveys 91-92
n = 109

FIGURE 11.42
AVERAGE WAGE, 9/91,
BY PROPERTY FORM, 6/92

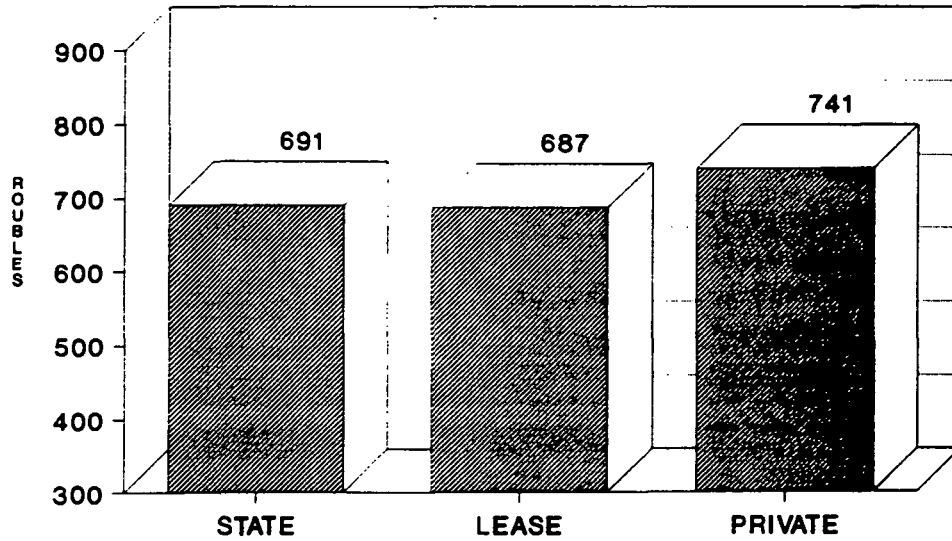


AVERAGE WAGE, 6/92,
BY PROPERTY FORM, 6/92

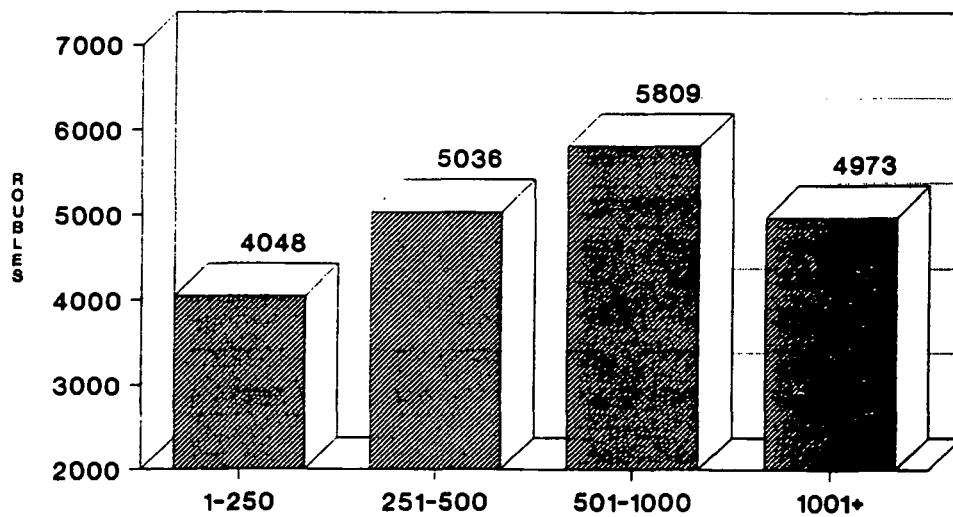


Russian Labour Flexibility Surveys 91-92
n = 109

FIGURE 11.43
AVERAGE EARNINGS, 9/91,
BY PROPERTY FORM, 6/92



AVERAGE EARNINGS, 6/92,
BY EMPLOYMENT SIZE, 6/92



Russian Labour Flexibility Surveys 91-92
n = 109

9. Labour Efficiency and Employment Problems

In the second round of the RLFS, managements were asked to identify the main non-labour-related and main labour-related difficulties facing their enterprises in the immediate future. Over 42% responded to the first question by claiming that they lacked raw materials, and nearly 40% referred to the difficulty of finding a market for their output. Nearly 8% foresaw bankruptcy (mainly engineering plants), and about 4% said that poor equipment was their major problem. The metal-based industries were more likely to see raw material shortages as their primary problem, other sectors the lack of a market. The larger the size of establishment, the more likely it was to cite raw materials rather than a lack of a market.

Although the managements in over 19% of all firms still believed they had no labour-related problem in mid-1992, wage costs were seen as the main problem by 26.7% of establishments, a perceived shortage of skilled workers by 20.9% and high labour turnover by 12%, with engineering factories being most concerned about wage costs. Perhaps changes in external labour markets had crowded out consideration of other factors, but one is struck by the small number of managements being primarily concerned over low productivity (2.6%) and poor work quality (2.1%).

As in the first round of the RLFS, managements still believed that the main cause of low labour efficiency was some structural factor beyond their immediate control. Thus, over a third (34.6%) said the main cause of labour inefficiency was inadequate supplies of materials, 25.1% said poor equipment and 14.1% low demand. Although that third factor had scarcely been mentioned in the first round, the picture remained one of attributing inefficiency to structural and market-related factors rather than to worker, managerial or organisational characteristics. Even factors mentioned as the second main cause of labour inefficiency were mostly of the structural type, with inadequate supplies, poor working conditions and poor equipment being the three most mentioned. These responses seem to reflect a rather passive attitude on the part of management, which will have to change in a more market-oriented economic environment.

Also as in the first round, low work intensity was most often mentioned as the main *form* of low labour efficiency, with 45% reporting that, compared with 26% citing low work quality. The latter was most often mentioned as the second main form, followed by low work intensity. Although some other forms were mentioned, these two predominated. The need for better work *incentives* was thus further highlighted.

Nearly 57% said that the main *measure* taken to improve labour efficiency had been to raise wages, with the next most common response being work reorganisation (8.8%). As concluded in *Paper 10*, the most appropriate response to the type of inefficiency identified in the survey would surely be reforms in the payment *system*, coupled with various forms of work reorganisation.

10. Concluding points

Much more could and will be reported from the results of the second round of the RLFS. The survey instrument is a means of monitoring labour market developments, and enables observers to glimpse at an awesomely complex process of restructuring taking place in Russian industry. One should observe that process with humility and respect for the efforts being made to change and adapt to what are unprecedented and extremely difficult circumstances.

The picture that emerges from the two rounds of the Russian Labour Flexibility Survey is one of employment decline at a gathering pace. Underutilisation of productive capacity has worsened, as has labour inefficiency (documented in *Papers 9 and 10*), and there is an erosion in the provision of training and retraining. The latter are vitally needed, and deserve to be given high priority in the allocation of international financial and technical assistance in 1993.

Most importantly, *restructuring* of industrial enterprises must be given higher priority than privatisation, in part because so much attention has been given to the latter to the relative neglect of coordinated activities to restructure the massive complexes that still dominate the Russian industrial landscape.

In that regard, employment practices and labour relations should be regarded as critically important. Reforms there, including wage system reform, could substantially increase productivity and efficiency, bearing in mind that for some time new investment will be constrained by a lack of resources. Having a macro-economic strategy without effective micro-economic reforms would be doomed to failure, and in that regard restructuring the industrial labour market will be among the most important challenges in the next few years.

Mass unemployment has arrived in Russia, and nobody seems to dispute that it will grow to levels equivalent to those found in other economies of eastern and central Europe undergoing their own adjustment and restructuring processes. The "shock therapy" may or may not be appropriate from a macro-economic point of view, but there is one issue on which critics and advocates of that approach are usually agreed. That is that unless unemployment and its social consequences can be kept to tolerable levels, macro-economic reforms will be undermined and, almost definitionally, fail. It is, therefore, very worrying that the Russian employment services are still reaching only a very small proportion of the unemployed, and that only a minority of those reached have been receiving unemployment benefits.

The collapse of industrial output, the steep decline in industrial employment and the fall in real wages all point to levels of unemployment surpassing those of the worst cases of eastern and central Europe, where it should be recalled income levels have been higher, foreign financial assistance relatively greater and the industrial decline probably much less. It would be foolhardy to pretend that the prospects for industrial employment or unemployment in Russia are anything but grim.

Appendix: Supplementary Tables

Table 2.31
Effect of Change of Ownership on Employment,
by Industry, All Regions

	-----Industry-----							
	<i>Food</i>	<i>Text iles</i>	<i>Wood prod.</i>	<i>Chem- icals</i>	<i>Basic metal</i>	<i>Engin- eering</i>	<i>Constr- uction</i>	<i>Paper</i>
<i>Effect on emp</i>								
Reduce	52.9	40.7	57.1	50.0	85.7	59.6	50.0	66.7
Increase	17.6	7.4	-	-	14.3	3.5	-	-
No change	29.4	48.1	42.9	37.5	-	31.6	50.0	33.3
Don't know	-	3.7	-	12.5	-	5.3	-	-

Table 2.32
Effect of Change of Ownership on Employment,
by Property Form, All Regions

	-----Property Form-----				
	<i>State</i>	<i>Leasehold</i>	<i>Cooperative</i>	<i>Jt.stock/ /</i>	<i>Other</i>
<i>Effect on emp</i>					
Reduce	58.8	46.7	50.0	100.0	66.7
Increase	6.3	2.2	50.0	-	33.3
No change	32.5	44.4	-	-	-
Don't know	2.5	6.7	-	-	-

Table 2.34
Value of Fixed Assets,
by Industry, All Regions

Value (thousands of rubles)

<i>Industry</i>	
Food	6722.8
Textiles	6661.2
Wood prod.	3764.9
Chemicals	14260.1
Basic metal	23422.0
Engineering	20441.8
Construction	6471.7
Paper	2076.2

Table 2.2.35
Change in Value of Sales 1990 - 91,
by Industry, All Regions

Value (thousands of roubles)

<i>Industry</i>	
Food	-6274.6
Textiles	13535.3
Wood prod.	2700.0
Chemicals	-27812.8
Basic metal	2533.10
Engineering	1558.58
Construction	3871.0
Paper	832.4

Table 2.2.36
Change in Value of Sales 1990 - 91,
by Employment Size, All Regions

Value (thousands of Roubles)

<i>Employment size</i>	
1-200	-1347.4
201-400	105.9
401-1000	-2841.1
1001+	14859.3

Table 2.2.37
Change in Value of Sales 1990 - 91,
by Percentage Change in Employment, All Regions

Value (thousands of Roubles)

% change emp.

Fell 20+	1275.6+
Fell 19.9-10	-391.9
Fell 9.9-0.01	1871.2
No change	345.0
Rose 0.01-9.9	-6172.7
Rose 10+	20439.2
