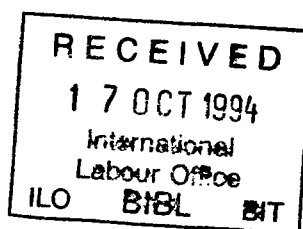


# **Labour Market Dynamics in Russian Industry in 1993: Results from the Third Round of the RLFS**

by

ILO Central and Eastern European Team



Notes: This report was written by Guy Standing, Director of the ILO-CEET, Budapest. As it is a draft, it is not to be quoted without permission. Views expressed are not necessarily those of the ILO. Comments would be welcome. Special thanks for assistance are due to Tatyana Chetvernina (Centre for Labour Market Studies, Institute of Economics, Academy of Science, Russian Federation), Tatyana Gorbachova (Goskomtat, RF), Zineida Ryzhinaioda (Goskomtat, RF) and László Zsoldos (ILO-CEET).

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# Labour Market Dynamics in Russian Industry in 1993

## Results from RLFS3

### 1. Introduction

This is an analysis of labour and employment developments in Russian Industry based on a survey of 340 factories in four major industrial regions in 1993. The rationale behind the Russian Labour Flexibility Survey, of which this was the third round, has been that Russian macro-societal economic and social reforms cannot succeed without micro-economic restructuring, and reform of labour and employment policies and practices in industrial enterprises — the core of the Russian economy — was neglected in the early phases of the attempted "shock therapy" policy.

Indeed, it was plain at the outset and even clearer in 1994 that "shock therapy", with its *sequencing* of macro-economic policies — price liberalisation, followed by attempted restrictive monetary and fiscal stabilisation policy and then (mass) privatisation — gave low priority to enterprises restructuring and to restructuring of the social protection system.

The idea that a "social safety net" could be introduced to provide social protection for the losers of the economic "shock" neglected the need to integrate social and labour market reform into the general reform process. In particular, unless the industrial enterprises were restructured by a process of demonopolisation, by productivity enhancing internal reforms and reform of the payment systems inside them, then inflationary pressures were bound to persist and enterprises would be unable to respond to "market signals".<sup>1</sup>

The challenge in 1994 is to find ways of restructuring enterprises, creating local government agencies and procedures to promote dynamic efficiency, boosting productivity, demonopolising state and "privatised" enterprises and transferring essential social functions from industrial enterprises to local community authorities.

### 2. The Russian Labour Flexibility Survey

The third round of the Russian Labour Flexibility Survey, carried out in 1993, covered labour, employment and restructuring developments in a sample of 350 industrial establishments in the four major industrial areas of Moscow City, Moscow Region, St. Petersburg and Nizhny Novgorod. The last-mentioned area was included for the first time. Fieldwork was conducted in July-August 1993.

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<sup>1</sup>This set of arguments were presented in the ILO's conference on labour market reforms in Moscow in October 1990. For the results, see G. Standing (cd.): In Search of Flexibility: The New Soviet Labour Market (Geneva, ILO, June 1991). Besides calling for a micro-economic restructuring strategy, this warned that the new Employment Act would result in most unemployed not being counted and not receiving the new unemployment benefits. These themes were reinforced in the two tripartite conferences in Moscow and St. Petersburg in October 1992.

Designed, organised and conducted by the ILO, in collaboration with Russian colleagues and Goskomstat of the Russian Federation, the RLFS is based on a comprehensive two-part series of factory visits, in which a vast amount of labour and related information is gathered from senior management. Unquestionably, the RLFS represents the most detailed survey of these issues conducted in Russia, and provides data by which labour market developments can be traced in this extraordinary period of economic restructuring.

The first round of the RLFS was conducted at the end of 1991, the second round in mid 1992. The first round (RLFS1) covered 501 establishments, encompassing over half a million workers, the second round (RLFS2) covered a final sample of 191 establishments, 109 of which had been in the first round. In the third round (RLFS3), 240 had been in the first and/or second rounds, so that a picture of the dynamics of the evolution of Russian industry can be pieced together. In each round, questions were included to obtain information relating to the previous two years and to prospective or planned changes.

This is a preliminary and largely descriptive report of findings from the RLFS3, with emphasis on aspects of privatisation, labour surplus and labour shedding and the response of factory managements to market pressures. Other analytical papers will follow in which comparative assessments will be made through matching of data from the first three rounds.

### **3. Structural Characteristics and Property Restructuring**

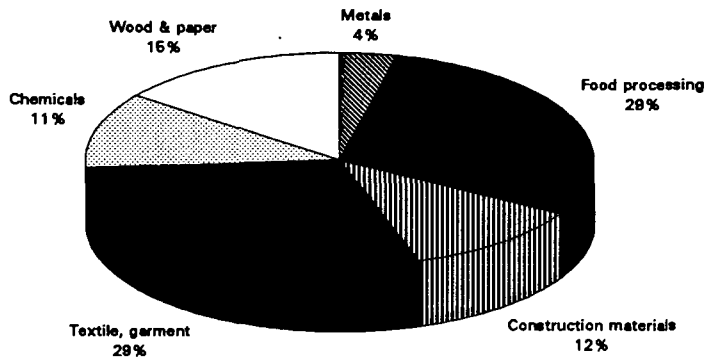
As in RLFS1 and RLFS2, engineering accounted for the largest share of all establishments (Figure 1), with food processing and garments and textiles the next largest.<sup>2</sup> The employment size distribution showed that slightly less than 35% had fewer than 250 workers, and 20% had more than 1000 (Figure 2). The average size of establishment was greatest in St. Petersburg and Nizhny Novgorod, and by far the smallest in Moscow Region.

By contrast with the two previous rounds, **property forms** of firms were more diversified, with state owned and operated enterprises only accounting for 35% of the total, whereas 55.2% had been state-run in late 1992. In 1992, 18% were leaseholdings (*arienda*); in 1993, this had shrunk to 8%. The major shift had been to open joint stock enterprises, which rose from 8.8% to 28% of the total. That trend was continuing, with 89% of lease holding firms planning a change in property form and 69.5% of state enterprises (Figure 4). Of the latter, 71.3% expected to become open joint stock, as did 54.2% of leaseholdings that were expecting to change. And planned changes were imminent; nearly 80% of those expecting to change were expecting to do so within a year.

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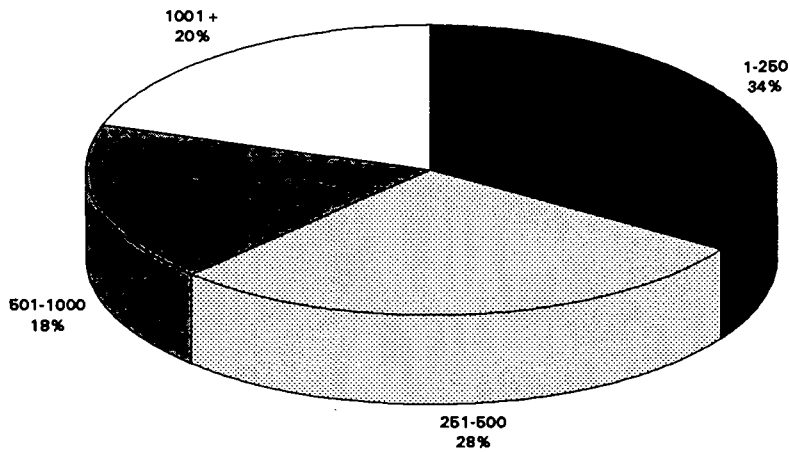
<sup>2</sup>The unit of the survey is the 'establishment', which statistically must be distinguished from an 'enterprise, which consists of one or more establishments. The average size of establishment, in terms of capital, employment, sales, etc., will be considerably smaller than for enterprises. In the text, the terms establishment, enterprise and firm are used; it is the establishment that is the unit surveyed.

**Figure 1. Industrial Distribution of Establishments, All Regions, mid 1993**



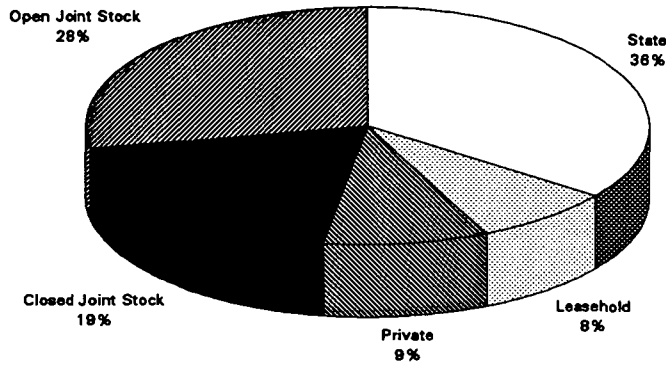
RLFS 3  
n = 340

**Figure 2. Employment Size Distribution of Establishments, All Regions, mid 1993**



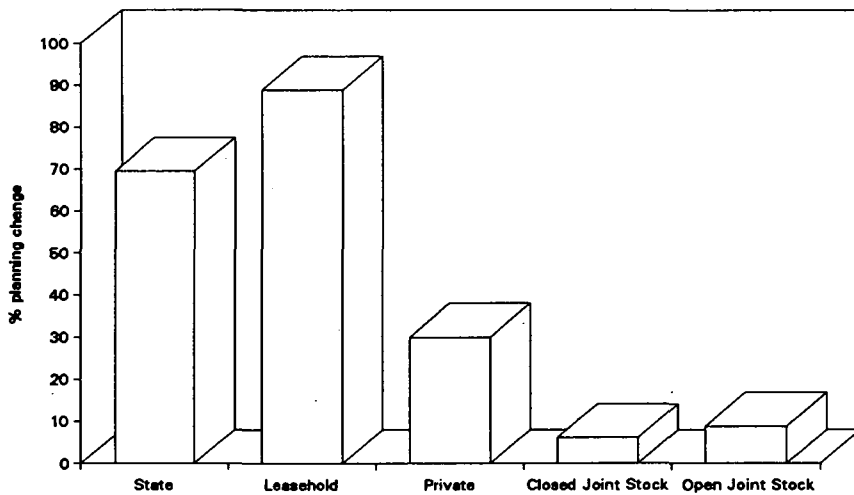
RLFS 3  
n = 340

**Figure 3. Property Form Distribution of Establishments, All Regions, mid 1993**



RLFS 3  
n = 339

**Figure 4. Plans to Change Ownership Form by Current Property Form, All Regions, mid 1993**



RLFS 3  
n = 332

Despite the "privatisation", the decline in output and sales charted in 1991 and 1992 continued in 1993. About 62% of industrial establishments reported a decline in sales, in real terms, over the previous two years. Only 25% reported a definite increase, notably in food processing.<sup>3</sup>

The probability of decline was highest in construction materials and chemicals, and in open joint stock enterprises (Figure 5). On average, sales had declined in every size category of establishment, although the largest were the most likely to have had a decline (Figure 6).

Falls in sales were most widespread in Moscow Region (92.5% having experienced a decline), followed by Nizhny Novgorod (63.3%), St. Petersburg (62%) and Moscow (48%). This raises a question about claims by observers that Nizhny Novgorod is a striking economic success set apart from what has been happening elsewhere in Russia.

The figures also suggest that the sales deterioration was even more widespread than it had been in 1991 and 1992. Other signs were no more encouraging. **Exports** accounted for a mean average of 1.9% of total output, rising to 3.9% for large establishments with over 1000 workers (Figure 7). Between 1992 and 1993, there had been a very small net shift of 0.4%, with large-scale firms having increased their export share from 2.7% to 3.9%; there was a similar shift in 1991. This scarcely indicated a significant shift from the domestic market, which will be required if economic regeneration more generally is to occur. There may have been a tendency for privatised or private (new, or joint venture) establishments to be slightly more export-oriented, but there was no sign of any radical change (Figure 8).

One change that was clear was that **barter** had declined — or at least revealed barter had done so (Figure 9). This grew sharply in the first phases of price liberalisation, but by mid 1993, it was only significant in large enterprises.

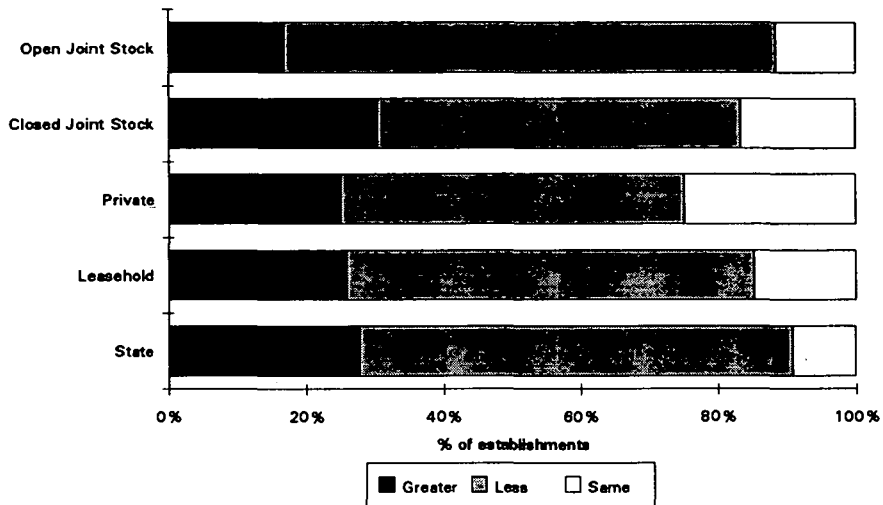
As for other signs of restructuring, nearly 31% of firms had reduced their **product range**, while 24.6% had increased it, with the tendency to increase being significantly greater in Nizhny Novgorod (Table 1). Over 48% claimed to have introduced **new technology** in production, with that being relatively common in plants in St. Petersburg. And 41% had made some definable change in **work organisation**, without any suggestion that the supposedly dynamic region of Nizhny Novgorod was any more likely than elsewhere to have done so.

Senior managements were asked to identify the "main economic difficulty" faced by their firms. The most common complaint was lack of demand (32.4%) followed by shortage of raw materials (26.5%), high taxes (15.9%) and indebtedness to their suppliers (7.6%). Lack of demand was far more commonly the main difficulty cited by

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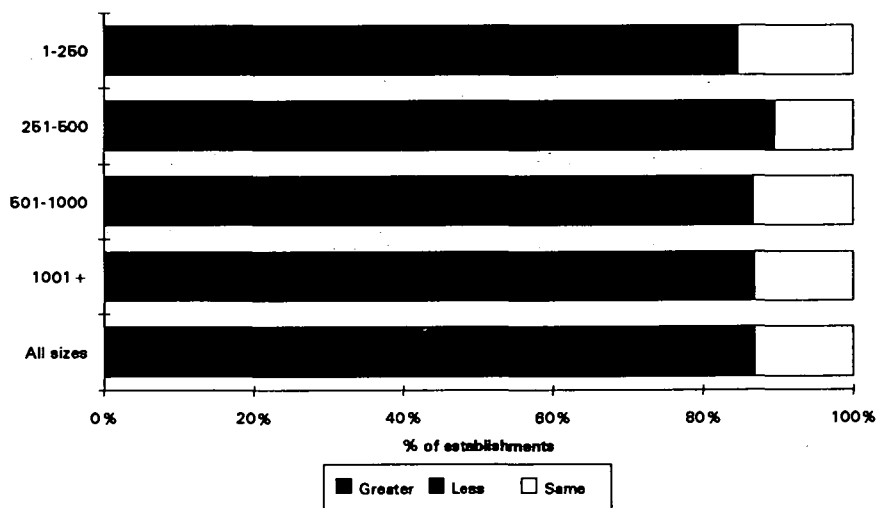
<sup>3</sup> In 1992-93, there was a sharp shift in consumption to food, due to inflation and falling real incomes. Expenditure on food rose from under one-third of total personal expenditure in 1989 to over one half in 1993. ILO-CEET, The Social Protection System in Russia, a report prepared by a team coordinated by Marina Moskvina, September 1993.

**Figure 5. Value of Sales\* in mid 1993, Compared to June 1991, by Property Form**



RLFS 3  
 n = 339  
 \* Constant prices

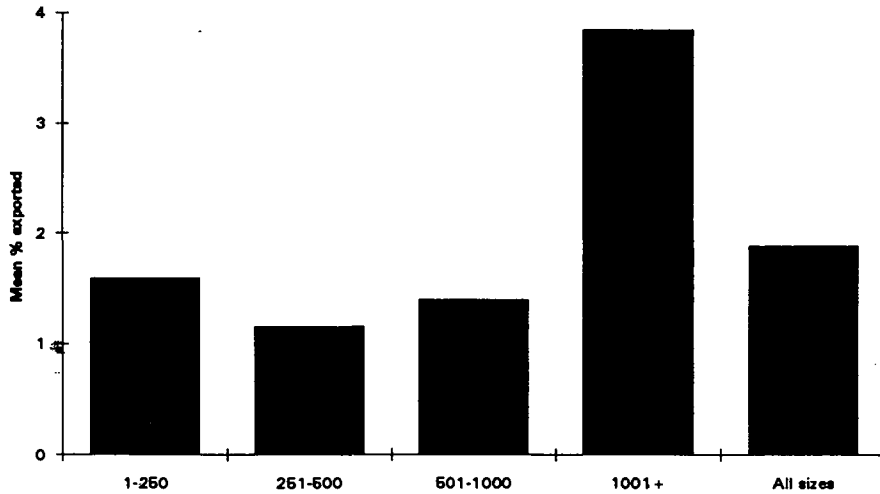
**Figure 6. Value of Sales\* in mid 1993, Compared to June 1991, by Employment Size**



RLFS 3  
 n = 340  
 \*Constant prices

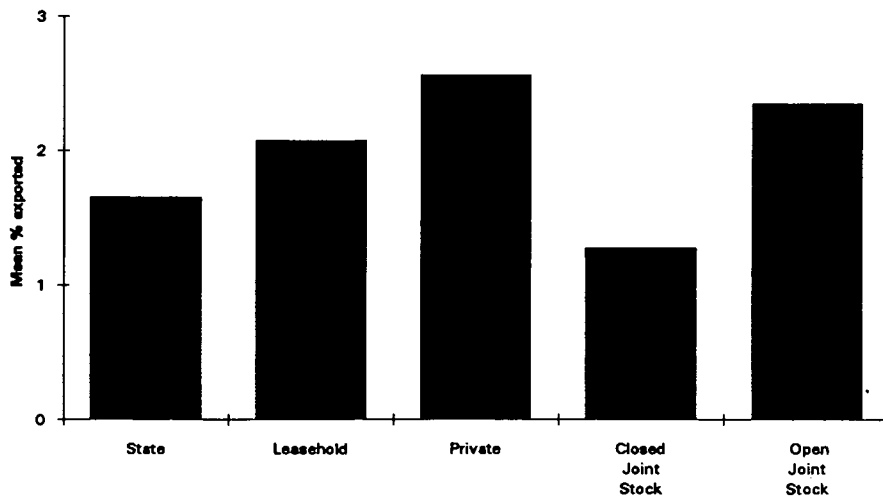


**Figure 7. Percent of Output Exported, 1990-1993, by Employment Size, All Regions, mid 1993**



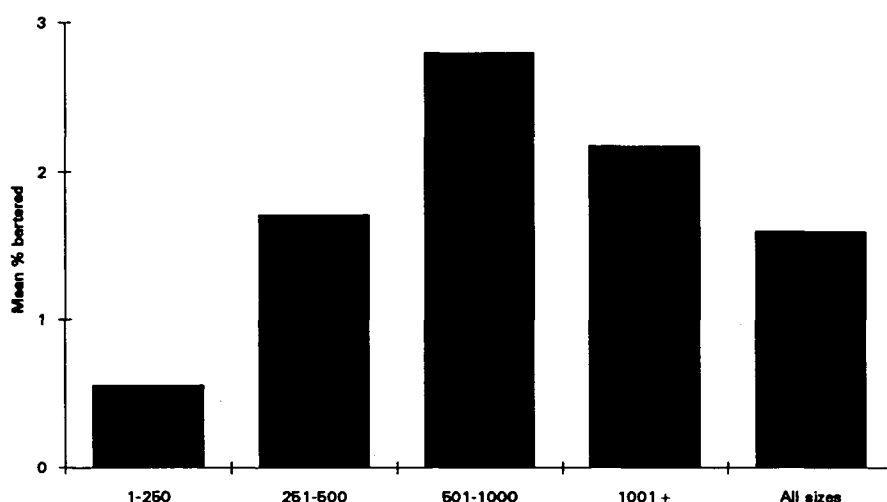
RLFS 3  
n = 340

**Figure 8. Percent of Output Exported, 1990-1993, by Property Form, All Regions, mid 1993**



RLFS 3  
n = 339

**Figure 9. Percent of Output Bartered, 1990-1993, by Employment Size, All Regions, mid 1993**



RLFS 3  
n = 340

**Table 1: Technological Innovation, by Region, 1991-93  
(% having made a change in past 2 years)**

|                                 | Nizhny<br>Novgorod | Moscow<br>City | Moscow<br>Region | St.<br>Petersburg | Total |
|---------------------------------|--------------------|----------------|------------------|-------------------|-------|
| <b>Product Range</b>            |                    |                |                  |                   |       |
| <i>Increase</i>                 | 29.6               | 19.6           | 25.0             | 24.0              | 24.4  |
| <i>Decrease</i>                 | 27.6               | 27.5           | 40.0             | 33.0              | 30.6  |
| <b>Technological<br/>Change</b> | 44.9               | 48.0           | 37.5             | 56.0              | 48.2  |
| <b>Work<br/>Reorganised</b>     | 49.8               | 33.3           | 32.5             | 54.0              | 41.2  |

Source: RLFS3 N=340

managements in Moscow Region and Nizhny Novgorod. As expected, indebtedness was more common in state enterprises reflecting the chains of unpaid obligations that built up in 1992-93.

Finally, 16% of firms considered there was a high probability that their establishment would go **bankrupt** within the next 12 months, and a further 17% were uncertain. No less than 44% of firms in the chemicals sector foresaw bankruptcy, and other sectors in which pessimism was rife were engineering and textiles and garments; food processing plants were the most sanguine. The main reason for expecting bankruptcy was indebtedness to other firms, which was cited by 45.5% of all those anticipating bankruptcy, followed by 16.4% who thought bankruptcy would come from cuts in subsidies that were keeping them operational.

In sum, while property form restructuring had been substantial and some technological restructuring had taken place, the basic economic indicators were not encouraging.

#### 4. Capacity Utilisation in 1991-93

With sales slumping, and against a background of acute political and economic uncertainty, it was scarcely surprising that the level at which factories were operating was well below capacity, and that this was a continuation of the decline recorded in RLFS2 for the period 1989-92.

Overall, the capacity operation level had declined on average from 83.2% in mid-1991 to 74.5% in mid-1992 and to 70% in mid-1993, which is the lowest level recorded in Russia for many decades. Worst affected was the chemicals sector, where firms were by their own estimates operating at only 55.4% capacity in mid-1993 (Figure 10). Comparing forms of ownership, state enterprises had the lowest level on average (Figure 11), although there was not much difference between them and those with the highest average, closed joint stock enterprises. There was no clear relationship between capacity level and employment size of establishment (Figure 12). Interestingly, whereas firms in Nizhny Novgorod had a lower capacity utilisation rate in 1991, by 1993 their position had improved in relative terms (Figure 13).

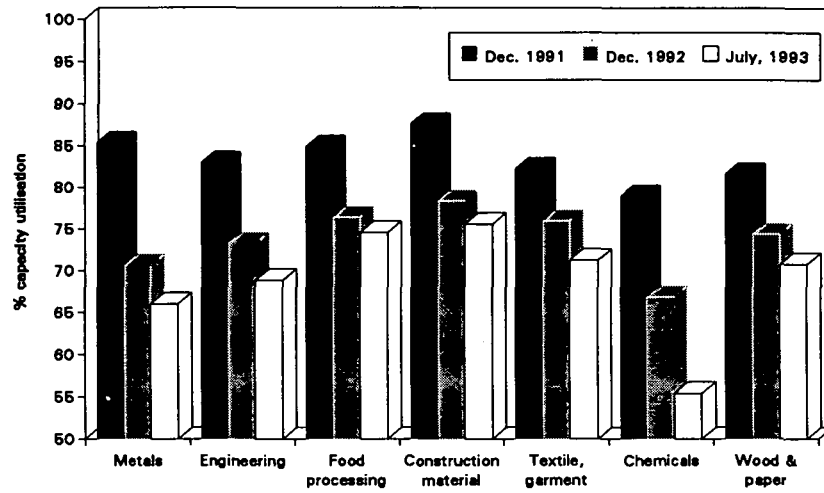
For all regions, capacity utilisation declined for 45.3% of firms between mid-1992 and mid-1993, and had risen for only 20%. The chemicals, engineering and metal products sectors had fared worst, although there was a net decline in all sectors. On average, the decline was greatest for state enterprises.

A potential difficulty in interpretation here arises from a new and strong tendency for enterprises to **restructure by divesting** production units, which became a feature in 1993 and which had not been noticeable in 1991 or 1992. While enterprises in some hard-hit sectors, such as basic metals and textiles and garments, were relatively likely to have detached production units, in others, such as chemicals, only a relatively few had done so. Overall, firms in which capacity utilisation fell had a higher probability of having detached part of the enterprise, 23.4% having done so compared with 17.6% of those that had expanded capacity utilisation.

However, the most striking point on capacity utilisation is that the declines in 1993 continued a long-term trend. Between 1991 and 1993 over two-thirds of establishments in RLFS3 experienced declining capacity utilisation, with over three-quarters of chemicals' plants and nearly as many in engineering having done so. This should be seen in the longer-term national context. According to official Goskomstat data, except for a brief revival in 1988, industrial capacity has been declining steadily for nearly two decades, from its peak in the mid-1970s. Moreover, the declines observed in RLFS3 must have reflected further cuts in production, not any growth of productive capacity, since there was no evidence of massive new investment.

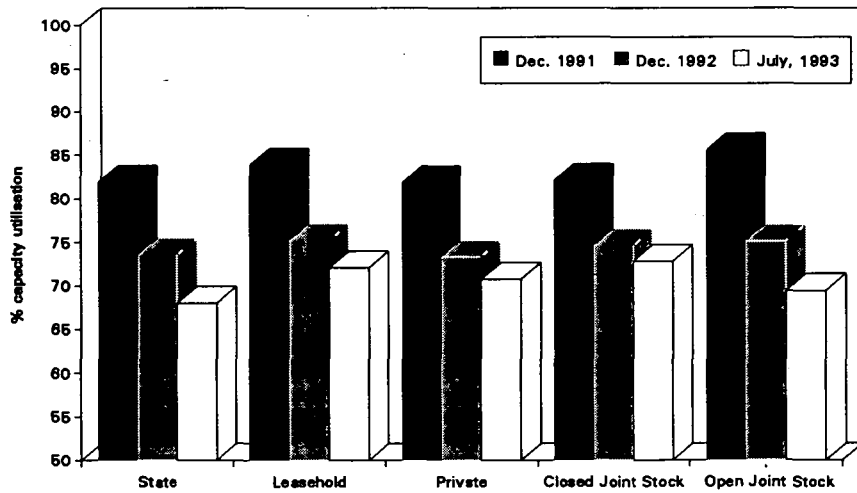
Although many observers would argue that the unused capacity was really obsolete capacity, it would surely be a mistake to write-off nearly a third of industrial capacity

**Figure 10. Capacity Utilisation, 1991-93, by Industry**



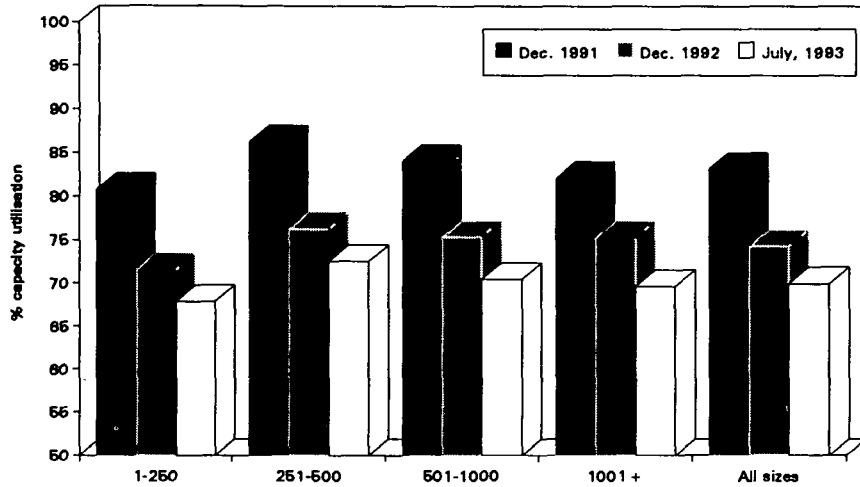
RLFS 3  
n = 340

**Figure 11. Capacity Utilisation, 1991-93, by Property Form**



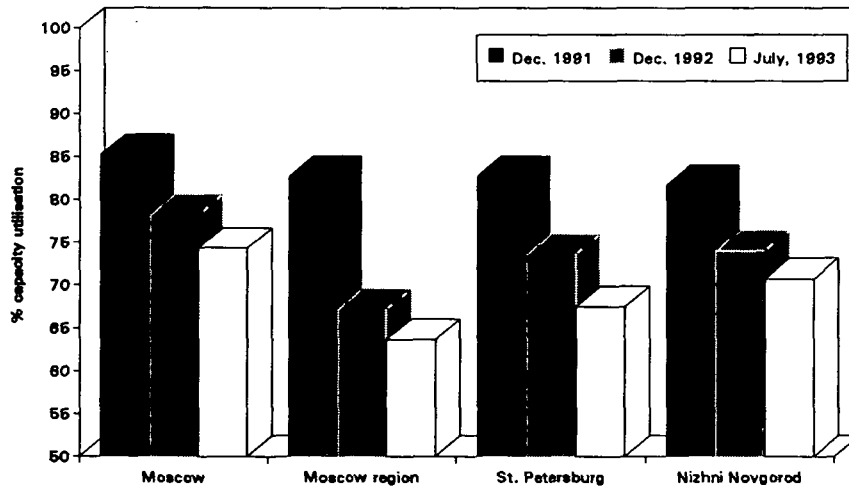
RLFS 3  
n = 339

**Figure 12. Capacity Utilisation, by Employment Size, 1991-93**



RLFS 3  
n = 339

**Figure 13. Capacity Utilisation, 1991-93, by Region**



RLFS 3  
n = 340

as unusable.<sup>4</sup> The loss in potential output in the context of the widespread need for basic consumer commodities and the inflationary pressures must be counted as one of the most worrying features of the industrial "restructuring" in Russia in the early 1990s.

## **5. The Jobs Haemorrhage: "Labour Surplus" and Employment Cuts**

While capacity utilisation rates had declined to unprecedentedly low levels, no less than 37.6% of managements reported that they could have produced the same level of output with fewer workers than they employed at the time, with over two in every five factories in basic metals and engineering reporting that (Figure 14).

This was less than had been reported in 1992, although it was indicative of a severe labour surplus problem. Larger firms were far more likely to have labour surplus in that sense (Figure 15). Not surprisingly, those with lower levels of capacity utilisation were relatively likely to estimate that they could produce their current level of output with fewer workers (Figure 16). So, although the well-known labour hoarding was apparently continuing, with managements living in hope that the government would reverse the decline, material recognition of labour surplus was widespread.

Those establishments that reported that they could produce with fewer workers were asked to estimate what percentage cut they could make without reducing output, other things equal. Overall, they estimated that they could cut employment by 6.7% (Figure 17). Although one must reserve judgment here, because in 1992 proportionately more firms in RLFS2 reported that they could cut jobs, this might indicate a higher level of employed labour surplus for firms that had this problem than was the case in mid-1992, when firms in the RLFS2 firms reported that they could cut 18% of all jobs without affecting output.

Given the pressures put on "privatised" firms not to cut employment in the aftermath of the change in property form, it is worth noting that managements of lease holding and open joint stock enterprises were relatively more likely to estimate that they could cut jobs without affecting output (Figure 18). One anticipates that they will shed many more jobs in 1994, when restrictions on their doing so would be removed.

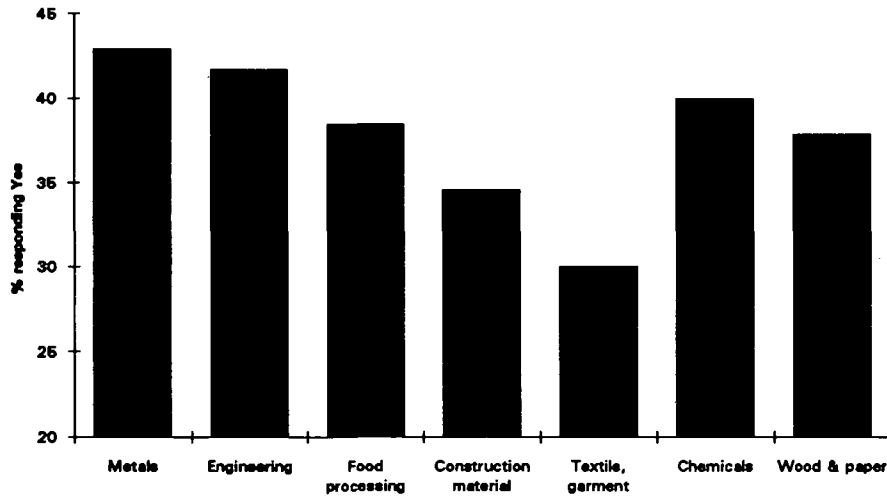
In RLFS3, managements were also asked whether there had been a period in which they had too little work for the workforce lasting for longer than two weeks. This was a second proxy for labour surplus, used mainly to lead to questions about managerial reactions.<sup>5</sup> Overall, 41.5% reported that they had a labour surplus in this sense of the term, with establishments in metals and chemicals being most affected. Again, it was much more common in larger firms (Figure 19).

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<sup>4</sup> It was a mistake of 'shock therapy' to give little attention to helping state enterprises in the initial phases of price liberalisation and attempted economic stabilisation. Essentially, 'state desertion' highlighted the absence of a micro-economic restructuring strategy that was needed to give macro-economic policy a chance to succeed.

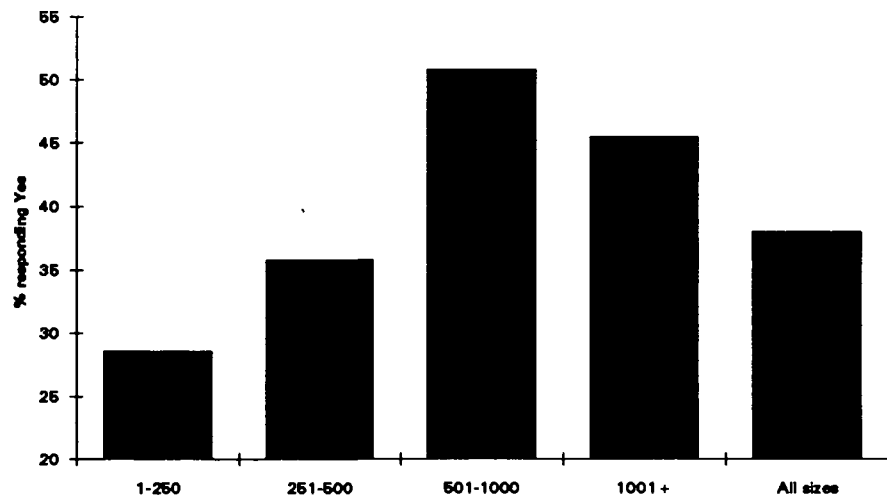
<sup>5</sup> This was changed from the definition used in RLFS2 and RLFS1, which specified a shortage of work lasting for a month or more, which was deemed less satisfactory because those that took action fairly quickly would not be counted as having had a shortage of work.

**Figure 14. Produce Same Level of Output With Fewer Workers, by Industry, mid 1993**



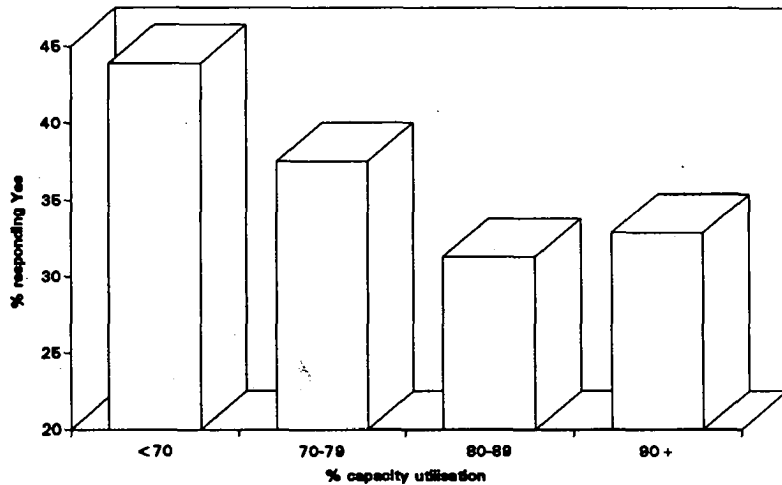
RLFS 3  
n = 332

**Figure 15. Produce Same Level of Output With Fewer Workers, by Employment Size, mid 1993**



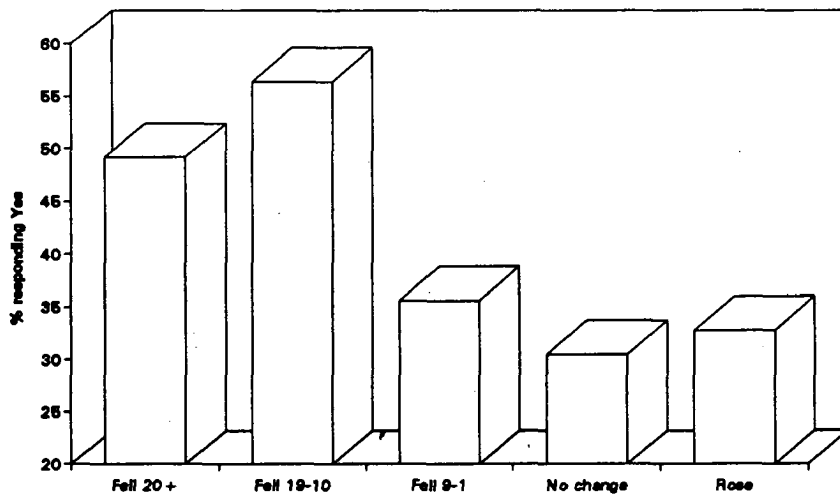
RLFS 3  
n = 332

**Figure 16a. Produce Same Output With Fewer Workers,  
by % Capacity Utilisation, mid 1993**



RLFS 3  
n = 332

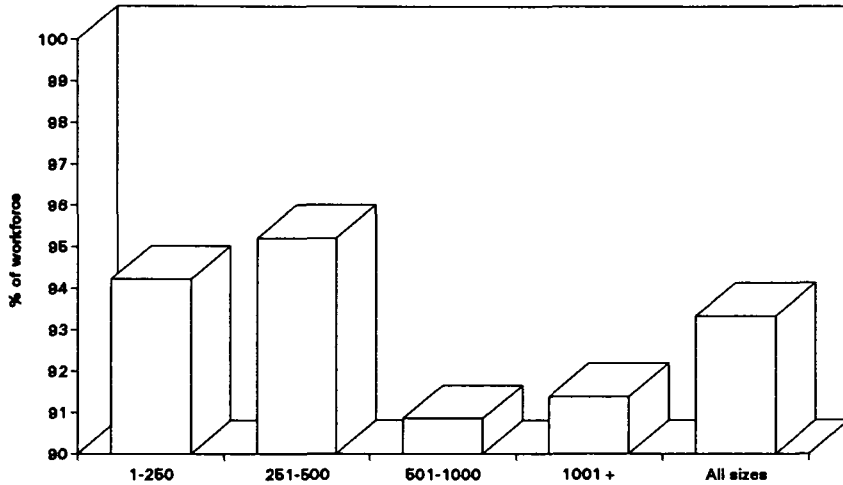
**Figure 16b. Produce Same Output With Fewer Workers,  
by Change in Capacity Utilisation, mid 1993**



RLFS 3  
n = 332

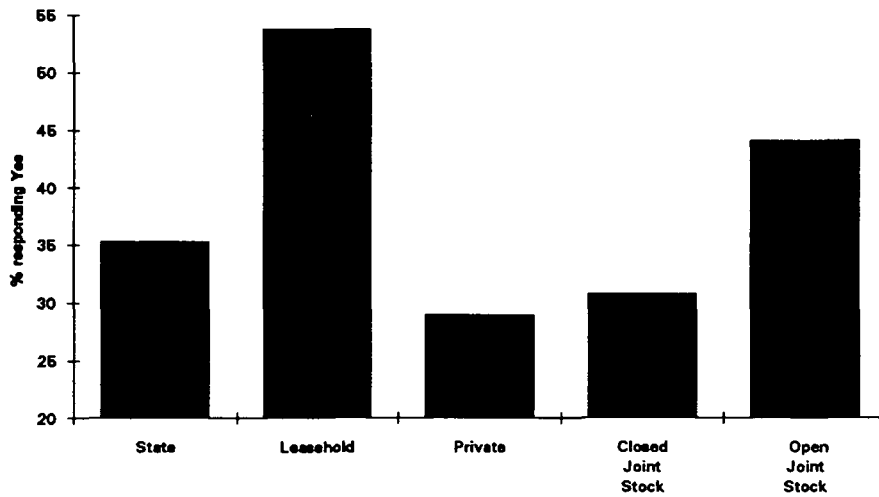


**Figure 17. % of Workforce to Produce the Same Output, by Employment Size, mid 1993**



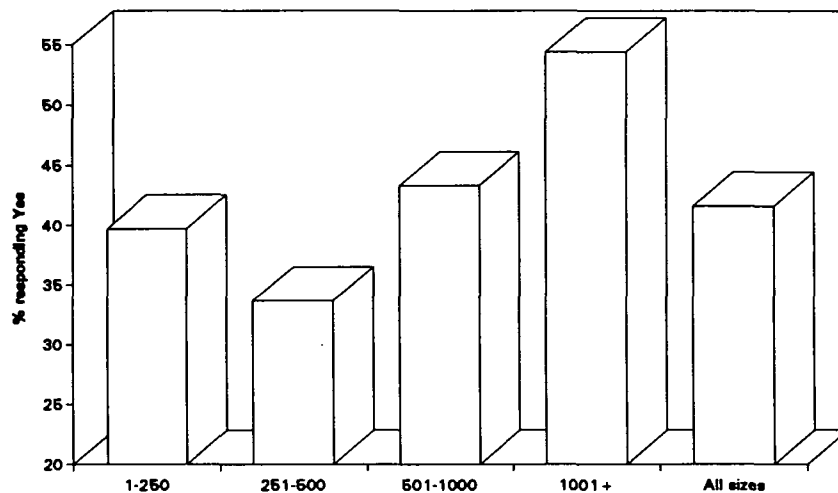
RLFS 3  
n = 134

**Figure 18. % of Firms That Could Produce Same Output With Fewer Workers, by Property Form, mid 1993**



RLFS 3  
n = 340

**Figure 19. Too Little Work for Workforce in Past 2 Years by Employment Size, mid 1993**



RLFS 3  
n = 339

**Table 2: Main and Second Main Measures in Response to Reduce Labour Input, besides Retrenchments and Transfers, All Regions, 1992-93, (percent distribution of measures if had too little work)**

|                    | Main measure | 2 <sup>nd</sup> main measure |
|--------------------|--------------|------------------------------|
| None               | 0.5          | 0.0                          |
| Cut normal hours   | 20.7         | 20.3                         |
| Cut overtime       | 0.8          | 1.6                          |
| Paid leave         | 3.3          | 3.1                          |
| Unpaid leave       | 41.3         | 21.9                         |
| Partial paid leave | 15.7         | 26.6                         |
| Cut wages          | 1.7          | 6.3                          |
| Cut production     | 9.9          | 15.6                         |
| Other              | 1.7          | 4.7                          |

Source: RLFS3 N=121 and 64

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

As for managerial reactions, besides releasing workers the main one had been to put workers on unpaid leave, followed by cuts in normal working hours (Table 2). This suggested a significant change from the pattern of reactions in 1992, when the two main responses had been to cut normal hours and encourage resignations.

Including firms that did not allow a perceived situation of prolonged labour slack to emerge, numerous establishments had also resorted to **internal transfers** specifically to limit redundancies, 49.5% reporting that they had done so (Figure 20).

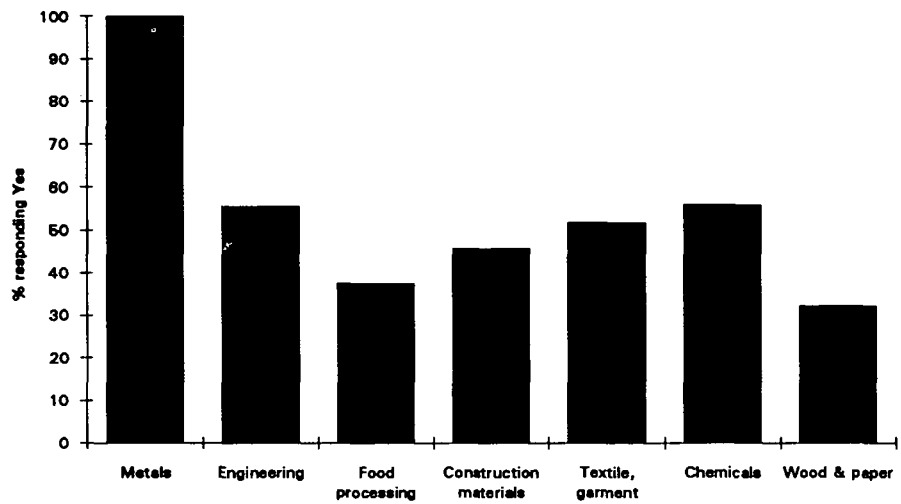
This leads to the most crucial trend. **Employment decline** in 1992-93 continued at a similarly rapid rate as observed in RLFS2 for the period 1991-92 and in RLFS1 for 1990-91. Between mid-1992 and mid-1993, industrial firms cut employment by an average of 8.8%, from 308,969 workers to 281,749, i.e. a cut of 27,220 jobs. This is very close to the rates of decline observed in the first two rounds, so that overall, taking account of changes in the number of enterprises and the addition of the Nizhny Novgorod region, we are referring to something in the region of 25-30% fall in total employment since 1990.

Of interest is the fact that, although employment decline occurred in all four of these major industrial regions, the rate of decline was significantly less in Nizhny Novgorod (Figure 21). Given the distinctive restructuring strategy in that region, this may be a significant finding that deserves to be highlighted.

For those believing that only after privatisation would there be employment cuts and restructuring, it is worth observing that *employment cuts were greatest in state enterprises*, as had been observed in 1991-92. Thus, in 1992-93 employment had been cut by nearly 13% in state enterprises and by a little over 5% in closed and open joint stock enterprises (Figure 22).

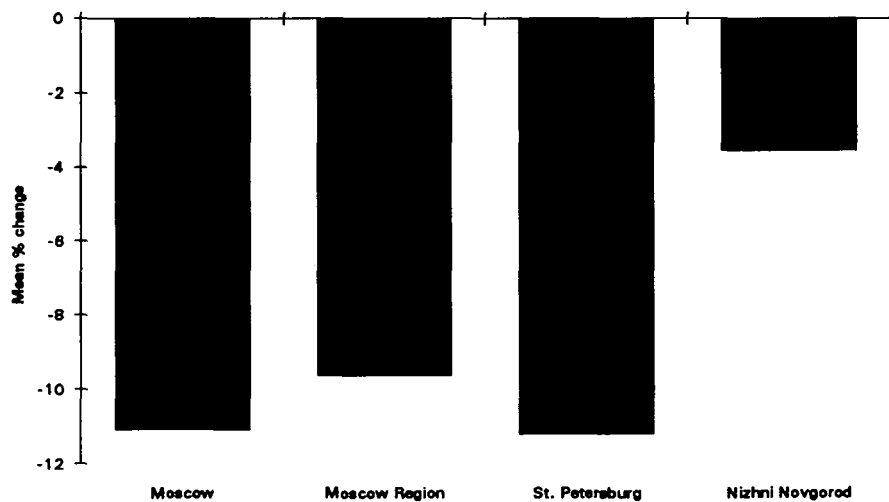
Employment fell by more in establishments where sales had declined in the previous two years (9.8%), but it had also fallen substantially in those that had experienced rising sales (7.1%). In the longer-term, the latter **may** be encouraging since it **may** imply that labour productivity was rising. In the short-term, it is not promising for direct employment generation, although in the long-run it is required desperately.

**Figure 20. Percent of Firms Making Internal Transfers to Avoid Redundancies, by Industry, mid 1993, All Regions**



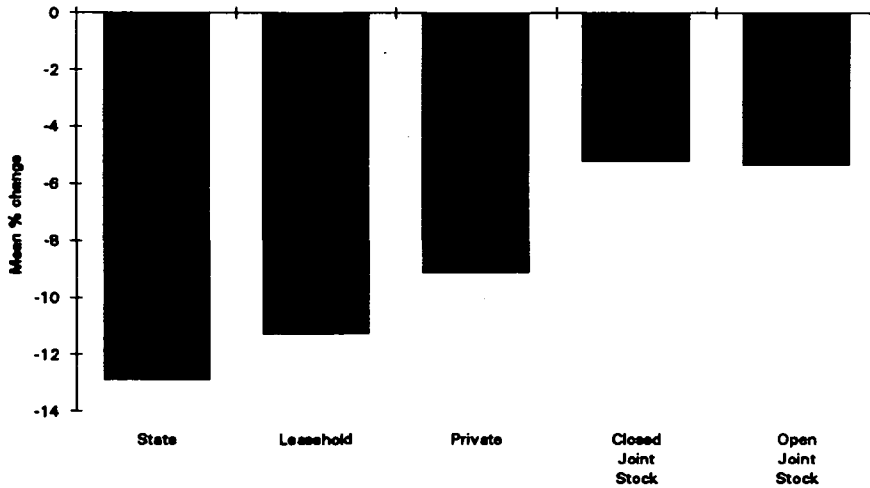
RLFS 3  
n = 331

**Figure 21. Percent Employment Change, by Region, mid 1993**



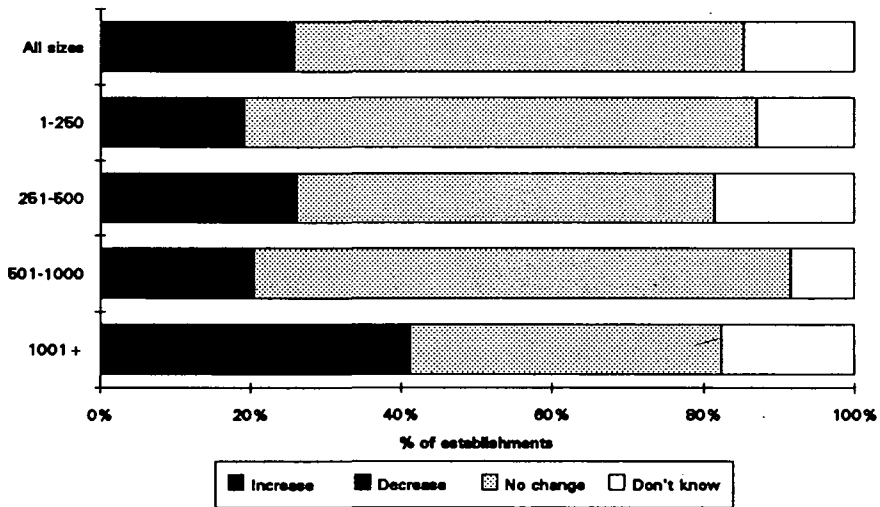
RLFS 3  
n = 337

**Figure 22. Percent Employment Change, by Property Form, mid 1993**



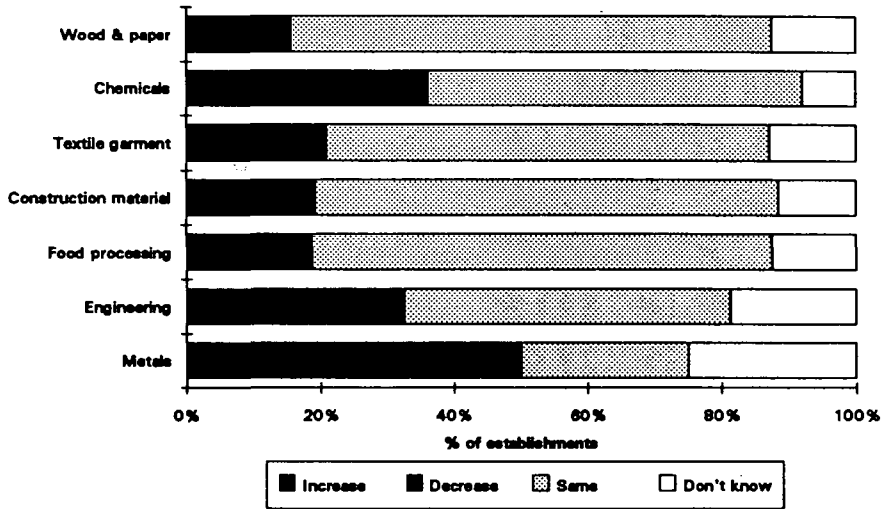
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**Figure 23. Expected Employment Change, by Employment Size, mid 1993**



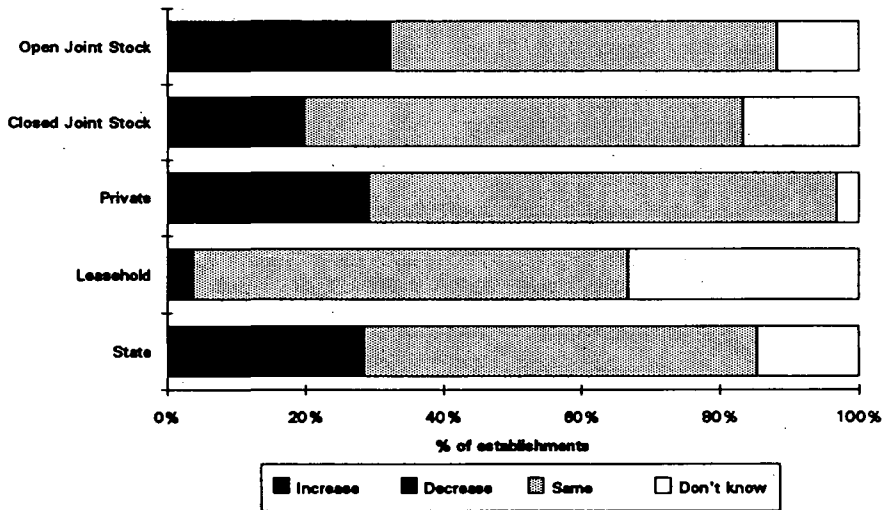
RLFS 3  
n = 337

**Figure 24. Expected Employment Change, by Industry, mid 1993**



RLFS 3  
n = 334

**Figure 25. Expected Employment Change, by Property Form, mid 1993**



RLFS 3  
n = 333

Preliminary regression analysis suggested that, controlling for whether the establishment had divested part of the productive capacity over the past year, employment fell less in wood products, food processing and construction materials than in other sectors, controlling for the influence of employment structure, region, sales change and property form. Those that had high shares of manual workers cut more jobs. And the regression suggests that, taking account of other factors, the region of location made no difference to employment change.

State enterprises cut employment by more than closed joint stock or open joint stock firms, even controlling for other characteristics, and firms that were large-scale in employment terms in 1992 actually cut employment proportionately less than others. It is also worth noting that, controlling for other factors, the extent of employment cuts did not seem to depend on whether managements owed their appointments to election by the work collective. This is important, in the context of claims that such "industrial democracy" would prevent employment decline. That finding may be due to the fact that most employment decline had come from labour turnover in which no replacements were hired.

What is clear is that employment decline had been considerable. Looking forward was not much more encouraging. Nearly 18% of all firms expected to cut employment in the next year and only 8% expected it to grow. Most worrying — albeit expected — was that 35% of large-scale establishments foresaw employment cuts in the near future (Figure 23). It should be recalled that in the Russian industrial context, large firms still account for a very large share of total employment, and the figures on expected employment change are unweighted for size of establishment. Most pessimistic sectors were metals, chemicals and engineering, i.e., the traditional core of the Russian economy (Figure 24).

As for property form, state enterprises were just as likely as others to be expecting to make employment cuts (Figure 25). However, among state enterprises expecting to change property form in the near future 23% expected the change to lead to employment cuts whereas only 9.5% expected it to raise employment. All large-scale firms with over 1,000 workers planning and ownership change foresaw employment cuts as a result of an ownership change. About a third of those expecting the change to result in a loss of jobs thought the prospective cut would be more than 10% of total employment. It seemed that firms in Nizhny Novgorod were less concerned about the threat to jobs than those elsewhere (Figure 26).

As in RLFS1 and RLFS2, those firms that had cut employment in the past year were also slightly more likely to expect to have to cut jobs in the near future. It should be noted that the previous two rounds of the RLFS indicated that there has been a strong tendency for managements to be overly optimistic about future employment, with many not expecting a cut having subsequently been forced to shed jobs. So, the figures on expected employment decline should be taken as an underestimate.

## 6. Unpaid Leave — Disguised Unemployment

One means by which managements have responded to the economic slump is by putting workers on administrative leave, usually without pay. In the Russian labour market context, it is rational for an employer to take that action rather than to release the worker, who would then be entitled to two or three months of severance pay. For the worker, and for the trade union, it would be rational to remain in the status of unpaid leave rather than become unemployed because there would remain the hope of returning to a job and the worker would retain access to social benefits and facilities offered by the comprehensive institution that many industrial enterprises represent.<sup>6</sup>

According to responses in RLFS3, in mid-1993 there was a notable amount of unpaid and partially paid administrative leave, excluding formally designated holidays. Conceptually, it is difficult to distinguish prolonged holidays from "unpaid leave". We explicitly exclude fully paid leave, because of the statistical haziness of the concept of leave as a measure of labour slack. What is left is a measure that could be defended as a proxy for "lay-off unemployment". It is a measure that is likely to result in a considerable underestimate of the full extent of unemployed workers still nominally attached to their former enterprise of employment.

In total, 5.1% of all workers were in lay-off unemployment, which if translated across the Russian labour market would represent **three times the level of official unemployment**. As unpaid leave was greatest in large-scale establishments, the extent was underestimated by simple averages (Figure 27).

The lay-off rate varied from a very low 1.9% in food processing to 11.6% in the basic metals sector (Figure 28). Since 1992, the extent had increased for all sectors, with the exception of the small basic metals sector. Lay-offs were substantial in all property forms of establishment (Figure 29), but was clearly much higher in St. Petersburg than elsewhere, as well as rare in Nizhny Novgorod (Figure 30).

Besides lay-offs, it turns out that actual working hours were only 35.8 per week and 36.7 for workers, less than the "normal" time that was recognised administratively as *short-time working* accounted for 1.1 hours per week per employee and per worker, although if one took a 40 hour workweek as a norm, it should have been 4.2 hours for employees and 3.3 hours for workers, or 10.5% of standard working hours for employees and 8.2% for workers. Administrative short-time working was greatest in St. Petersburg and lowest in Nizhny Novgorod.

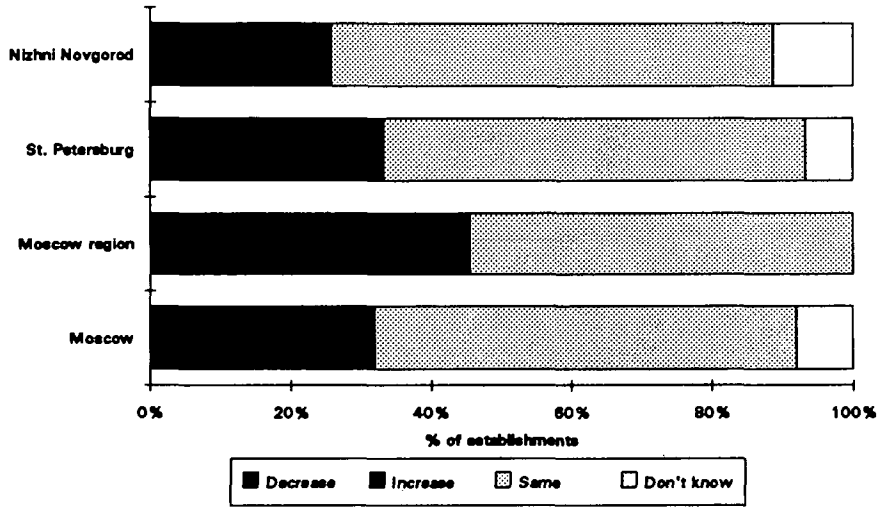
When account is taken of the employment cuts, the resort to shorter working time and the perception of labour surplus represented by the view that employment could be cut without reducing output, one can see the real depth of labour displacement taking place in Russian industry, and dismiss the view that little or no change in employment has taken place.

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<sup>6</sup> In addition, in 1993 a regulation introduced by the Ministry of Labour effectively subsidised workers on administrative leave, reducing the cost to enterprises and providing a minimum wage income for some of those on such leave.

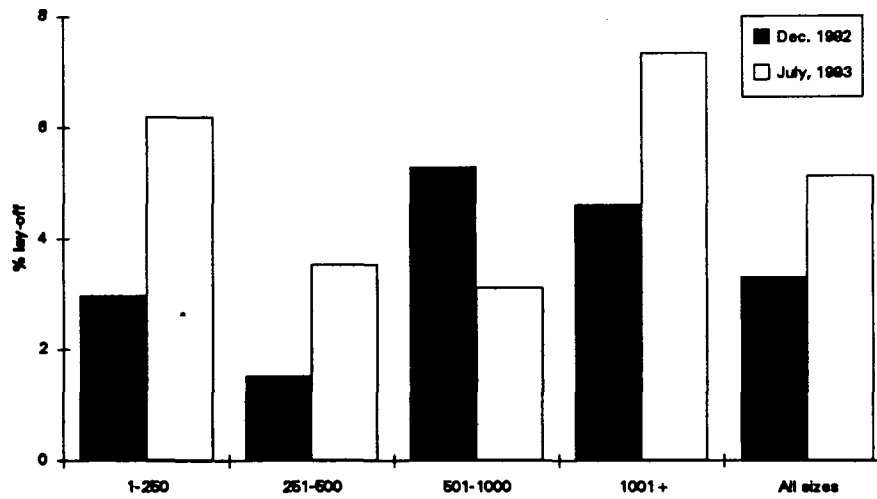


**Figure 26. % of Firms Expected Employment Effect of Planned Ownership Change, by Region, mid 1993**



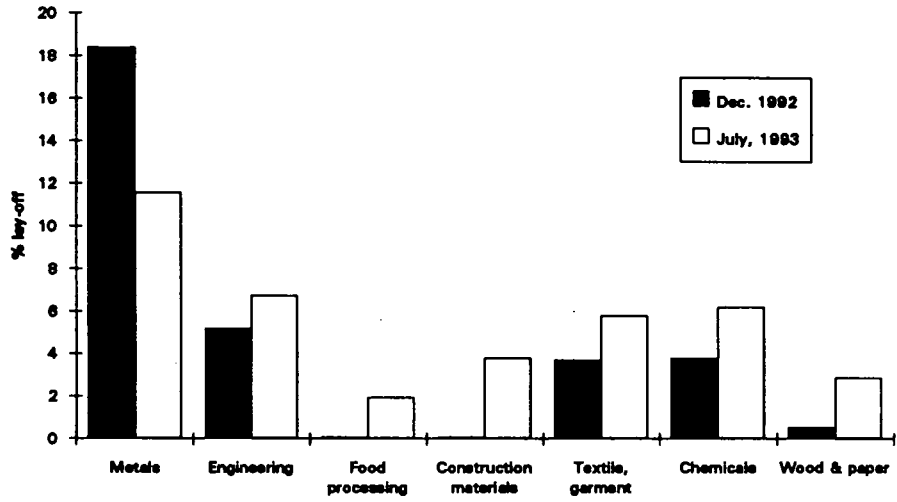
RLFS 3  
n = 340

**Figure 27. % of Lay-offs, by Employment Size, mid 1993**



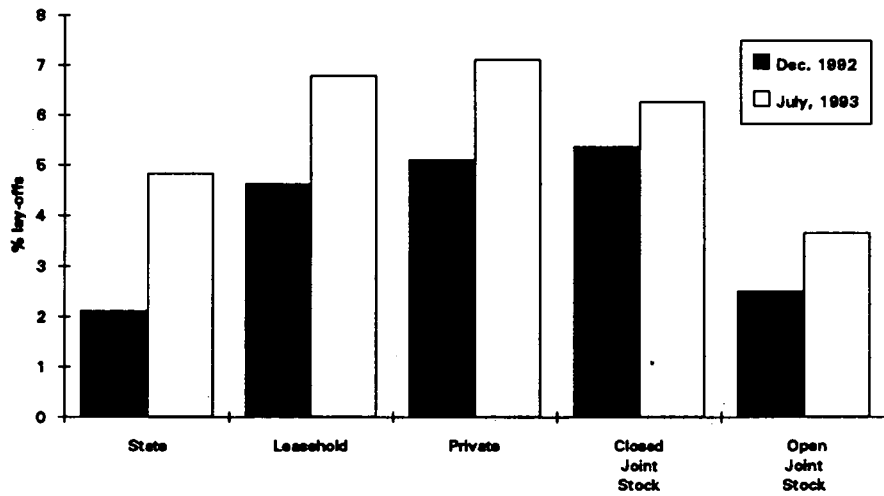
RLFS 3  
n = 334

**Figure 28. % of Lay-offs, by Industry, mid 1993**



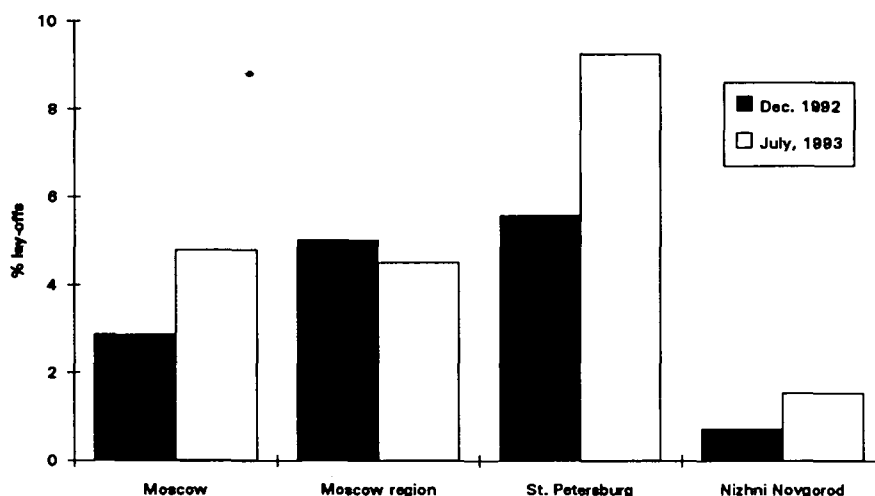
RLFS 3  
n = 340

**Figure 29. % of Lay-offs, by Property Form, mid 1993**



RLFS 3  
n = 340

**Figure 30. % of Lay-offs, by Region, mid 1993**



RLFS 3  
n = 340

## 7. Vacancies and Labour Turnover

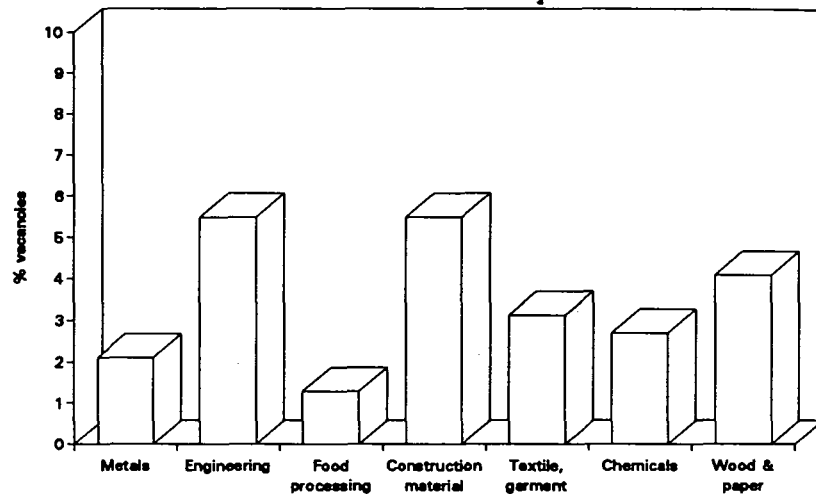
Not surprisingly, the overall vacancy rate was low, 3.8%, ranging from 5.8% in Moscow to a very low 1.1% in Nizhny Novgorod. Vacancy statistics are always hard to interpret. While their number tends to shrink in times of slack demand they are allowed to stay unfilled for longer for the same reason. However, in the RLFS3 those industries in which employment had shrunk most were also those with relatively low vacancy rates (Figure 31). State enterprises had a significantly higher vacancy rate (5.2%) than other types of firm.

As for *labour turnover*, it continued to be remarkably high, reflecting the long tradition of high labour mobility in Russian employment (Figure 32). It was relatively high in St. Petersburg and lowest in Nizhny Novgorod, was over twice as high in small-scale establishments as in those with more than 1,000 workers, and was much higher in state enterprises than in open joint-stock establishments (Figure 33). There was no evidence to support the still popular perception that employment is rigid or very stable in Russian industry.

The key characteristic of the pattern of labour turnover is that most of those leaving had done so without being formally released, most having "resigned". It would be a misinterpretation to infer that this meant that most left "voluntarily", since there are all sorts of ways by which workers are induced to leave, without that being a purely voluntary action — workers not paid their wages (widely reported in 1993) Or put on long-term unpaid leave are likely to be induced to "resign", without involving the enterprise in severance pay or obliging them to resist to "mass releases", which managements in 1993 had a strong interest in concealing because of the juridical regulations.

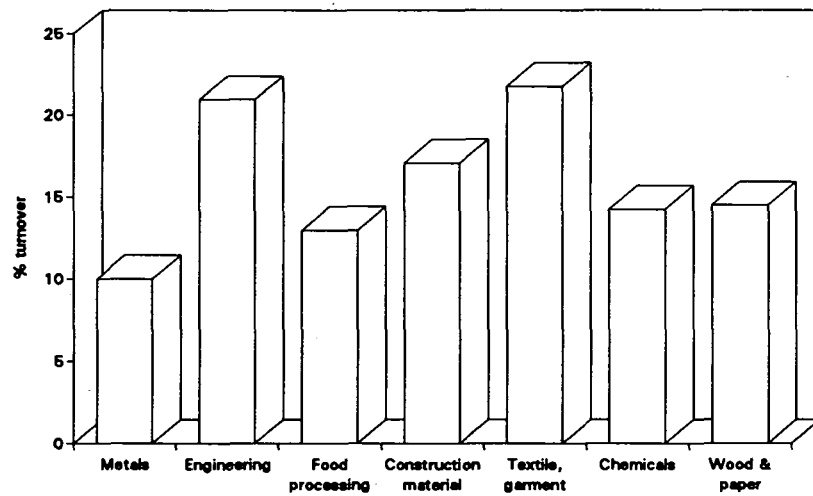
Whatever the explanation, total labour turnover remained high by international standards, and for that reason alone there must be considerable "frictional unemployment", since even on very cautious assumptions about average time between

**Figure 31. % Vacancies, by Industry, mid 1993**



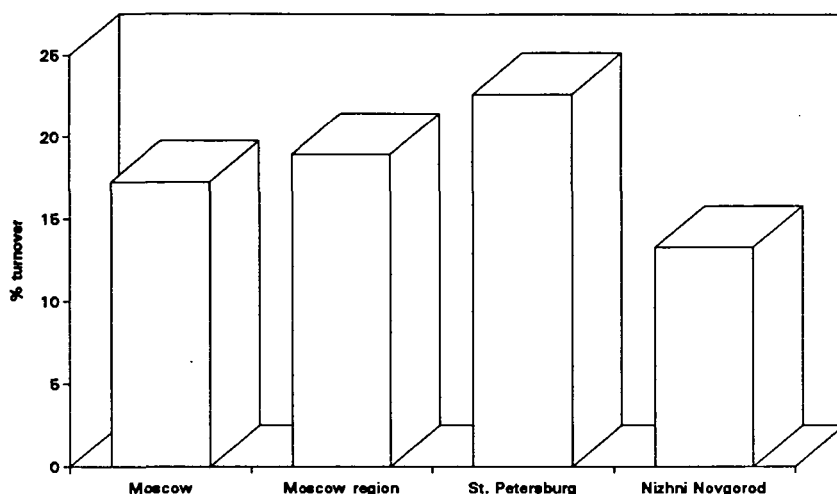
RLFS 3  
n = 340

**Figure 32. % Labour Turnover, by Industry, mid 1993**



RLFS 3  
n = 340

**Figure 33. % Labour Turnover, by Region, mid 1993**



RLFS 3  
n = 340

jobs a 16% turnover rate would itself imply a level of unemployment considerable greater than the level of total official unemployment.

## **8. Occupational Restructuring**

Russian industry traditionally employed a disproportionately large number of manual workers — best described as "semi-skilled" — and a disproportionately large number of so-called "specialist" employees. This pattern was analysed in some depth with data from RLFS1.<sup>7</sup> For the development of appropriate training, labour market and employment policies, it is important to identify the occupational restructuring taking place, if any.

The RLFS2 showed a small shift from manual "worker" (blue-collar) employment to "employee" (white-collar) employment in 1991-92. Overall, this continued in 1993, with blue-collar employment declining by 9.7%, and the share of "unskilled" and "semi-skilled" manual workers declining by 0.43%. The manual worker share actually declined in state and lease holding enterprises, and not in "privatised" firms, which was surprising. The three sectors where it declined were wood and paper products, chemicals and food processing. It declined much more in small and medium-sized firms, suggesting that restructuring through demonopolisation could do more to stimulate an upgrading of the workforce profile than privatisation per se.

## **9. The Impact of Restructuring on Women Workers**

The implications of the industrial and employment restructuring for different groups could be expected to vary considerably, and many observers have been particularly concerned about the impact on women. It was shown in the analyses of RLFS1 and

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<sup>7</sup> G.Standing, "Occupational Restructuring in Russian Industry", Paper No.3, presented at Conferences on Employment Restructuring in Russian Industry, Moscow and St. Petersburg, October 21-29, 1992.

RLFS2 data that in the first phase of employment restructuring women's share of employment *increased*, mainly because of their lower level of labour turnover and the occupational structure of women's employment.<sup>8</sup>

Following the approach used to analyse the situation in 1991 and 1992, we can consider the changing position of women workers in terms of nine forms of potential disadvantage.

Women comprised 53.2% of total employment in 1993, which for the firms covered by RLFS3 was about the same as in 1992. Women's share of industrial employment on average fell in Moscow Region and St. Petersburg, and rose in Moscow and Nizhny Novgorod.

*(i) Disadvantaged by Industrial Restructuring*

Women's share of employment could decline or rise because of the industrial pattern of employment decline. In fact, sectors that were declining relatively rapidly had very small declines in the share of women (metals, engineering and chemicals, as well as wood products), whereas their share had increased in food processing, construction materials and textiles and garments production. So, there was no reason for believing that the industrial pattern of labour shedding in itself was leading to greater labour market disadvantage for women.

*(ii) Disadvantaged by Employment Restructuring*

Women could also be adversely affected by the firm-size pattern of employment cuts. In fact, while their decline was overall no different from that of men, female employment declined more in large-scale firms, implying that the relatively sharp employment decline in such firms in itself was adversely affecting women workers. The female share declined in firms that expanded total employment, and it also fell in firms that cut employment by more than 20%; their share rose in the remainder. So, since large firms are likely to shed most jobs in the near future and because there is likely to be large cuts in employment, which would involve releases rather than merely normal labour turnover (in which men seem to predominate) the pattern of employment change may threaten women's employment share more than it has done so far.

*(iii) Disadvantaged by Property Restructuring*

It seems that in newly privatised firms the female share of employment declined slightly in 1992-93, whereas it rose in state enterprises. Whether there is anything more than coincidence to that is a matter for speculation. However, there is no evidence that privatisation per se will erode women's position in industrial employment, since women's actual share of employment was higher in non-state enterprises than in the state sector.

*(iv) Disadvantaged by Discrimination in Recruitment*

As for direct discrimination in recruitment, for *workers* 24.3% of managements said they preferred men, 10.1% women, and 65.7% said they were indifferent. These results were very similar to those found for 1992 in RLFS2. For *employees*, 8.6% said they preferred

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<sup>8</sup> G.Standing, "Implications for Women of Restructuring Russian Industry", World Development, Feb. 1994.

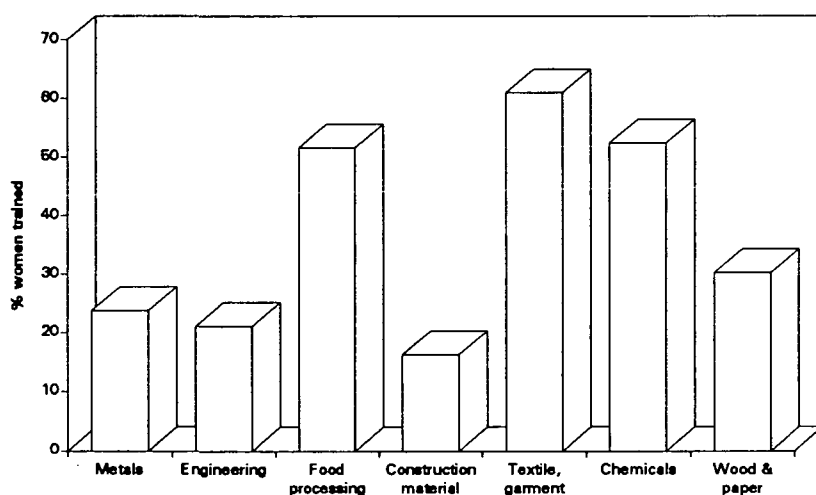
men, 7.4% women, so implying that — at least overtly — for all establishments combined there was little or no discrimination. Underlying that, there were enormous differences between industries, corresponding to the pattern of industrial segregation discussed below.

*(v) Disadvantaged by Training Practices*

For women to retain an equal share of employment in the course of restructuring, it is crucial they have access to training and retraining opportunities. This is a complex issue, since although there might be discrimination against women in the allocation of training, that might be counteracted by greater provision of training opportunities in factories in which women have large shares of employment.

Overall, women's share of training was a disappointing 36.3%, down from 42% observed in RLFS2 for 1992.<sup>9</sup> The 1993 level varied from 61% in textiles and garments and 52.3% in chemicals to 16.2% in construction materials and 21.1% in engineering (Figure 34). There was also a slight tendency for managements to say that in the provision of training they gave a preference to men.

**Figure 34. Female Share of All Those Trained, by Industry, June 1992-June 1993, mid 1993**



RLFS 3  
n = 292

However, only 8.6% said that compared with 3.3% stating that they gave a preference to women, implying that nine out of every ten had a non-discriminatory training policy, in principle. Moreover, there was a tendency for women's share of training to be higher in larger establishments, as was observed in 1992 in RLFS2, and the female share of employment was higher in firms that provided training than in those that did not. (Table 3) They also had a higher share in establishments that had expanded training generally in the past 12 months (40.5%) than in those where training had been cut (34.7%). So, the apparent disadvantage faced by women in the provision of training was not being worsened conspicuously by the restructuring process itself.

<sup>9</sup>Direct comparisons should be treated with caution. Analysis based on matched samples, with the same firms over two or three rounds of the survey, will give a fairer idea of trends.

**Table 3: Female Share of Employment, by Provision of Training, All Regions, 1993 (% female share of employment)**

|                     | Initial Training |      | Retraining |      | Upgrading |      |
|---------------------|------------------|------|------------|------|-----------|------|
|                     | Yes              | No   | Yes        | No   | Yes       | No   |
| % Female Employment | 54.0             | 49.3 | 53.9       | 52.2 | 53.3      | 52.5 |

Source: RLFS3 N=340

Note: "Initial training" refers to whether or not new workers were provided with training; "retraining" refers to subsequent provision of retraining for work performance; "upgrading" refers to retraining for promotion.

*(vi) Disadvantaged by Labour Surplus Conditions*

Women could be adversely affected by the incidence of labour surplus and labour shedding or by direct discrimination in dismissals. The fact that their share of total employment has continued to be over 50% suggests the view that there was little direct discrimination. Although they could be adversely affected by the pattern of restructuring, there is little evidence of that either. Thus, women's share of employment was *lower* in firms that reported having labour surplus, and well over 50% in those that did not, although on one measure (too little work for a period lasting two weeks or more), they were over-represented in firms reporting that difficulty. They were also less likely than men to be in enterprises reporting that they foresaw a strong chance of bankruptcy in the near future.

*(vii) Disadvantaged by Industrial Segregation*

Women might be adversely affected by being increasingly concentrated in a few industrial sectors. A trend in that direction was observed in RLFS1 and RLFS2, and there was evidence that this continued in 1993, with the female share growing in the highly "feminised" sector of garments and textiles, and declining most in wood products and basic metals. The process was not very strong, yet experience in market-oriented economies suggests that unless the trend towards sectoral concentration is addressed, women will be "crowded" into a narrow range of sectors, which would lead to a decline in their relative wages and benefits.

*(viii) Disadvantaged by Occupational Segregation*

If women lose higher-income, higher-status jobs more than others, then they would be disadvantaged by occupational restructuring. In 1991-92, there had been some suggestion that this was happening, resulting in a slip in their occupational profile. In 1992-93, according to an examination of their shifting share of the various occupational groups, there was no apparent trend except for a slight decline in the share of technicians, offset by a slightly expanded share of professional and technical employees and supervisory grades. Perhaps within the rather wide bands of occupational categories, women might have been disadvantaged, but there was little evidence of growing occupational segregation (Table 4).



**Table 4. Women's Share of Occupational Categories, All Regions, 1992-1993, (% of group consisting of women)**

|                            | 1992 | 1993 |
|----------------------------|------|------|
| Managerial                 | 47.6 | 47.4 |
| Specialist Employees       | 78.3 | 79.0 |
| General Service Employees  | 95.6 | 94.3 |
| Supervisory Workers        | 49.5 | 50.1 |
| Technicians                | 71.4 | 68.3 |
| General Service Workers    | 94.2 | 93.6 |
| Qualified Manual Workers   | 47.4 | 47.1 |
| Unqualified Manual Workers | 60.1 | 60.6 |

Source: RLFS3 N=340

*(ix) Disadvantaged by Income*

Given the way employment restructuring has proceeded so far, the main way by which women could become more disadvantaged is if their relative earnings declined. As of mid-1993, managements estimated that on average among employees women were earning 89.7% of men's earnings, and among workers they were earning approximately 91.7% of men's income. This represented a deterioration of 4.7 percentage points among employees and 2.5 percentage points among workers. For employees and workers, women's relative position deteriorated most in construction materials and engineering, while it improved in textiles and garments; for workers, their position worsened most in Moscow and scarcely changed in Nizhny Novgorod.

This tendency should be monitored carefully by those concerned with protecting women's position in the labour market.

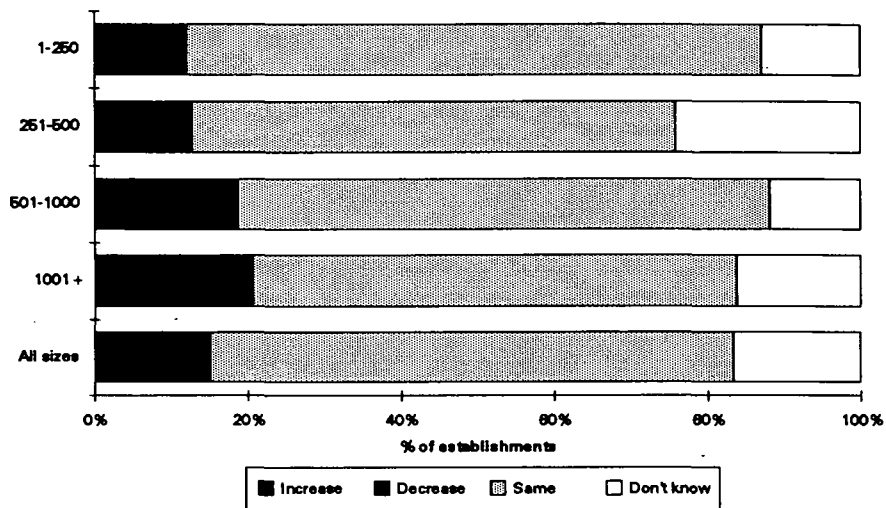
Finally, more firms expected the women's share of total employment to decline than to increase (10.7% compared to 4.4%, with 68.3% expecting no change and 16.6% being unsure), and expectations of a decline were much higher in large-scale establishments (Figure 35), and in the "heavy" industries of basic metals, engineering and chemicals.

*In sum*, although women's relative earnings had apparently suffered and although managerial expectations were not encouraging, women's position in the industrial labour market had weakened only marginally, and it would certainly be an exaggeration to describe the situation as one of actual or imminent marginalisation.

**10. Impact of Restructuring on Older Workers**

On average, workers over the age of 59 for men and 54 for women — so-called "pension-age workers" — represented 13% of all industrial employment. The figure in 1992 in the RLFS2 was nearly 14%, but one cannot draw any inferences from that since the sample differed; a subsequent paper will match the data from the two rounds. What had been striking in RLFS2 was that the share of older workers had *risen* in 1991-92,

**Figure 35. Expected Change in Share of Women, by Industry, Sept. 1991-June 1993, mid 1993**



RLFS 3  
n = 338

for reasons mentioned in the analysis.<sup>10</sup> This persisted in 1992-93, albeit by a very small amount.

In 1992-93, while overall employment was falling, employment of older workers declined faster in privatised and private firms than in state enterprises, in larger enterprises and in those where total employment had declined by a relatively large amount. But because worker recruitment had effectively been brought to a halt, the *older-worker share of employment rose in state and large-scale establishments and rose where total employment was shrinking most sharply* (Figure 36).<sup>11</sup>

As of mid-1993, the older worker share itself was relatively higher in the "heavy" industries with managements estimating that those aged over 54 represented nearly 20% on average in basic metals, engineering and chemicals, compared with less than 15% in other sectors. The share tended to be higher in state enterprises than in closed or open joint stock enterprises, in firms that had cut employment the most and in Moscow establishments.<sup>12</sup>

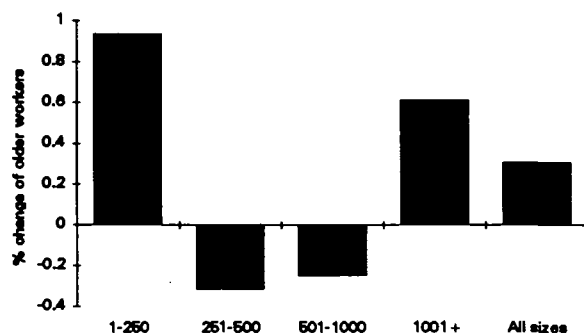
Many more firms stated that they expected the older worker share of employment to decline (23.3%) than to increase (4.2%). Declines in their shares were expected more among large-scale enterprise, and in the sectors where their share was relatively high in

<sup>10</sup> G.Standing, Labour Market Dynamics in Russian Industry in 1992 (Budapest, ILO-CEET, Oct.1992).

<sup>11</sup> Incidentally, the very small student share of total employment declined in 1992-93, from 1% to 0.7%, or by almost the same rate as the older worker share increased, which is not necessarily linked, although it is likely to reflect the fact that Russian industrial restructuring is still in what we have called the first or second phase of employment decline, when cuts occur mainly through a drying up of vacancies coupled with high labour turn over.

<sup>12</sup>The share was lowest in Nizhny Novgorod (9.2%) and highest in Moscow (17.3%), with the level having risen in Moscow but not in either Nizhny or St. Petersburg.

**Figure 36. % Change of Older Workers,  
by Employment Size, Sept. 1991-June 1993**



RLFS 3  
n = 337

1993, notably the heavy industries. The stated intention to cut their share was higher in state than in non-state enterprises.

Whatever the pattern of managerial expectations, one anticipates that once the second and third phases of employment decline predominate in Russian industry, when "mass releases" come to predominate over a combination of falling vacancies and high labour turnover, older workers will be hard hit. It is a remarkable fact that they have retained as large a share of jobs as they have.

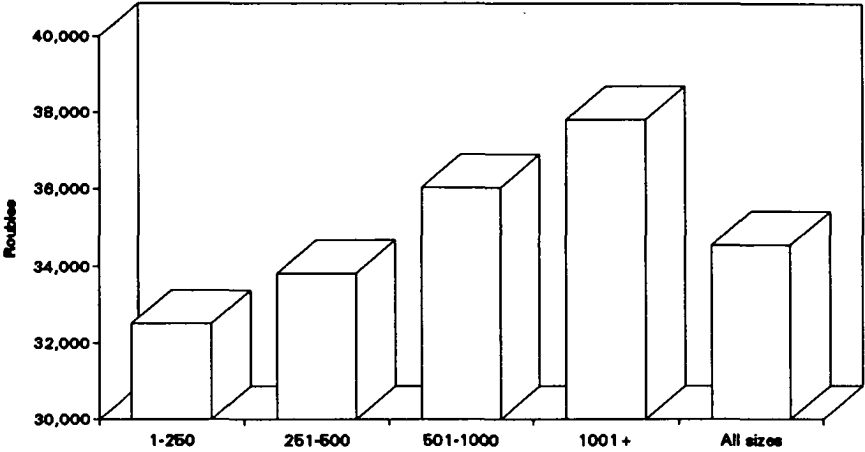
## 11. Changes in Wages, Earnings and Benefits

One extremely important aspect of restructuring of Russian industry is the set of changes in wages and the payment system. For many decades, money wages were extremely low, and the ratio of non-wage to wage forms of remuneration were high by international standards. Wage differentials were also distorted, rather than absent, which is what some analysts have claimed. In general, the payment system was inappropriate in terms of incentives, productivity promotion and labour mobility.

The most striking change, of course, has been the rise in money wages. According to the RLFS2, the average monthly wage in mid-1992 was 3,496 roubles, which was 681% of the average in September 1991, the reference point for RLFS1. In mid-1993, according to RLFS3, the *average monthly wage was 34,567 roubles*, an increase of 989%.

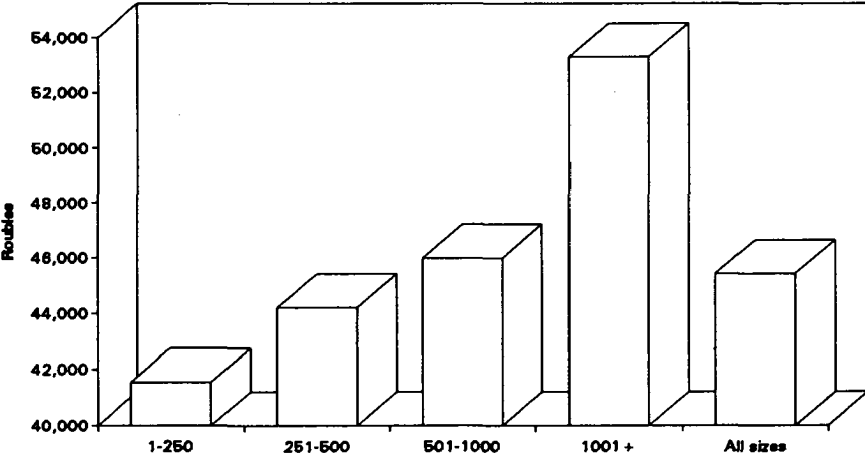
A difficulty in interpretation is that wages were calculated by enterprise accounts departments by reference to the "wage fund" allocated for the enterprise, which may not be fully distributed to the establishment management, or may be paid to it very late. During 1993 there were many reports of these outcomes, sometimes resulting in workers receiving only a small fraction of the earnings due to them. It is likely that the figures from RLFS3 are over-estimates of the actual wages paid. In the planned RLFS4 to be conducted in mid-1994, a proper correction will be introduced into the questionnaires.

**Figure 37. Average Wage, by Employment Size, mid 1993**



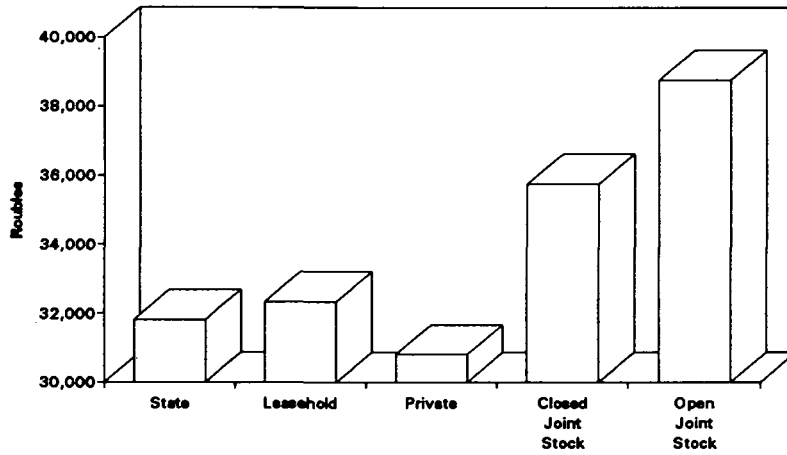
RLFS 3  
n = 340

**Figure 37. Average Earnings, by Employment Size, mid 1993**



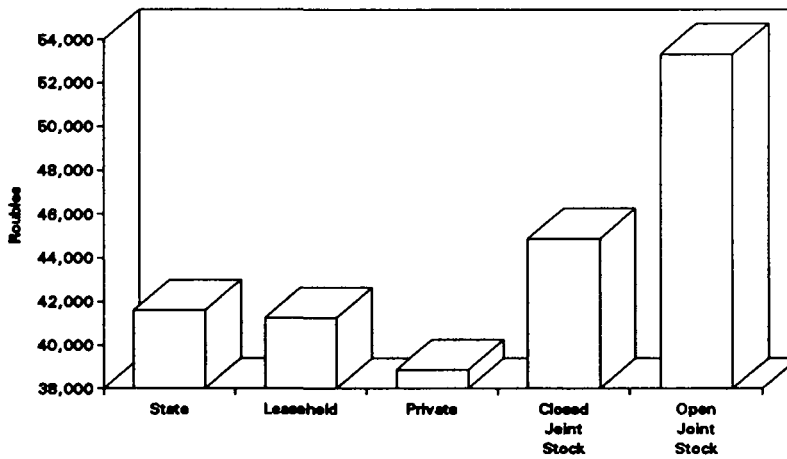
RLFS 3  
n = 340

**Figure 39. Average Wage , by Property Form, mid 1993**



RLFS 3  
n = 339

**Figure 40. Average Earnings, by Property Form, mid 1993**



RLFS 3  
n = 339

So, we can only provide a glimpse at the process from RLFS3. Average wages and earnings were positively related to size of establishment (Figures 37 and 38). They were also considerably higher in closed and open joint stock enterprises than in state enterprises (Figures 39 and 40).

In 1992 and 1993, there clearly was a widely shared difficulty in paying wages, since nearly 47% of all establishments reported having had that difficulty — 39.2% in Moscow, 49% in Nizhny Novgorod, 50% in Moscow Region, 51% in St. Petersburg. It varied from 61% in the engineering sector to 20% in food processing, the latter being very well placed compared with all the others. State enterprises reported having had difficulties much more than other enterprises.\*\*

Asked how they had tried to pay higher money wages, other than by raising prices, which was overwhelmingly the main response, 61.8% of managements stated that they had taken no other action, except to raise prices. This is an important point, since it reflected monopolistic behaviour preventing price liberalisation leading to a dampening of inflationary pressures in a context of deepening recession. By contrast with the majority response, nearly 11% said that rising money wages had induced them to try to expand production, 13.8% claimed that they had set out to raise labour productivity and 3.8% had resorted to bank loans.

Clearly, raising prices was the main response, which is disappointing evidence of managerial passivity. There is some evidence that non-state firms were more responsive, with more closed joint stock enterprises having taken some action than merely raising prices, notably by trying to boost production.

Although the issue of the growing wage differentials will be examined in a later paper, it is worth mentioning that questions were asked about the minimum earnings of employees and workers in mid-1992 and mid-1993, as well as questions about average earnings. The basic finding is that overall the lowest fell relative to the average, which is what one might expect in a deteriorating labour market. The lowest minimum earnings were in large-scale firms, in both years, and in basic metals and engineering plants, as well as in state and closed joint stock enterprises. The crucial point is that lower-income workers were being left behind in the growth of money wages.

One other important issue is the continuing role of the *statutory minimum wage*, which was allowed to fall in real terms during 1992-93 and which was, in effect, used to try to control social expenditure and inflation, since not only were certain social benefits, including unemployment benefits, tied to the level of the minimum wage but it set the base for the wage tariff structure.

Given the extraordinary decline in the value of the minimum wage in 1992-93 — to less than one-quarter of the officially defined "physiological subsistence income" — it is notable that it was perceived by many managements as having had a wage-depressing effect, even though in the economy generally the minimum wage had fallen sharply relative to the average wage, to about 28% of the average.

Thus, 64% of managements regarded changes in the minimum wage as having an effect on average wages in the establishment, with more firms reporting that outcome in the metal industries, chemicals and wood and paper products, in state and leaseholder enterprises and in large-scale establishments.

Indicative perhaps of the continuing presence of a unified wage tariff structure, a majority of firms (61%) reported that changes in the minimum wage had no effect on wage differentials. Most of the remainder felt that changes, or the inadequate changes, had resulted in a widening of differentials, and only 8% believed that changes in the minimum wage had narrowed differentials. Quite simply, the "anchor" to the wage structure was slipping.

There is tentative evidence of growing wage *flexibility*, although it could reflect the effect of rapid inflation leading to an erosion of the controlling influence of minimum wage mechanisms, wage tariff agreements and the like. Whatever the reason, it is notable that the "bonus" share of worker earnings rose from 39.4% in mid-1992 to 43.5% in mid-1993. This is a rough estimate, yet the measured change is substantial enough to be significant. The share increased in all types of property form except for the already private sector, where it was already high. The closed joint stock enterprises paid the largest share in bonus form (46.5%), testifying to the potential flexibility of this form of enterprise.

**Table 5: Percent of Establishments Responding Yes for Providing Benefits, All regions, mid 1993**

|  | Managers | Full time workers | Part time workers |
|--|----------|-------------------|-------------------|
| paid vacation                                    | 100      | 100               | 39.7              |
| additional vacation                              | 48.8     | 69.7              | 10.3              |
| rest houses                                      | 67.1     | 67.1              | 10.3              |
| illness benefit                                  | 99.1     | 99.1              | 65.5              |
| paid health services                             | 49.4     | 50                | 18.8              |
| subsidies for house payment                      | 13.2     | 15                | 2.9               |
| subsidies for kinder gardens                     | 48.2     | 49.1              | 12.1              |
| bonuses  | 84.7     | 84.4              | 44.1              |
| profit sharing                                   | 0.3      | 0.3               | 0.3               |
| money assistance                                 | 92.1     | 92.1              | 24.7              |
| retiring assistance                              | 76.2     | 76.5              | 12.4              |
| addition to pension                              | 9.4      | 9.7               | 1.2               |
| possibility for training                         | 75.3     | 77.9              | 20                |
| benefit prices for food                          | 34.4     | 34.7              | 23.2              |
| subsidise for canteen or benefit for nourishment | 61.5     | 62.6              | 40.9              |
| benefit prizes for consumer goods                | 21.2     | 21.2              | 14.4              |
| transport subsidies                              | 34.1     | 34.4              | 0.3               |

Source: RLFS3 N=340

A feature highlighted in analyses of the first two rounds of the RLFS was the high ratio of non-wage to wage payments, and the tendency for that ratio to increase, partly due to the "tax-based incomes policy". In the third round, social benefits were extensive in most enterprises — paid vacation, access to "rest houses" (except for workers in small-scale firms and for those without regular employment contracts), sickness benefits, free or low-cost health services and numerous forms of subsidy (Table 5). Only the emerging category of non-regular workers lacked a broad range of such benefits, which highlights a feature of the economic restructuring — the emergence of segmented labour markets and unequal access to social protection. Those inside firms in secure employment have had access to a wide range of benefits and entitlements, those on the edge have much less and those outside have had few if any such benefits at a time when their cost and the need of them have risen enormously.

In an attempt to identify changes in enterprise provision of social benefits, the RLFS3 probed on what benefits if any had been *discontinued* in 1992-93 and what had been *added*. Perhaps paradoxically, one-third of establishments had added new benefits, whereas less than a quarter had dropped some benefit. The main new benefit was transport allowances for workers (8.3% of firms that added a benefit saying that was the main one) followed by food subsidies (7.7%). Among other benefits added were supplementary pensions, bonuses for unpaid leave and additional sickness pay. The childcare facilities that were suspended in 4.4% of establishments.

A strong *recommendation* for future restructuring is that policy should seek to induce a transfer of benefit provision from specific enterprises to local community authorities, so that access and entitlement could be more equitably shared.

The above are merely some of the preliminary conclusions from analysis of the data on wages and benefits. A forthcoming paper will examine the complex pattern of wages, earnings and benefits in more detail. It is sufficient to note that, controlling for other factors, average wages were relatively high in large scale firms, in food processing and in firms in Moscow. Essentially, however, the main story is that there has been some flexibility introduced into the payment systems, that wage differentials between sectors and between occupational groups have widened and that the ratio of benefits to money wages remained high.

## 12. Training and Labour Efficiency

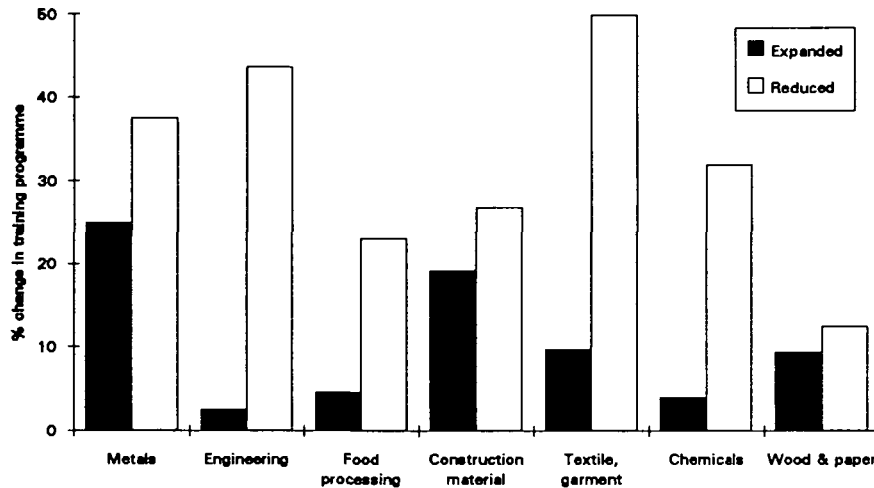
For labour market restructuring, labour mobility must involve considerable training and retraining. Traditionally, most industrial training in Russia has been conducted by or for industrial enterprises, so their practices are crucial. However, the picture of training is hard to portray, because of a suspicion that — as in many countries — training covers a multitude of practices, some of which scarcely deserve the name.

Bearing that in mind, we divided training into three levels — entry-level *training*, *retraining* for job improvement or to move workers between comparable ranges of tasks and *upgrading* training.

Most firms (82.5%) provided some training for newly hired workers. A majority (61.4%) also reported that they provided some retraining to move workers between jobs



**Figure 41. % Change in Training Programme, by Industry, mid 1993**



RLFS 3  
n = 340

of comparable status and skill. And 81.7% reported that they provided retraining for upgrading.

However, most of the training was informal on the job, and there seemed to be relatively few workers being trained at the time of the survey. yet it was the trend that was the most worrying issue. Over a third of the firms (35.6%) admitted that they had cut training in the past year, while only 6.8% had expanded it. The pattern varied widely by industry, although in all sectors it had declined in net terms (Figure 41). It was particularly severely cut in plants that had experienced declining sales and capacity utilisation, precisely in those establishments where labour mobility and skill formation were most needed for labour market mobility.

In short, training was thinly provided and was being cut back at a time when more and better training was needed.

### 13. Concluding Remarks

This report is a preliminary review of some of the findings from the third round of the RLFS. It will be followed by more detailed reports on key aspects, including employment restructuring, wage and benefit changes, the impact of property restructuring, the impact of technological change and the issues of labour productivity and efficiency.

Russian industry is in the throes of major upheavals, and it would be a mistake to believe that few changes have taken place in the first few years of reform. However, it was surely a profound mistake of the reform process to fail to develop an effective micro-economic *strategy* for restructuring state enterprises and the labour and employment practices and structures in them at the outset of radical reform in early 1992. This

should be given very high priority in the reforms of 1994. Personnel and related management restructuring is the best place to start.

Repeatedly, we have stressed — notably in a series of conferences in Moscow and St. Petersburg since October 1990 — that for economic reform to succeed it was crucial to give high priority to enterprise restructuring of employment and labour practices, including the wages' system, managerial responsibilities, industrial relations, training, work organisation and benefit provision. Price liberalisation without demonopolisation at the same time or a feasible strategy for making labour practices more dynamic was bound to create hyper-inflationary pressures and to political-institutional pressures on the state by unrestructured managements. At the time of the RLFS1, at the end of 1991 and in early 1992, managements were demoralised but also ready for change, without effective resistance.

At that time, incentive systems were needed, which required a reform of the wage system. Work reorganisation, management and other training schemes were needed, along with a concerted attempt to shift enterprises from being comprehensive "social institutions" into commercial concerns. Much time has been lost, yet 1994 is not too late for an acceleration of those reforms. Now, however, a difficulty will be to mobilise the willpower to achieve that, which is ultimately a matter of political "governance".