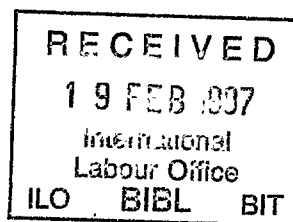


Reviving Dead Souls:

**Russian Unemployment and Enterprise
Restructuring**



by

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Note: *International Labour Organisation, Geneva. Views and conclusions in this paper are not necessarily those of the ILO. The paper is written to coincide with the publication of a book, *Enterprise Restructuring and Russian Unemployment* (Macmillan, 1996), and reports some basic data that will be examined in more detail in a longer version scheduled for presentation at a conference in Moscow. Thanks, with the usual caveat as to responsibility, are due to the Centre for Labour Market Study in Moscow and to László Zsoldos for close collaboration on the RLFS.

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Reviving Dead Souls: Russian Unemployment and Enterprise Restructuring

1. Introduction

This paper is about several aspects of the Russian labour market, and is divided into two parts. The context is one of extraordinary economic, social and political upheaval, in which a large number of economists have been claiming that the statistics on economic and labour market trends have been misleadingly pessimistic. Ever since 1991, there have been a stream of books, articles, reports and speeches claiming that economic and social decline has been mild, and that an economic upturn is either about to occur or has already started. One could give numerous examples, and it is perhaps unfair to select a few. However, one recalls Anders Aslund writing in 1994 that the economic decline had “bottomed out” and Richard Layard claiming in 1995 that “the main news coming out of Russia is good news.” In 1995-96, the IMF, World Bank and EBRD all forecast that there would be positive economic growth in 1996. The boom may be coming, but Keynes’ famous aphorism seems peculiarly apt.

One has to be careful about interpreting any Russian statistics. But one should try to be objective. There has been a tendency among some observers, particularly those supporting the “reformers”, to question – or dismiss with scorn – statistics showing continuing and huge decline in the economy, while accepting without question those statistics that suggest positive developments. Of course, there *are* positive developments. Yet there is enough evidence to assert with regrettable confidence that on average living standards have plummeted, that the economic slump has been prolonged and is continuing and that the consequences for poverty and economic inequality have been very severe.

This paper does not try to support that contextual conclusion.¹ Rather it draws on research done since 1990 on aspects of the labour market to examine the vexed issue of surplus labour and unemployment, linked to a book summarising the initial research.² Anybody working on the Russian labour market should be blessed with a sense of humility, for its features defy any easy generalisation, it has been changing so extensively and rapidly and it is not blessed with an abundance of reliable information. The work reported in the book, here and in other articles draws mainly from a multiple-round survey of industrial enterprises, which the writer initially designed in 1990 and which has been refined or extended with colleagues in Moscow over the past six years. From the outset, we have recognised the limitations of the Russian Labour Flexibility Survey (RLFS); others with more resources and skills could have surely done a better job. Yet in its defence it has been conducted by a small team with very

¹ Evidence to do so is presented in the 1996 Human Development Report for the Russian Federation, which the writer co-ordinated. UNDP, Human Development Report: The Russian Federation (New York and Moscow, UNDP, February 1997).

² G.Standing, Enterprise Restructuring and Russian Unemployment: Reviving Dead Souls (Basingstoke, Macmillan, December 1996).

limited resources, and it remains the largest and most detailed survey of labour market developments between 1990 and 1996, covering hundreds of factories employing hundreds of thousands of workers.

In addition, although not discussed in this paper, the analysis draws on two small surveys of jobseekers and a small survey of women workers, as well as from secondary data collected from employment service offices, government agencies, trade unions and enterprises.

2. Interpreting Russian Unemployment

Until recently at least, there have been three interpretations of Russian unemployment. The first is that it has not happened. According to this view – which was at its most popular in 1992-94, although it still has adherents – enterprises have not shed labour because they are still operating under a “soft budget constraint”, so that employment has not been cut to anything like the extent of the decline in production. Supporters of this view have typically pointed to the low rate of registered unemployment, which hovered around 1.5% during 1993-94, after rising in 1992 in the wake of the 1991 Employment Law, which effectively permitted unemployment for the first time since the 1920s.

A second interpretation is that there has been little rise in unemployment because the labour market has been “buoyant” and highly “flexible”, such that workers have “preferred” to take real wage cuts in return for preserving their employment. This view has been based, explicitly or implicitly, on the view that workers have been holding onto their jobs.

Both these interpretations have relied on official statistics in claiming that there is very little unemployment and both have led to the policy conclusion that there is no need to worry about unemployment. Intriguingly, economists who have questioned almost all other Russian statistics have found the unemployment data sufficiently reliable to be cited as demonstrating that unemployment is low and not a major worry.

A third interpretation is that unemployment actually has been high, and in part has been concealed in the most cruel way possible. This is the view taken in the book, and in earlier papers. There are various elements in this interpretation.

First, there has been a very substantial cut in total employment since the 1980s. It is possible that informal economic activities have been spreading, and there have been many who have claimed that this has been the case. Probably that is correct, although it should not be forgotten that in the Soviet era secondary employment was common. However, there is reason and some evidence to suggest that much of the ‘informal’ activity (much of it ‘black’) is ‘secondary employment’ taken by those already counted as employed.³

³ Besides the old ‘secondary’ jobs of those employed in ‘primary’ jobs, there are three main types of informal economic activities. One is productive and/or financially rewarding and legal, which requires capital, savings and contacts. Another is criminal in some way, and the third is marginal survival activity, as in selling the odd Coca-Cola bottle or old piece of clothing in Nevsky Prospect, to update the famous image of Joan Robinson describing disguised unemployment in the British Depression.

The official statistics on employment are such that head-scratching should be a reasonable reaction to any of review of them. However, on one point we should be reasonably sure: *Since the late 1980s, there has been a steady and very substantial cut in employment.* We are contemplating a decline that has been continuous for a decade. Yet we are supposed to believe that there is and has been very low unemployment.

Table 1 shows that, according to traditional Goskomstat sources, between 1990 and 1995 total employment fell by 8.2 million, while the size of the working age population and the overall labour force participation rate rose slightly. Somewhat different figures come from the national Labour Force Survey, which has been evolving in difficult circumstances since the end of 1992. According to the latest available (with difficulty) figures from this source, in March 1996, total employment was 61.8 million. The difference in employment between the two sources is very substantial. One factor might be a legacy of the Soviet practice of reporting on the employment forms sent to Goskomstat the number of "employment places". This used to be done as a means of inflating the wage fund allocated to the enterprise, and its persistence into the 1990s was encouraged by the misguided 'tax-based incomes policy', i.e., the excess wage tax. One recognises that this is a speculative interpretation, and the difference may have other explanations. What is beyond doubt is that according to both sources the level of employment has declined very substantially in the 1990s, and was doing so from the outset of the 'reforms'.

Table 1: Population and employment, Russian Federation, 1990-95
(in millions or %)

| Years | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 |
|---------------------------------------|-------|-------|-------|-------|-------|-------|
| Total population | 148.2 | 148.3 | 148.3 | 148.0 | 148.0 | 147.9 |
| Working age population | | 83.9 | 83.7 | 83.8 | 84.1 | 84.7 |
| • Labour force participation rate (%) | | 56.6 | 56.8 | 56.6 | 56.9 | 57.2 |
| Employment | 75.3 | 73.8 | 72.1 | 70.9 | 68.5 | 67.1 |
| • Employed as % of working age pop. | | | 85.5 | 84.2 | 81.3 | 79.2 |
| Employed in industry | 22.8 | 22.4 | 21.3 | 18.6 | 18.6 | 17.2 |
| • Share of employed in industry (%) | 30.3 | 30.4 | 29.6 | 27.2 | 27.2 | 25.6 |

Source: Rossiski Statisticheskii Ejegodnic, 1995, p.9.; Socialno-ekonomicheskoe polozhenie Rossii, 1995. N 12, pp.237-238, 276. Note the inconsistency between the participation rate and employment total. The employed include those over the ages of retirement.

According to labour force survey data, between October 1993 and March 1996 the size of the working age population (ostensibly, 15-72) grew by 3.21 million (i.e., by 3%). The level of employment fell by 4.56 million (-6.9%), recognised unemployment rose by 2.52 million (63.8% – scarcely a modest rise), and the labour force participation rate fell by a substantial 3.8%. The measured unemployment rate rose by 3.9 percentage points, to 9.5%. However, these figures imply some disappearing souls. Had the labour force participation rate of 1993 held for 1996, then the size of the labour force should have been 4.18 million larger than the measured size. Although one should not add all those to the unemployed, if they were regarded as "discouraged" or "passive" unemployed, the unemployment rate would have been 14.7%. If the labour force participation rate fell by 3.8 percentage points over two-

and-a-half recessionary years in the United Kingdom, for example, most economists would be eager to claim that this was concealing the true growth of unemployment. Given the poverty of those on the margin of the Russian labour market, and the lack of social protection, those claiming that Russian unemployment has remained low should ponder on the statistical treatment of the four million people. The point is strengthened by the fact that the male participation rate declined much more, by 4.7 percentage points.

Second, the cut in employment has been very much greater than the rise in registered unemployment. Everybody agrees on that now, yet for several years adherents of the first two views cited the registered unemployment rate as evidence that there was minimal unemployment and that employment was not falling. There have been numerous reasons for non-registration, which are summarised elsewhere.⁴ Modifications to the administration of benefits have made it more likely that those who do manage to register receive them. However, their level is extremely low and the average benefit has comprised about 10% of the income needed for survival.

As significantly, the number of employment offices and the number of staff in them have lagged well below what would be required for the rising number of unemployed. Travelling long distances, at rising cost and inconvenience, to stand in long queues for hours often in adverse climatic conditions, in the dim hope of successfully registering and receiving a very low unemployment benefit scarcely amounts to a way of inducing people to register as unemployed.

The registered unemployment rate has risen modestly, and was still below 3.5% in 1996 (Figure 1). This compares with an unemployment rate of 9.5% estimated from the Labour Force Survey for July 1996, which is itself deflated by several factors to be discussed.⁵ It is also interesting that, according to the LFS, while the employment figure has been declining and the unemployment rate rising, the overall labour force participation rate has been falling from a low level, particularly for men.⁶ In October 1995, the male participation rate (age 15-72) was 70.9%; and in March 1996, it was 69.7%. According to the 1993 LFS, the male participation rate was 75.6% in December 1993. Given that the population structure has shifted marginally towards those age groups with typically relatively high participation rates and that participation in post-secondary educational institutions has been dropping, this *suggests* a growth in 'discouragement' unemployment.

This leads to the *third* factor in the under-recording of unemployment and the deflation of the unemployment rate, which is the statistical and administrative treatment of *older workers*. The Goskomstat figures on employment and the Labour Force Survey estimates give employment for the age category 15 to 72. However, a woman becoming unemployed at age 54 is not usually counted as unemployed but as in retirement (officially from age 55, although any woman going to an employment exchange at age 54 has been put into early retirement), while a man aged 59 or above

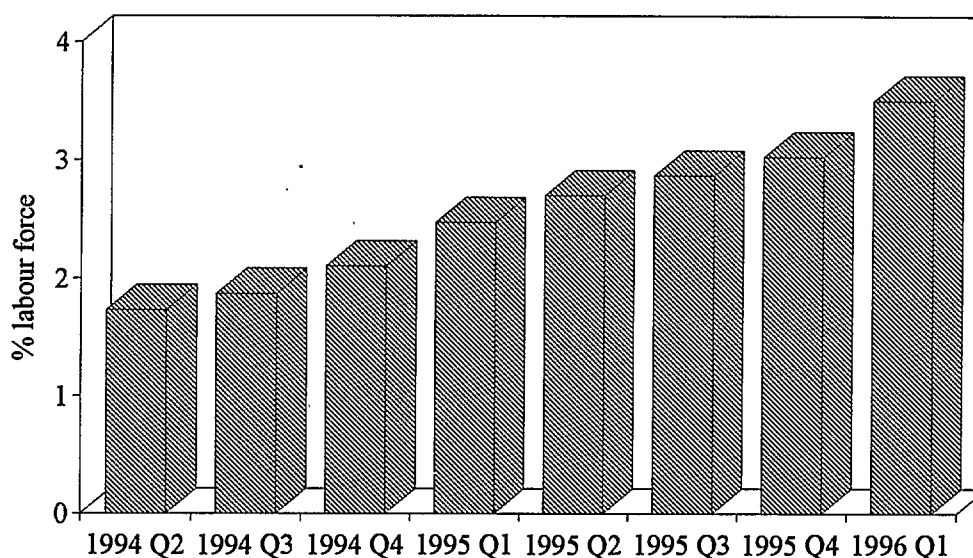
⁴ Standing, 1996, op.cit., chapter 2.

⁵ Actually, the difference between registered and measured unemployment was even greater in earlier years. In December 1993, the LFS estimate was *five* times the registered rate.

⁶ Contrary to many claims, the female unemployment rate has been lower than the male. In March 1996, the male rate was 9.8%, the female 9.2%. Reasons for this are discussed in Standing, 1996, op.cit., chapter 9. Women have had a much higher propensity to register as unemployed.

becoming unemployed is also counted as in retirement. In both cases, they are excluded from the count of unemployment, *even if they are looking for paid employment and needing it to compensate for a meagre pension.*⁷ However, anybody in those older age groups who has an *attachment* to a job is counted as employed. The result is that the statistics inflate real employment and deflate real unemployment.

Figure 1: Registered Unemployment, 1994-96, Russian Federation
(per cent of labour force)



Source: Goskomstat, RF, Moscow.

A *fourth* element in the under-recording of unemployment – and in the over-recording of employment – is that a substantial number of workers have been *laid off*. We will consider the character of this in section 4. It has been widely reported, and has been extensive for several years. However, it is notable that those claiming that employment has scarcely declined and unemployment scarcely risen have made no adjustment for this development. The treatment of lay-offs in international labour statistics has long been a source of controversy. Probability of recall to employment should be one factor in classifying the laid-off person as employed or unemployed. In the Russian case, there are grounds for believing that many of those laid off have an extremely low probability of recall, in which case one could reasonably argue that they should be called unemployed.

In most countries, the statistical treatment of lay-offs would not make much difference to the unemployment rate. In Russia, it certainly does. At present, the statistics doubly deflate the unemployment rate by not counting them as unemployed and by counting them as employed. The problem is compounded by the fact that there have been considerable financial incentives to induce firms to put workers on lay-off

⁷ It should be borne in mind that a substantial number of people under the age of 60 are classifiable as 'retired' in that they qualify for some special 'pension'. But many of those have been receiving 'pensions' that are well below what would be required for survival. Should a person receiving the equivalent of \$10 a month who is seeking and available for employment be excluded from the count of unemployment?

rather than make them formally unemployed and there is no real restraint to making lay-offs.

A *fifth* factor, which raises a difficulty with respect to the second interpretation of unemployment in particular, is that *labour turnover* has always been high and has remained high. If there were considerable churning in the labour market, it would signify that employers are not holding on to workers in any rigid manner and suggests that they could easily reduce employment simply by not recruiting to replace those who leave jobs. This issue will be discussed further in a later section.

A *sixth* element in concealing the extent of unemployment is the most significant. It is scarcely not hyperbole to claim that the rise has been held down by the real disappearance of workers – in premature death. Since the late 1980s, average life expectancy at birth has declined by over five years. For males, it declined from about 65 in 1987 to 58 in 1995. With male life expectancy falling relatively to female, the gender differential has become the largest in the world. Mortality rates rose fastest for young and middle-aged men, and actually fell slightly for infants. While declining public healthcare has played a part in the rising mortality, it seems that economic insecurity and stress have been the main factors.

Morbidity has also been significant in reducing the numbers counted at the margin of the labour force. The number of registered alcoholics has risen by small amount, and the number of registered drug addicts has risen by a substantial relative amount. The number of working-age people who died from alcohol-related causes more than tripled between 1990 and 1995. In the same period, the number of murders more than doubled and the number of suicides rose by 1.6 times. The number of registered disabled rose by 1.4 times.

All these trends have helped remove people from the margins of the labour force. For instance, in the 1980s there was a very high number of people with disabilities in employment, whether in regular enterprises, sheltered workshops or in special institutions. The employment of people with disabilities was decimated in the early 1990s, and yet very few turned up in employment service statistics of registered unemployment, because they were not counted as unemployed.

The growth in *suicides* is extraordinary. Suicide has been increasingly concentrated among young and middle-aged men, although the number of suicides by women has also risen sharply. Although empirical studies are required, suicides and deaths among working-age people seem disproportionately concentrated among the jobless. Anecdotally, in mid-1996 during the second round of our survey of jobseekers, the director of one city's employment service reported that in the three months before the survey date 23 registered unemployed had committed suicide.

Although one cannot be certain that rising mortality has contributed to the underestimate of unemployment, one can be reasonably confident that this has been the case, and that this has been a major factor, both indirectly and directly. Any analysis which neglects this tragic dimension is woefully incomplete.

A *seventh* means by which unemployment has been concealed is through *crime*, both because low incomes and joblessness have been powerful recruiting agents for the "dangerous classes" and because many men and women, having drifted into crime in desperation or in response to market signals, have proved less than adept at avoiding being caught and convicted. While total crime and the number of people convicted of

crime more than doubled in the 1990s, the percentage of all those convicted who were without employment also more than doubled between 1990 and 1995, when they accounted for over 44% of the total (Table 2). By no means all those convicted would have been taken out of the labour force, but the number in prison has been growing along with the rise in crimes, so one can be confident that this has been taking place.

Table 2: Percent Distribution of Convictions, Russian Federation, 1990-95

| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 |
|--|------|------|------|------|------|------|
| Convicted (total) | 100 | 100 | 100 | 100 | 100 | 100 |
| Age distribution of those convicted (%): | | | | | | |
| 14-17 years | 14.7 | 14.3 | 13.6 | 13.2 | 12.0 | 11.3 |
| 18-24 years | 22.9 | 22.9 | 23.6 | 25.0 | 25.0 | 24.0 |
| 25-29 years | 20.3 | 18.8 | 17.7 | 16.1 | 15.9 | 15.6 |
| 30-49 years | 38.4 | 38.2 | 39.5 | 40.1 | 41.6 | 43.2 |
| 50 years and over | 5.7 | 5.8 | 5.4 | 5.8 | 5.6 | 5.9 |
| Percentage of total: | | | | | | |
| - women | 8.5 | 8.6 | 7.2 | 8.6 | 9.2 | 11.7 |
| - students | 39.6 | 37.9 | 38.8 | 37.1 | 35.2 | 33.5 |
| - unemployed | 20.3 | 21.3 | 26.1 | 34.9 | 40.6 | 44.1 |

In sum, unemployment and the economically more significant phenomenon of “dis-employment” have been greater than casual inspection of official unemployment statistics would suggest. Nobody should put any credence in the figure on registered unemployment as an indicator of either the level or underlying trend; it is essentially an administrative artefact. And one should be wary of putting much reliance on official statistics on employment, beyond believing that they understate the extent of the decline.

Perhaps as interesting is an assessment of the dynamics of employment, and for this we need data from firms, to which we now turn. One underlying thesis is that it is inadequate to analyse the Russian labour market through the prism of conventional labour force statistics designed from the 1930s onwards to coincide with ‘Keynesian’ policy requirements. Simple distinctions of employment, unemployment and labour force participation are scarcely adequate for the institutional and behavioural complexities of the type of labour market that has been emerging in Russia.

3. The Russian Labour Flexibility Survey

In 1990, we organised an international conference in Moscow on the “Soviet labour market”, and it was apparent that there were remarkably few data with which to assess the labour market developments and considerable restructuring that seemed to be taking place. This led to the launch of the Russian Labour Flexibility Survey in October 1991, which collected detailed labour and economic data from 501 industrial enterprises (establishments) in three *oblasts* (Moscow City, Moscow Region and Leningrad), covering over half a million workers.⁸ Since then, five further rounds of the RLFS have been carried out, and the recent work has been conducted in

⁸ As the fieldwork for RLFS1 ended in January 1992, the survey had the odd character of beginning in one country and ending in another, and beginning in one city and ending in another.

collaboration with the Centre for Labour Market Study in Moscow, which deserves most of any credit for the fieldwork.

The RLFS has evolved to cover eight *oblasts* in RLFS6, and the data from this will be used in the following consideration of the character of labour surplus in industrial enterprises of the type that still dominate the Russian labour market. The characteristics of the RLFS are summarised in Table 3.

Table 3: Characteristics of the Russian Labour Flexibility Survey, 1991-96

| Round | Date | Reference period | Number of establishments* | Panel** | Workforce covered | Regions |
|-------|------------|------------------|---------------------------|---------|-------------------|---|
| RLFS1 | 1991-92 | 1990-91 | 501 (501) | — | 529,250 | Moscow City, Moscow Reg., St. Petersburg |
| RLFS2 | June, 1992 | 1990-92 | 200 (191) | 109 | 166,895 | Moscow City, Moscow Reg., St. Petersburg |
| RLFS3 | July, 1993 | 1991-93 | 350 (340) | 240 | 308,969 | Moscow City, Moscow Reg., St. Petersburg, Nizhny Novg. |
| RLFS4 | July, 1994 | 1992-94 | 400 (384) | 340 | 303,333 | Moscow City, Moscow Reg., St. Petersburg, Nizhny Novg., Ivanovo |
| RLFS5 | July, 1995 | 1993-95 | 500 (482) | 380 | 322,240 | Moscow City, Moscow Reg., St. Petersburg, Nizhny Novg., Ivanovo, Tatarstan, Vladimir |
| RLFS6 | July, 1996 | 1994-96 | 500 (497) | 338 | 289,287 | Moscow City, Moscow Reg., St. Petersburg, Nizhny Novg., Ivanovo, Tatarstan, Vladimir, Chelyabinsk |

Note: * Figures in parentheses indicate number of establishments completed; the first figure is the initial sample for the round. The unit of observation is the establishment, not the enterprise, which may consist of more than one establishment.
 ** The number of establishments covered in the round that were in at least one other round.

Although the samples have been drawn randomly from the registers kept by *Goskomstat*, we cannot claim that they are fully representative, either within the selected *oblasts* or the Russian Federation overall. However, the samples were drawn as objectively as possible, and include all the main industrial sectors, size of

manufacturing establishment and property form. The RLFS is more detailed and larger than any other comparable survey, and it is one of the few sources of detailed information on the evolution of the industrial labour market in this extraordinary period of economic, social and labour market restructuring.⁹

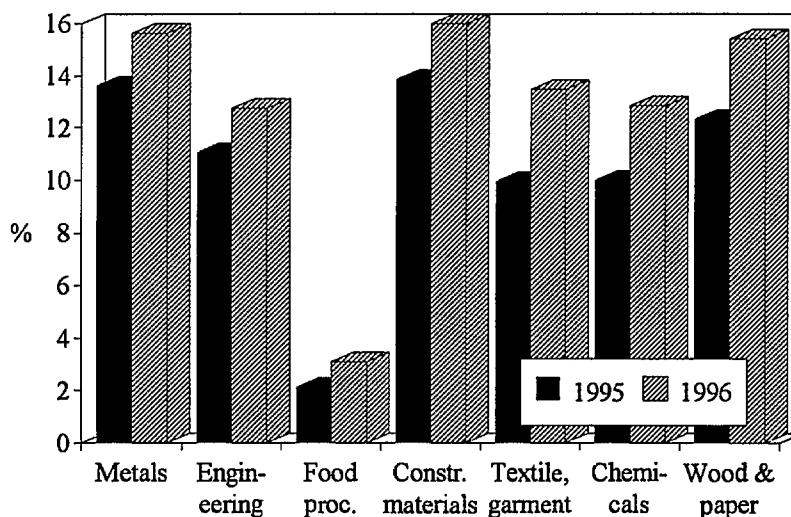
In the RLFS, information has been collected, inter alia, on the restructuring of firms and on the changing level and structure of employment. No attempt is made here to describe the range of data. An attempt is made merely to measure the extent of labour surplus and to examine how managements have responded to the slump in production and output.

Let us begin with a few stylised facts about the 'stress indicators' and 'restructuring indicators' of manufacturing firms in what are the main areas of industrial production in Russia. For brevity, this will be done in telegraphic form, recognising that to do the individual elements justice would require separate sections.

4. The Enterprise Stress Indicators

The continuing economic slump in Russia has been reflected in all rounds of the RLFS. Once again, in 1996 the main economic problem identified by managers was inability to sell their output. Throughout the RLFS, a majority of firms have experienced declining sales in real terms. In RLFS6, although it reflected a modest improvement over 1995, nearly a third of factories (30.4%) reported that the volume of production had fallen over the past year, and nearly a third (31.2%) reported that they had expanded.

Figure 2: Percent of Output Bartered, by Industry, 1995-96, All Regions



Source: RLFS6, n = 497

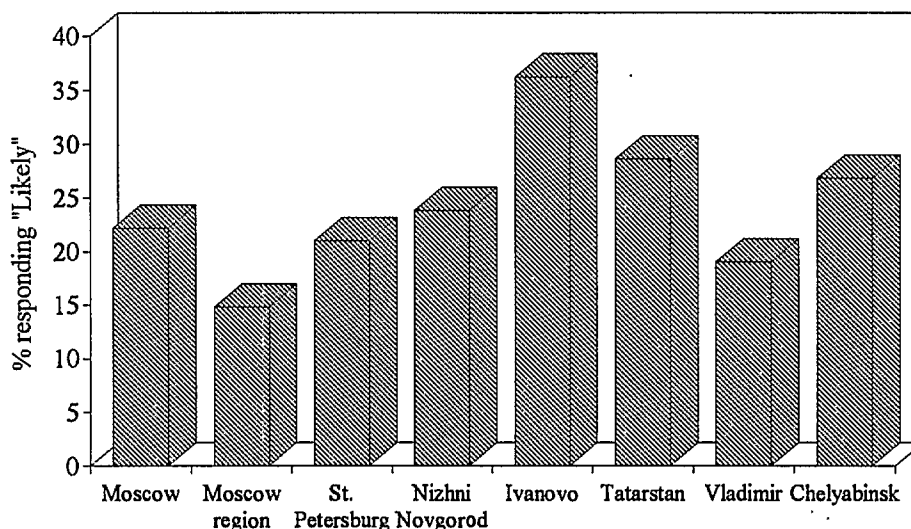
⁹ In the mid-1990s, several excellent sociological surveys have been launched, and in many respects these should be an advance on the RLFS, particularly in providing case studies. In the course of successive rounds of the RLFS, individual case studies based on repeat visits to selected factories have helped in refining the questionnaires.

Perhaps also indicative of stress is that the percent of output that was *bartered* rose from an average of about 13% of output in mid-1995 to nearly 16% in mid-1996 (Figure 2), with the share in Moscow rising from 9% to nearly 10%.

A feature of the economic upheavals in eastern Europe has been the emergence of substantial inter-enterprise indebtedness. In the RLFS6, the vast majority of firms had *debts*, with only 12.3% having no debts. Just over a third said that they owed more than was owed to them, 26.4% reported that their debts balanced the money owed to them, and 28% said they were owed more than their debts.

As perhaps the most significant indicator of stress, 23.5% of all firms thought it likely that they would go *bankrupt* over the next 12 months (Figure 3), 32.6% thought it was possible, 0.2% did not know, and 43.7% thought it unlikely. This was substantially more than in 1995. Of those fearing bankruptcy, 34.9% thought the main reason was difficulty in paying debts, 21.7% thought the main reason was the rising price of raw materials and 19.9% thought it was high taxes.

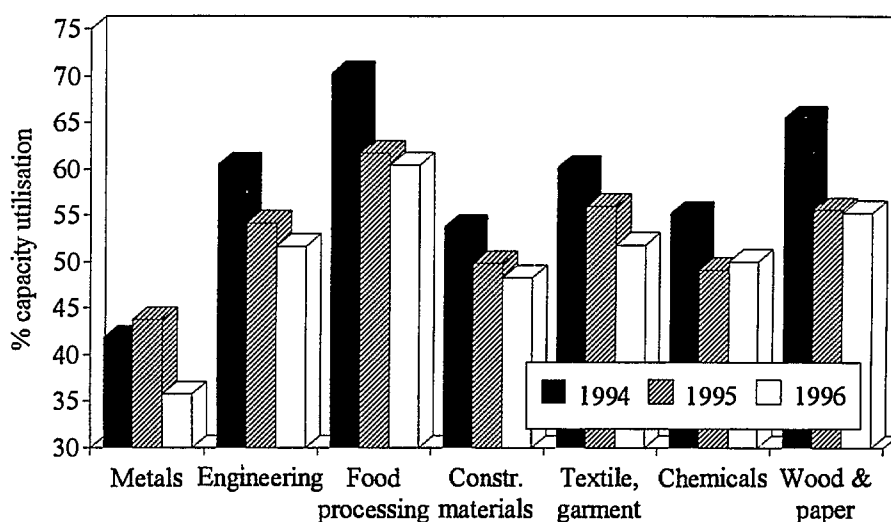
Figure 3: Percent of Establishments Believing Bankruptcy Likely within a Year, by Region, 1996



Source: RLFS6, n = 497

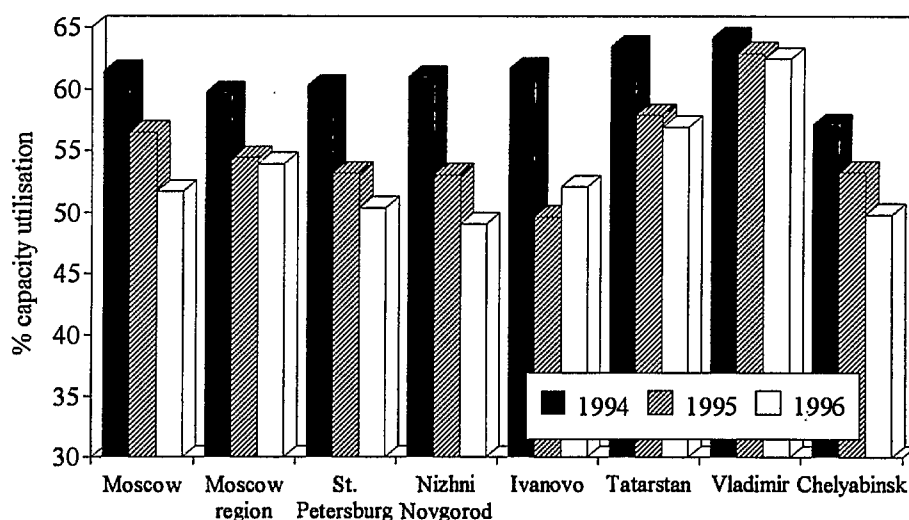
Throughout the 1990s underutilisation of productive apparatus has been a reflection of the economic slump, although many have suggested that much of the equipment is obsolescent. *Capacity utilisation* levels fell from a mean average of 60.9% in mid-1994, to 54.8% in mid-1995 and to 52.6% in mid-1996 (Figures 4 and 5). These are extraordinarily low levels by international standards. The decline continued a decline that had been observed in 1991 and throughout the six rounds of the RLFS.

Figure 4: Capacity Utilisation Rates, 1994-96, by Industry, All Regions



Source: RLFS6, n = 495

Figure 5: Capacity Utilisation Rates, 1994-96, by Region



Source: RLFS6, n = 495

In sum, in terms of production, capacity, commercialisation, indebtedness and fears of bankruptcy, Russian industry in 1996 seemed to be as deep in economic crisis as in previous years. Whatever caveat one chooses, this is scarcely good news.

5. Enterprise Restructuring Indicators

There are still those who doubt that there has been much of an economic restructuring at the micro-level. In successive rounds of the RLFS, several aspects of enterprise restructuring have been monitored. We will merely mention five aspects of restructuring.

(i) *Property Form Restructuring*

As is well known, there has been a very pervasive *property-form restructuring*, commonly depicted as 'privatisation', although this is probably a misnomer. In RLFS6, only 14.7% of all firms were still state-owned or *arienda*, with 18.5% private, 19.6% closed joint stock and 47.1% open joint stock. This continued the strong trend towards the last mentioned form. By contrast with earlier years, only a minority of firms were planning to make any change in property form.

(ii) *Governance restructuring*

Perhaps more significant than property form is the issue of *management restructuring*, or "*corporate governance restructuring*". This goes well beyond the issue of ownership.¹⁰ Essentially, this is about *accountability*, entailing aspects of the range of responsibilities and controls exercised by management and workers, and the pressures influencing decision making within the firm. Long a neglected aspect of restructuring, it may prove more significant than the notion of 'privatisation'.

Rather than discussing the elements taken into account, as done elsewhere, we may merely note the classification of governance types. For assessing whether enterprise governance makes a difference to the firm's employment and labour market practices account is taken of property form, character of share-owning and form of management appointment. As such, besides *foreign* firms, governance is classified into four main types:

- *State governance* is where the establishment is state-owned and where the senior manager was appointed by a line Ministry or local authority, or state-owned and where nominally the work collective and the Ministry or local authority are responsible for managerial appointment.
- *Private governance* is where there is private ownership or a joint-stock arrangement in which employees do not own more than 50% of the shares and where the manager is appointed by an enterprise board or at a shareholders meeting, as long as employees do not possess more than 50% of the shares.
- *Employee governance* is where the property form is joint-stock, where the workers and management together own more than 50% of the shares, *without the workers owning 50% or more*, and where the top manager is appointed by an enterprise board, a shareholder meeting or some other non-state mechanism.¹¹
- *Worker governance* is where the property form is joint-stock, where the workers own 50% or more of the shares and where management is appointed by the workers or a shareholders' meeting.

¹⁰ For an extended discussion, see G.Standing, *Promoting the "Human Development Enterprise": Enterprise restructuring and corporate governance in Russian industry*, Labour Market Papers, No.8 (Geneva, ILO, 1995).

¹¹ Also included were a few cases where the management was appointed by a line Ministry or a local authority but where the establishment was a joint stock company with majority employee ownership. Such cases arose from the timing of appointment and timing of property form change, and it is assumed that behaviourally managers would adapt to the current governance form.

As of mid-1996, the distribution of governance types in the Russian industrial establishments covered by RLFS6 showed that 20.5% were state governance structures, 23.9% were private governance, 30.6% were employee governance, 23.3% were worker governance structures, and 1.6% were foreign. This represented a shift from worker-governance to private from the pattern observed in 1995. There was not a neat mapping of property forms and corporate governance forms. Thus, for instance, 29.1% of open joint stock firms were effectively private in terms of governance, while 24.1% of worker-governance firms were private in terms of property form. The sample of 338 firms that were in both RLFS5 and RLFS6 suggested that there was considerable turbulence in governance forms, with some erosion in the share of worker controlled firms. We believe that ultimately corporate governance will prove to be a more appropriate way of classifying enterprises than ownership and that labour market behaviour will evolve differentially as the corporate governance forms evolve.

Intriguingly, capacity utilisation levels were lowest on average in the purely private firms and in the state controlled factories, and were highest in the foreign-owned firms.

(iii) Sales Restructuring

One aspect of restructuring is the redirection of output, notably towards *exports*. With the opening up of the Russian economy, it has been anticipated that the share of total output that would be exported would rise. There has been some rise observed over the six rounds of the RLFS. However, in 1996 the firms in RLFS6 exported merely 3.6% of total output to the CIS area and 4.6% outside that area, compared with 3.8% and 5.0% respectively in 1995.

(iv) Technological Restructuring

A substantial number of firms had made some form of *technological change* in the past year – 48% had partly renewed their products, 10% had completely changed their products, 39.5% had introduced new technology in production and 32.1% had reorganised their work organisation in some way.

(v) Institutional Voice Restructuring

The changing role of institutions in a labour market is indicative of its character. There have been changes in the role of employers and workers in this respect. Whereas employers and managers were traditionally linked to party and the central bureaucracy, their relations have become more selective and personalistic. They certainly have not organised into strong cohesive organisations. In the RLFS6, less than 10% of all managements belonged to any employer association, with about two-thirds of those being in the Association of Industrialists and Entrepreneurs. Only 4.4% of private firms were in any employer organisation.

More significantly is what has happened to the extent of **unionisation**. The data show that there has continued to be a strong decline in unionisation, so that whereas in 1992 about 95% of industrial workers covered in RLFS2 were in unions, by 1996 the figure for RLFS6 was about 62%. Although direct comparison would be misleading, since new areas had been added, this represents a rapid rate of decline of worker voice,

which may or may not have been balanced by the growth of worker shareholding and what we describe as corporate governance.¹²

In sum, there has been substantial restructuring in terms of ownership and corporate governance, and some technological dynamism and sales re-orientation. It would be surprising if there had been little change in employment and labour utilisation.

6. Estimating Labour Surplus in Russian Factories

Russian industry in the Soviet era suffered from chronic excess employment, often described by analytical critics as “labour hoarding”, for reasons that have been extensively documented. With the slump in production in the 1990s, one could have anticipated that the extent of surplus labour would have increased, since in any economy employment cuts tend to follow falling output. Before considering how firms responded to the continuing crisis, an attempt is made to measure the extent of surplus labour in mid-1996, which may be compared with comparable estimates made in the RLFS for the previous few years.¹³

The concept of surplus labour is notoriously complex, and labour economists are unlikely to agree on any ideal measure. One should make a basic distinction between short-term (or “static” or “visible”) and long-term (or “dynamic”) surplus labour, where the latter implies that time is allowed to adjust to higher levels of efficiency and better work organisation. There has been considerable scope for improving methods of production so as to raise labour productivity. But there is also evidence of surplus labour with existing arrangements. In some sense, this could be described as “suppressed unemployment”. A difficulty arises in trying to combine forms of surplus into a composite index. In successive rounds of the RLFS, attempts have been made to do this. Recognising that no index is ideal, the elements have been presented separately. The first and last forms cannot be integrated into any index, while combining others raises questions about possible double-counting. Nevertheless, measurement of the various indicators should provide a sense of the extent of the problem and help identify trends and the changing incidence of labour surplus.

(i) *Managerially-perceived labour surplus*

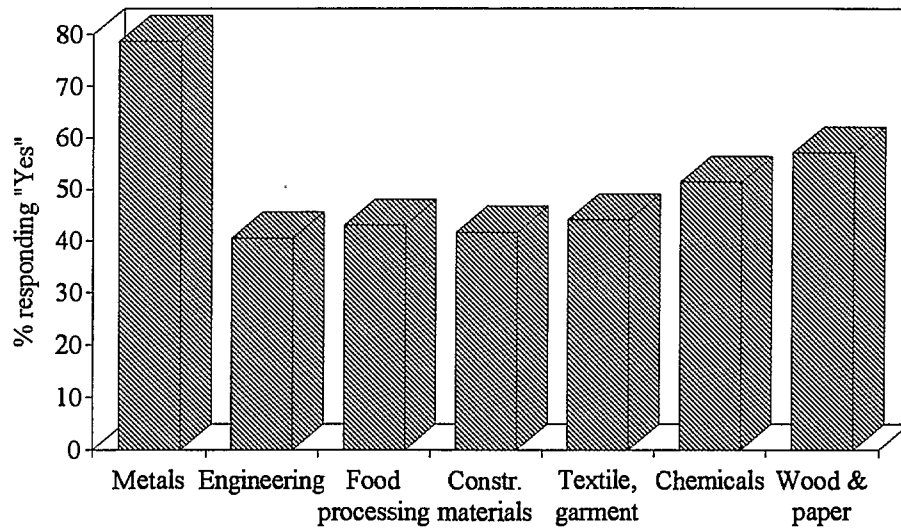
In all rounds of the RLFS, managements have been asked if they could produce the same level of output with fewer workers. This is clearly a subjective measure, and one can have legitimate reservations about the exact interpretation one should place on the results.¹⁴ In 1996, no less than 45.3% of managements said they could produce the same level with fewer workers (Figure 6), with 55.5% of firms with more than 500 workers stating that they could do so. The overall figure was ten percentage points more than in 1995.

¹² The issues of unionisation and labour relations will be treated in papers to be presented at a conference in Moscow in early 1997.

¹³ Since the RLFS started, several good surveys have attempted to assess labour surplus. Apologies are made to those who have conducted them for not reviewing them here.

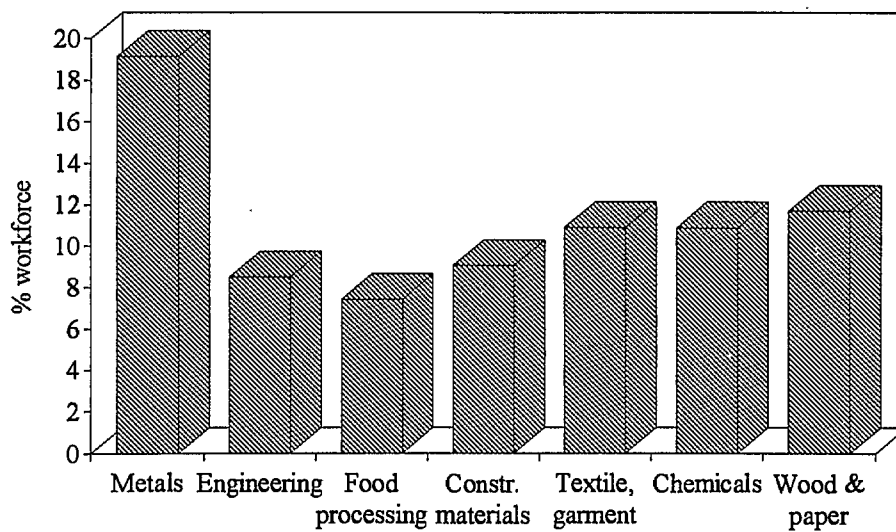
¹⁴ The workers in question are production workers, and we believe that was understood as such. Of course, Russian factories have also had groups of workers on social functions, etc., and cutting those would presumably have little effect on output.

Figure 6: Percent of Establishments that Could Produce Same Output with Fewer Workers, by Industry, 1996, All Regions



Source: RLFS6, n = 494

Figure 7: Percent Fewer Workers to Produce Same Output, by Industry, 1996, All Regions



Source: RLFS6, n = 490

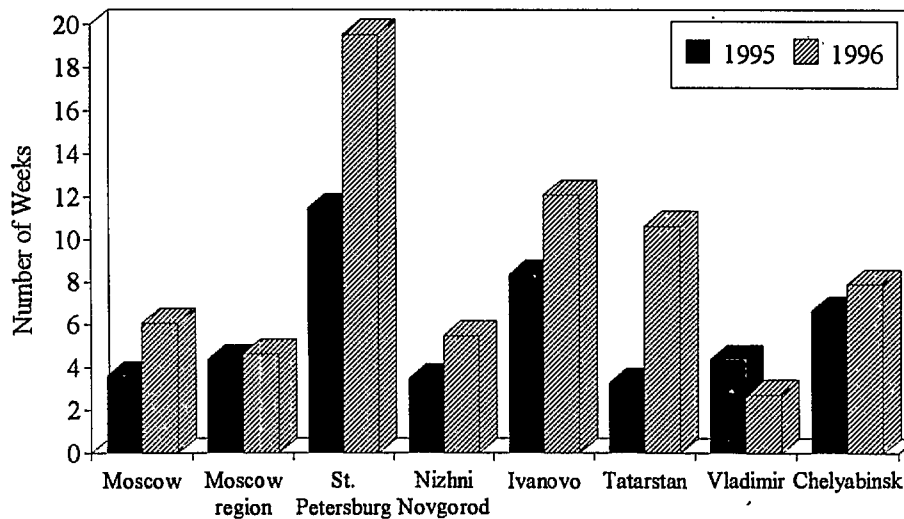
Overall, including firms that believed they needed all their workers, the average cut they believed they could make was 9.6%. This too was a higher figure than in 1995.¹⁵ For those stating that they could produce the same level of output with fewer workers, the mean estimated cut they could make was 21.5%, ranging from 24.7% among textiles and garments manufacturers to 17.5% among food processing plants (Figure 7). Measured in this way, labour surplus was high in all property forms, was highest in large-scale factories, and was highest in Ivanovo (27.8%), lowest in Nizhni Novgorod (16.9%).

(ii) Production stoppages

A more direct form of surplus labour arises from production stoppages. Because visits to factories and anecdotal reports suggested that this was becoming pervasive, since 1994 the RLFS has included questions about spells of complete stoppage and partial stoppage of production due to economic reasons, with the estimated percent of the workforce directly involved if the stoppage had been partial.

According to the RLFS6, on average, firms had *stopped production completely* for 2.9 weeks in 1995 for economic reasons, and 2.3 weeks in the first five months of 1996. They had *partially stopped production* for 3.6 weeks in 1995 and 2.6 weeks in the first five months of 1996. For those that had stopped partially, on average 34.1% of workers were directly affected. *All these figures were substantially higher than recorded in 1993 and 1994.* If one assumed a working year of 48 weeks, then the figures imply that in 1996 about 7.7% of working time was lost due to total stoppages and 1.9% due to partial stoppages. Using the same measures for 1994 and 1995, one can conclude that this form of concealed unemployment was substantially worse in 1996.

Figure 8: Percent of Working Time Lost Due to Production Partially or Wholly Stopped, by Region, 1995-96
(whole year for 1995, first 5 months for 1996; percent of total employment)



Source: RLFS6, n = 497

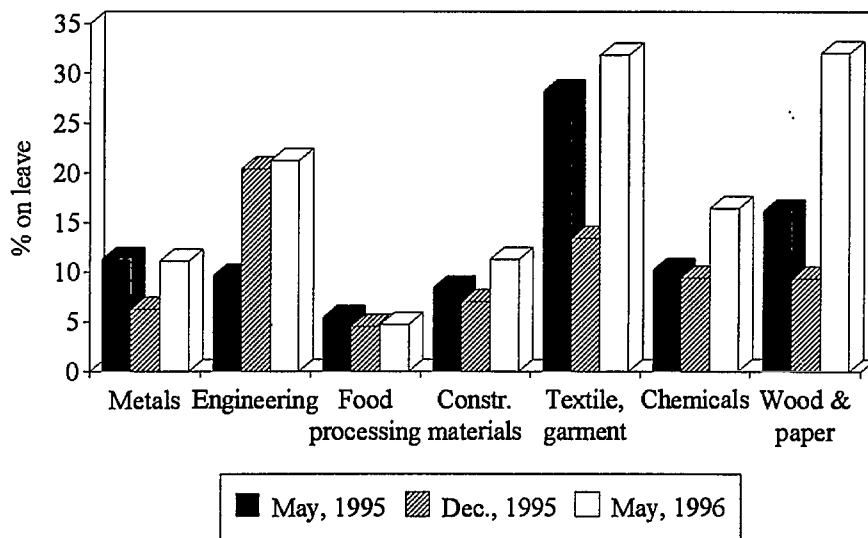
¹⁵ Incidentally, in both years scarcely any firms reported any problem of labour shortage, in contrast with the situation in the first round of the RLFS.

(iii) Administrative Leave

However, the main form of surplus labour identified in the mid-1990s has been long-term *administrative leave*, or lay-off. This arises from the common practice of management (or the union on their behalf) telling workers that they do not need to go to work, often for months. In the Russian context, the suggestion is that it is in practice a euphemism for “unemployment”, in that for many workers there is very little prospect of any return to employment with the enterprise. There have been financial incentives to induce firms to retain workers on such “leave” for months, initially because it enabled them to deflate the average wage to reduce or avoid the excess wage tax and consistently because they do not have to pay “severance pay” in such circumstances. Under the law, enterprises have had to pay any worker they make redundant two or three months of his or her previous average wage. Thus, putting workers on unpaid leave (or with a minimal amount of conscience money) has been a way of avoiding costs, so that they do not have to face potential retribution while they wait for workers to “quit voluntarily”.¹⁶

Unpaid leave was a major form of labour surplus in 1995. According to managements, in May 1995 it varied from 8.7% in textiles and garments to a low of 1.5% in food processing. In December 1995, it varied from 19.3% in engineering and 8.9% in textiles and garments to a low of 4.5% in food processing. But in May 1996, there was very little unpaid leave, with a maximum of 5.4% in wood products and none in food processing, and textiles and garments. What happened was that there was a shift from totally unpaid to *partially paid* leave, with the typical payment being the minimum wage, which was about 10% of the so-called ‘physiological subsistence

Figure 9: Percent of Workers on "Administrative Leave", by Industry, 1995-96, All Regions
(% of total on unpaid, partially paid and fully paid leave)



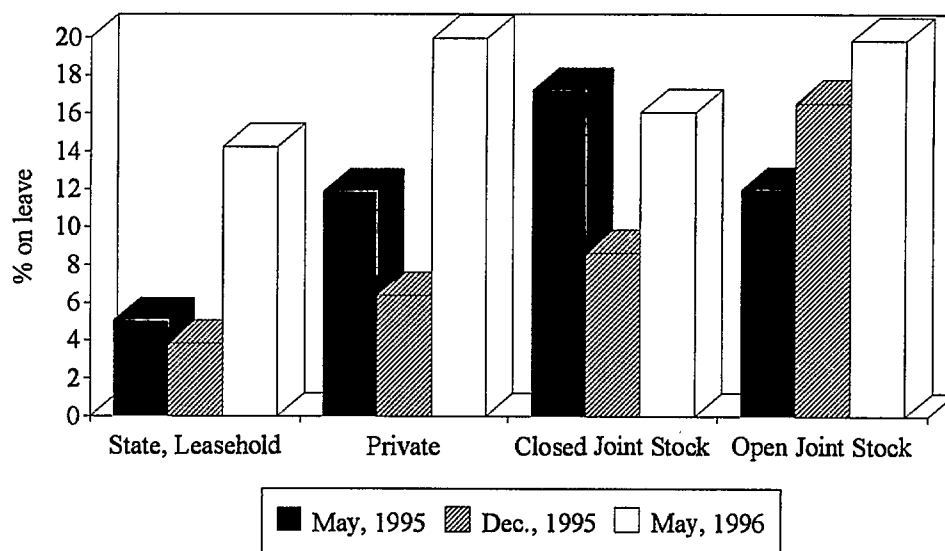
Source: RLFS6, n = 497

¹⁶ This is one reason for treating figures on reasons for departure from employment as dubious.

minimum' income. As a consequence, if one were to measure only totally unpaid leave, one would have a very poor estimate of the extent of administrative leave. There were a few workers put on fully-paid administrative leave, but this was very rare.

The total number of workers on administrative leave as a percentage of the labour force in May 1996 was high, as indicated in Figures 9 and 10. And the total was considerably higher than in December 1995 or May 1995.

Figure 10: Percent of Workers on "Administrative Leave", by Property Form, 1995-96, All Regions



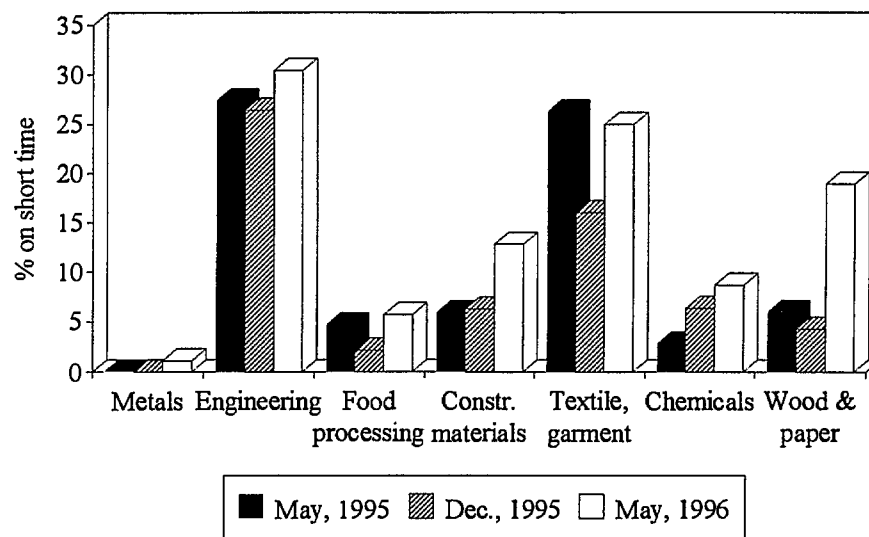
Source: RLFS6, n = 496

(iv) Short-time Working

Another form of surplus consists of short-time working, which may overlap with non-working as a result of production stoppages. In the RLFS, an attempt to measure this form of surplus has been through asking managements what share of the workforce has been working shorter working weeks than the norm (contractual) for economic reasons. Clearly, this is an empirically tricky notion, although conceptually it makes sense.

Over successive rounds of the RLFS, it seems that working fewer days per week has been more common than working fewer hours per working day. Figure 11 suggests that in most sectors short-time working was greater in 1996 than in 1995.

Figure 11: Percent of Workers on Short Time for Economic Reasons, by Industry, 1995-96, All Regions



Source: RLFS6, n = 497

(v) *Maternity Leave*

Another feature of Russian industry that can be interpreted in part as a form of suppressed unemployment is *prolonged maternity leave*. At the very least, prolonging maternity leave for more than two years has been a convenient mechanism for dealing with surplus labour. A problem is that such women are typically counted as employed.

It is not as if this were a minor phenomenon. In a country where the fertility rate has been extremely low and falling, in 1996 according to the RLFS6 about 5.7% of the entire female labour force were on long-term maternity leave – in employment, but not in a job. These represented 2.9% of total employment. Indicative of the fact that this was to some extent at least of concealed unemployment, the percentage of women on such leave was substantially greater in firms that had been cutting employment compared with those that had been expanding or had been static.

(vi) *Indexes of Surplus Labour*

Identifying the various components of labour surplus leads to consideration of an overall measure of surplus. If we added administrative leave to short-time working would there be double-counting? Would that arise if time lost from production stoppages was added to administrative leave and/or short-time working? In principle, double-counting should not arise, because the concepts are intended to be distinct. However, we cannot rule out some double-counting.

Table 4 gives the various measures or components of labour slack separately. One cannot legitimately add all together to make an overall measure. Even if one assumed an extreme degree of double-counting, suppressed unemployment is very extensive. If one adds the share of workers on administrative leave, the share on short-time working and the share affected by partial and complete stoppages of production, then 38% of the employed were redundant. If one assumed that there was complete

double-counting between short-time working and production stoppages, then a figure of 28% would be the outcome.¹⁷

Even if there were some double-counting, one still has to make allowance for the 2.9% on prolonged maternity leave and a phenomenon highlighted on the last row of Table 4. In terms of labour statistics, one has no easy way of taking account of workers expected and required to turn up for work who have not been paid or who have little or no prospect of being paid.

Bearing in mind these caveats, it might be of interest to estimate a composite index of labour surplus, which could be defined as follows:

$$\begin{aligned} \text{Labour surplus} = & \\ & \% \text{ of time lost from total stoppages} + \\ & \% \text{ of time lost in partial stoppages in full-time equivalent terms} + \\ & \% \text{ of workforce on administrative leave} + \\ & \% \text{ of workforce on short-time in full-time equivalent terms.} \end{aligned}$$

To estimate this requires a few assumptions. The data on production stoppages due to economic factors (not strikes) are based on a reference period of the past five months, whereas the other measures have the past month as the reference period. In effect, we assume that the percent of time lost over the longer period can be regarded as applying to any particular month. Another assumption, just discussed, is that time lost from partial stoppages is separate from that lost to administrative leave or short-time working. It could be that such stoppages are the immediate cause of some administrative leave. Accordingly, we can estimate labour surplus as a composite index that excludes partial stoppages, as well as the index that includes them. Another assumption is that those on short-time are deemed to have worked half-time. Finally, to estimate the percent of time lost from production stoppages, we again assume a working year of 48 weeks, which in itself tends to result in an understatement of lost because the average work year is probably shorter than that.

If we include labour input lost due to partial and complete stoppages of production, the percent of workers on administrative leave, and the full-time equivalent measure of labour input lost due to enforced short-time working, **in 1996 suppressed unemployment in Russian industry was over a third of the workforce.** In effect, over one in every three workers could be released from employment, and in many cases have been released short of being made openly unemployed. This excludes any unreal maternity leave and unpaid employment.

¹⁷ Anyone who has visited Russian factories will find such figures intuitively reasonable. One reason for doubting that the working time lost due to stoppages is double counting for short-time working per se is that firms that had one phenomenon tended to have little or none of the other. The averages in Table 4 are for all firms, including those which professed not to have any labour surplus.

Table 4a: Indicators of Surplus Labour, or "Concealed Unemployment", in Russian Industry, 1996

| Indicator | %* |
|--|------|
| 1. Could produce same with fewer workers | |
| – % employment cut possible, if yes | 21.5 |
| – % employment cut possible, all firms | 9.6 |
| 2. Labour unused due to full production stoppages | 7.7 |
| 3. Labour unused due to partial production stoppages | 1.9 |
| 4. Unpaid administrative leave | 4.1 |
| 5. Partially paid administrative leave | 14.1 |
| 6. Fully paid administrative leave | 0.5 |
| 7. Short-time, working fewer days or hours per day | 9.7 |
| 8. Maternity Leave | |
| – % of women | 5.7 |
| – % of all workforce | 2.9 |
| 9. Unpaid employment | ? |

Note: * In full-time equivalent numbers for all firms, including those with zero. All figures are weighted estimates for size of firm, as of May 1996.

Table 4b: Indicators of Surplus Labour in Russian Industry, 1995-96

| Indicator | 1995* | 1996* |
|--|-------|-------|
| 1. Could produce same output with fewer workers | | |
| – % employment cut possible, if yes | 21.4 | 20.9 |
| – % employment cut possible, all firms | 8.2 | 9.7 |
| 2. Labour unused due to full production stoppages | 4.7 | 8.3 |
| 3. Labour unused due to partial production stoppages | 2.2 | 2.0 |
| 4. Unpaid administrative leave | 4.1 | 4.3 |
| 5. Partially paid administrative leave | 6.0 | 14.0 |
| 6. Fully paid administrative leave | 0.0 | 0.5 |
| 7. Short-time, working fewer days or hours per day | 8.7 | 11.1 |
| 8. Maternity Leave | | |
| – % of women | 5.3 | 5.5 |
| – % of all workforce | 3.2 | 3.0 |
| 9. Unpaid employment | ? | ? |

Note: * In full-time equivalent numbers for all firms, including those with zero. All figures are weighted estimates for size of firm.

Source: Merged RLFSS-6, n = 338

One should be wary about concluding that this experimental measure is appropriate. The double-counting mentioned earlier is likely to some extent, and the subjective estimate derived from the perceptions of possible employment cuts by managements, summarised in the first two rows of Table 4, gives a lower level of labour surplus. However, with respect to those, of course, many firms may have already regarded workers put on long-term administrative leave as effectively removed from employment.

Among the simple correlations that deserve further analysis are the following teasers:

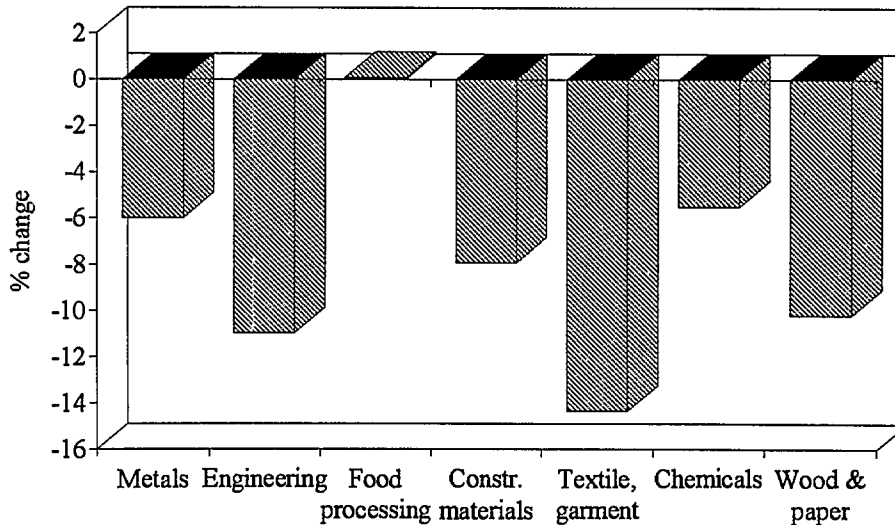
- Labour surplus was highest in firms in which managers had been appointed for two years or less. Is pressing accountability to stakeholders conducive to retention of surplus workers?
- Labour surplus was relatively high in purely private Russian-owned firms, and lowest in foreign-owned firms.
- The share of the workforce on lay-off was highest in the purely private form of governance.

Whatever the level of labour surplus, one should recognise that a very large proportion of those counted as employed are not really in employment or earning wages that give them an adequate income. A puzzle is why the suppressed unemployment has persisted? Has it been because firms have held onto their workforces because there are cost incentives and because there are no pressures on them to pay such workers wages?

7. Employment Changes in 1994-96

It would be a mistake to think firms have not been cutting employment. On average, in 1996 factories had cut employment by 6.3% over the past year, with firms in textiles and garments having cut their workforces by 12.6% on average (Figure 12).¹⁸ It fell in all regions covered by the survey, by most in the well-known area of economic decline, Ivanovo, but also by a considerable amount in the area of Nizhny Novgorod, long regarded as the leading area of liberal economic reform and the recipient of a vast amount of foreign financial and technical assistance. Employment fell for all four property forms of establishment; and for all forms of corporate governance (Figure 13). Only foreign-owned firms showed a small net expansion.

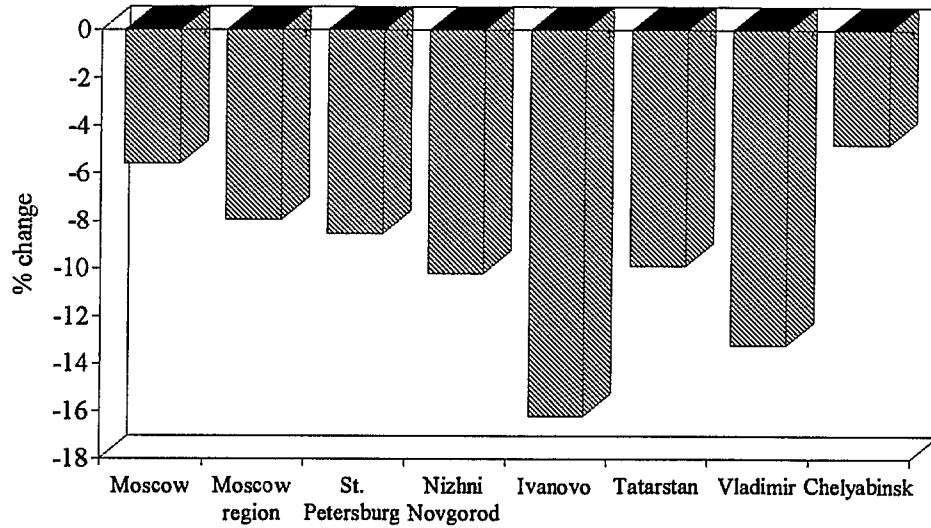
Figure 12: Percent Employment Change, by Industry, 1995-96, All Regions



Source: RLFS6, n = 497

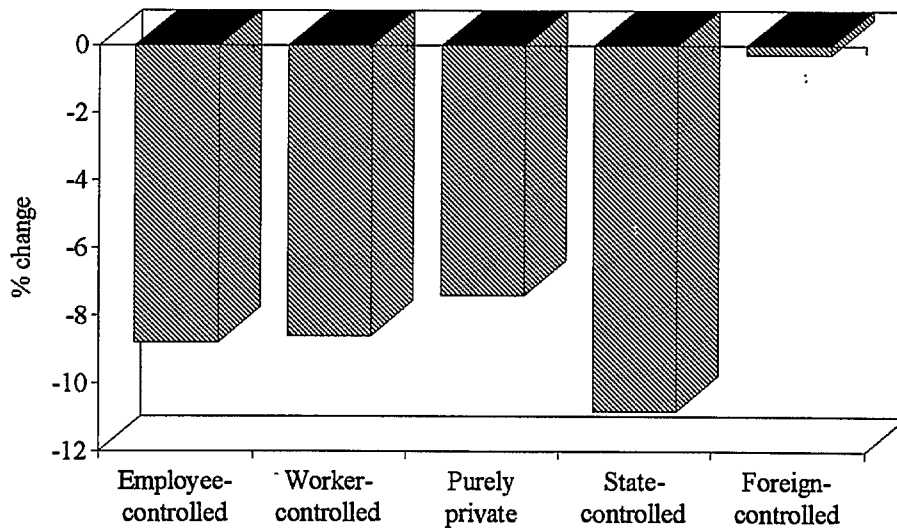
¹⁸ Note that the percentage employment changes for each group are from aggregated figures for all establishments in that category. Note that 5.7% of firms had detached a unit from the establishment in the past year, and the number doing so was higher among those that had cut employment. The average number of workers in detached units was 175.

Figure 13: Percent Employment Change, by Region, 1995-96



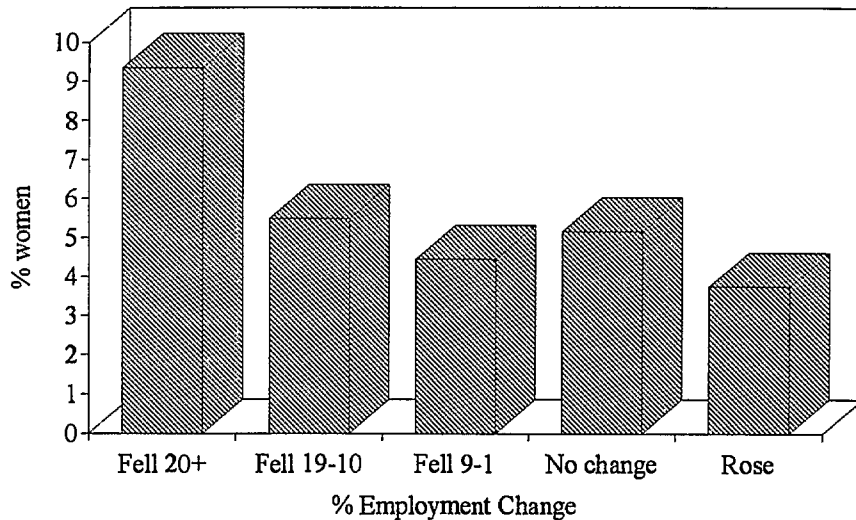
Source: RLFS6, n = 497

Figure 14: Percent Employment Change, by Corporate Governance, 1995-96, All Regions



Source: RLFS6, n = 497

Figure 15: Percent of Women on Maternity Leave, by Employment Change, 1996, All Regions



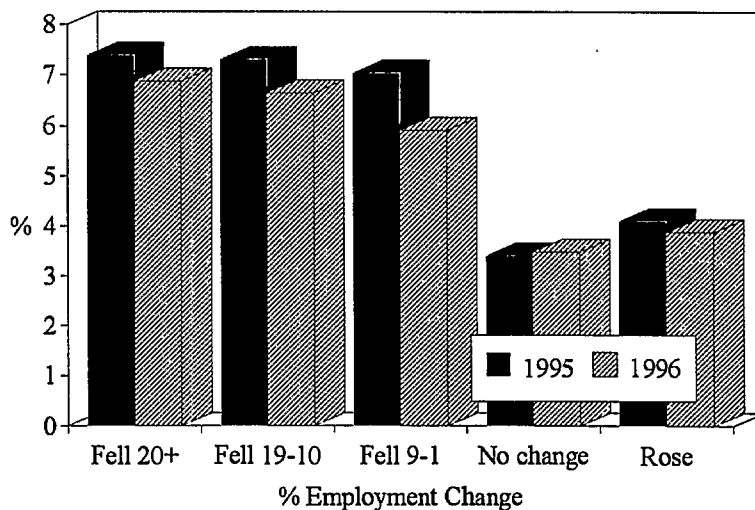
Source: RLFS6, n = 474

For firms included in both RLFS5 and RLFS6, *total employment declined on average by 19.4% over 1994-96*. It is important to note that the rate of employment decline had been steady through the 1990s, and had not accelerated. For those 158 firms that were in RLFS1 in 1991 and in RLFS6, the net *decline in employment was 48.3% between 1990 and 1996, a total of 46,862 workers*.

A few intriguing pointers:

- Firms making relatively large employment cuts tended to have exported a relatively high percentage of their output (Figure 16).

Figure 16: Percent of Sales Exported, by Employment Change, 1995-96, All Regions



Source: RLFS6, n = 378

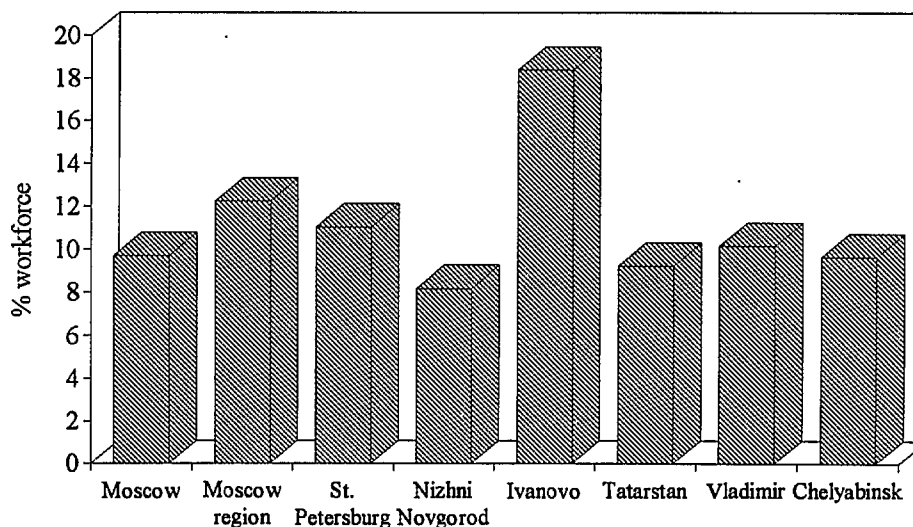
- Firms making relatively large employment cuts were relatively likely to have made changes to their product range of output.
- Firms with employment growth were relatively more likely than others to have made technological changes in production.
- Firms cutting employment by relatively large numbers were more likely to have abandoned paying for training, and more likely to be planning to cut training.

8. The Puzzle of Labour Turnover: An Aside

Implicit in the view that unemployment has remained low is that workers have held onto their jobs, 'preferring' wage cuts. A difficulty with this view is that *labour turnover* has been high. If so, then firms could cut employment primarily by not replacing workers who have left, whether 'voluntarily' (sic) or otherwise. If one continued to believe that unemployment was low and that there was little decline in employment, then what would need to be explained is why firms have recruited in the context of a prolonged and sharp decline in industrial production.¹⁹ In any case, the *vacancy rate* in 1996 was less than 2%.

Issues of labour turnover are considered in terms of the *internal labour market* in the book to which this paper is linked, and will be considered in more detail in a forthcoming conference being organised by the Centre for Labour Market Study in Moscow. However, according to the RLFS6, labour turnover has remained high (Figure 17), although it has declined in the 1990s.

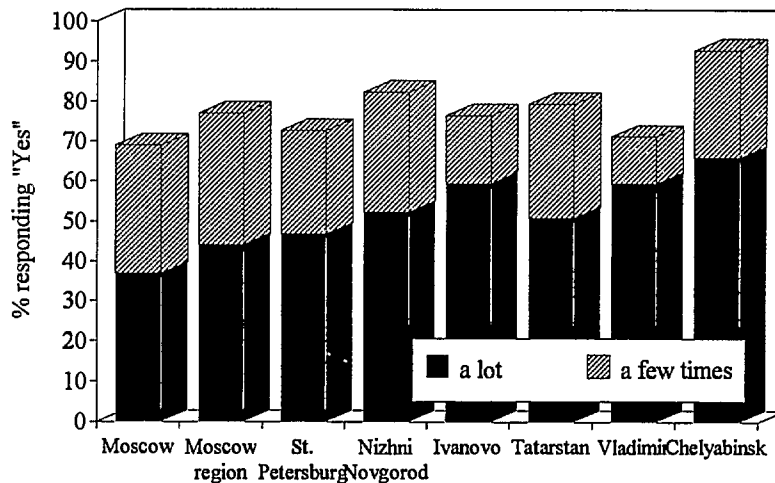
Figure 17: Labour Turnover, by Region, 1995-96



9. Wage Flexibility

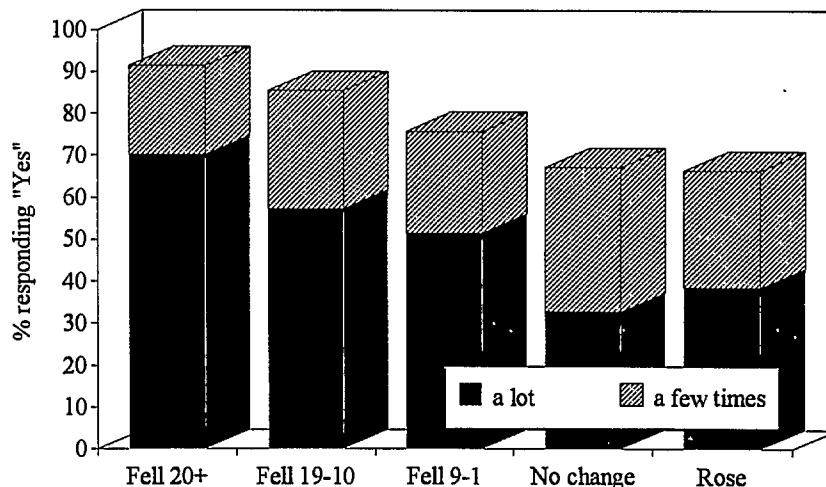
In another paper and in the book, it is argued that wages in Russian industry have been extremely downwardly flexible, and that this has limited the pressure on firms to raise labour productivity and to cut employment more drastically. The evidence will not be re-examined here. The most important points are that a sizeable minority of workers have been effectively at work without pay and that the non-payment of workers has grown and has been a means by which real unemployment has been 'suppressed'.

Figure 18: Percent of Establishments Having Wage Arrears, by Region, 1996



Source: RLFS6, n = 495

Figure 19: Percent of Establishments Having Wage Arrears, by Employment Change, 1996, All Regions



Source: RLFS6, n = 490

As shown in Figure 18, in all regions covered by the RLFS6 over a third of firms had been delaying the payment of wages regularly over the past year and many others had wage arrears a few times. On average, those firms that had not paid wages on time

had not paid 66.7% of the total wage bill. The percentage was higher in those that had been cutting employment.

Besides the non-payment of wages through wage arrears and simple non-payment, a phenomenon observed in RLFS4 and RLFS5 is that firms have tended to put a significant number of workers on a minimal salary, typically well below the contractual wage rate and in some cases below the minimal subsistence level of income. That firms have been able to do this with impunity is indicative of "wage flexibility", but the cost in terms of impoverishment at work is severe.

10. The Withering of Enterprise Welfare?

An aspect of the wage system in Russia has been that wages have been a relatively small proportion of total remuneration. As in earlier rounds of the RLFS, in 1996 most firms formally provided entitlements to a wide range of benefits, showing that many industrial establishments were "social enterprises" (Table 5). Access to such benefits was surely a factor in workers remaining with a firm even though put on unpaid leave or in precarious, low-wage positions.

Table 5: Entitlement to Enterprise Benefits and Services, by Worker Category, All Regions, mid-1996
(percent of firms providing specified entitlement)

| Benefits, 1996 | Emp- loyees | Regular workers | Part-time workers | Temp. workers |
|--|----------------|--------------------|----------------------|------------------|
| Paid vacation | 98.5 | 98.8 | 38.2 | 20.4 |
| Additional vacation | 47.3 | 61.2 | 16.0 | 4.4 |
| Rest houses | 37.0 | 36.4 | 15.4 | 5.9 |
| Sickness benefit | 92.3 | 92.0 | 36.1 | 31.1 |
| Paid health services | 41.7 | 41.7 | 16.9 | 7.4 |
| Subsidised rent | 8.3 | 9.2 | 4.4 | 0.0 |
| Subsidies for kindergartens | 29.0 | 29.3 | 10.4 | 5.0 |
| Bonuses | 62.1 | 63.9 | 25.7 | 17.2 |
| Profit sharing | 50.0 | 49.1 | 19.5 | 6.2 |
| Loans | 71.3 | 71.3 | 29.6 | 11.2 |
| Retiring assistance | 65.1 | 65.4 | 24.3 | 4.4 |
| Supplementary pension | 8.6 | 8.6 | 3.3 | 0.6 |
| Possibility for training | 60.4 | 65.1 | 24.0 | 9.2 |
| Subsidy for canteen or benefit for meal | 34.6 | 35.5 | 16.3 | 15.1 |
| Subsidised consumer goods | 5.6 | 4.7 | 3.8 | 3.6 |
| Transport subsidies | 24.0 | 22.2 | 8.3 | 3.0 |
| Unpaid shares | 13.6 | 13.6 | 7.1 | 0.6 |

| Change in Benefits 1995-96 | Emp- loyees | Regular workers | Part-time workers | Temp. workers |
|--|----------------|--------------------|----------------------|------------------|
| Paid vacation | -0.9 | -0.6 | 2.4 | 2.1 |
| Additional vacation | 5.9 | -1.2 | 3.6 | 1.7 |
| Rest houses | -1.8 | -2.7 | 1.2 | 2.6 |
| Sickness benefit | 0.0 | -0.3 | 3.3 | 3.6 |
| Paid health services | -5.6 | -5.6 | 1.5 | -1.2 |
| Subsidised rent | -7.1 | -7.4 | 1.4 | -1.2 |
| Subsidies for kindergartens | -4.7 | -5.6 | -2.0 | 2.3 |
| Bonuses | 1.7 | 3.2 | 2.9 | 1.5 |
| Profit sharing | -3.8 | -4.5 | 2.6 | -3.0 |
| Loans | -8.9 | -8.9 | 1.1 | 0.8 |
| Retiring assistance | -3.2 | -3.2 | -0.8 | 0.3 |
| Supplementary pension | -0.3 | -0.9 | 0.3 | 0.0 |
| Possibility for training | 6.0 | 5.9 | 6.0 | 2.1 |
| Subsidy for canteen or benefit for meal | -9.8 | -10.4 | -1.5 | -1.8 |
| Subsidised consumer goods | 0.0 | -0.9 | 2.0 | 1.8 |
| Transport subsidies | -2.9 | -4.1 | 0.6 | -1.7 |
| Unpaid shares | -7.1 | -7.1 | 1.8 | -1.2 |

Source: Merged RLFS5-6, n = 338

Two trends observed through the RLFS since 1990 is that, after rising in the early 1990s probably in response to misguided tax and regulatory policy, the provision of enterprise welfare has been declining. This is illustrated by Table 5, showing that for many forms of benefit, the number of firms providing workers with them declined in 1995-96. If we take the firms that were in both RLFS5 and RLFS6, the decline was quite widespread.

The second trend is the polarisation of the provision of benefits, or the contribution of the changing incidence towards the substantial increase in socio-economic inequality. Not only have certain groups of workers within firms been facing a much greater erosion of benefits than others, but there has been a growing divergence between those firms that pay relatively high wages and provide a wide range of benefits and those that pay low wages and provide relatively few benefits. Thus, as Table 6 shows, dividing firms into those paying less than 80% of the average wage, those paying between 80% and 120% of the average, and those paying more than 120% of the average wage, the probability of workers receiving a specific benefit entitlement has tended to be greater in the higher-wage firms.

Table 6: Benefits Entitlements for Worker Categories, by Average Wages, mid-1996, All Regions

| Average wage | Administrative workers | | | Regular workers | | | Part-time workers | | | Temporary workers | | |
|---|------------------------|--------|-------|-----------------|--------|-------|-------------------|--------|-------|-------------------|--------|-------|
| | <80% | 80<120 | 120%< | <80% | 80<120 | 120%< | <80% | 80<120 | 120%< | <80% | 80<120 | 120%< |
| Paid vacation | 97.1 | 98.7 | 100.0 | 97.6 | 98.7 | 100.0 | 36.6 | 35.9 | 39.0 | 15.6 | 18.3 | 23.5 |
| Additional vacation | 46.3 | 43.8 | 51.5 | 58.5 | 62.1 | 66.2 | 14.1 | 14.4 | 21.3 | 3.9 | 5.9 | 5.1 |
| Rest houses | 25.4 | 37.3 | 50.7 | 24.4 | 37.3 | 50.0 | 10.7 | 13.1 | 19.9 | 3.9 | 6.5 | 7.4 |
| Sickness benefit | 87.8 | 90.2 | 91.2 | 87.3 | 88.9 | 91.9 | 32.7 | 32.7 | 39.0 | 25.9 | 32.0 | 34.6 |
| Paid health services | 33.2 | 50.3 | 45.6 | 33.7 | 49.0 | 46.3 | 14.6 | 17.0 | 18.4 | 5.4 | 9.2 | 8.1 |
| Subsidised rent | 6.8 | 13.1 | 14.0 | 7.3 | 11.8 | 15.4 | 4.9 | 3.9 | 4.4 | 0.0 | 0.7 | 1.5 |
| Subsidies for kindergartens | 29.8 | 26.1 | 29.4 | 29.8 | 25.5 | 29.4 | 9.8 | 9.8 | 9.6 | 2.4 | 7.8 | 4.4 |
| Bonuses | 58.0 | 58.8 | 66.9 | 59.0 | 60.8 | 66.9 | 23.4 | 20.9 | 28.7 | 12.7 | 20.9 | 16.9 |
| Profit sharing | 42.4 | 45.8 | 55.9 | 42.4 | 43.8 | 52.9 | 16.1 | 15.0 | 21.3 | 5.4 | 7.8 | 6.6 |
| Loans | 67.3 | 69.3 | 74.3 | 67.8 | 70.6 | 72.8 | 25.9 | 23.5 | 32.4 | 7.8 | 13.7 | 14.0 |
| Retiring assistance | 59.5 | 65.4 | 71.3 | 59.5 | 66.0 | 70.6 | 20.0 | 21.6 | 27.2 | 2.4 | 8.5 | 5.9 |
| Supplementary pension | 6.3 | 4.6 | 13.2 | 7.3 | 4.6 | 11.8 | 2.9 | 1.3 | 5.9 | 0.0 | 0.7 | 2.2 |
| Possibility for training | 51.7 | 59.5 | 65.4 | 56.6 | 61.4 | 68.4 | 22.4 | 17.6 | 25.0 | 6.3 | 10.5 | 12.5 |
| Subsidy for canteen or benefit for meal | 26.8 | 32.0 | 39.0 | 28.8 | 33.3 | 39.0 | 12.7 | 14.4 | 18.4 | 11.7 | 12.4 | 17.6 |
| Subsidised consumer goods | 8.3 | 5.9 | 7.4 | 6.8 | 5.2 | 5.9 | 4.4 | 3.9 | 5.1 | 3.4 | 3.3 | 2.9 |
| Transport subsidies | 19.5 | 22.9 | 28.7 | 19.0 | 22.2 | 25.0 | 7.3 | 8.5 | 8.8 | 3.9 | 3.9 | 4.4 |
| Unpaid shares | 11.2 | 13.7 | 16.9 | 11.2 | 12.4 | 16.2 | 5.4 | 5.2 | 10.3 | 0.0 | 2.0 | 1.5 |

Source: RLFS6, n = 497

11. Concluding Points

The rise of unemployment and the fall in employment in Russia have been much greater than has been asserted by many commentators. Beyond that, enterprises have retained substantial labour surplus, primarily because there are few inducements for them to shed redundant workers and some incentives to keep their names on the books, just as Gogol's landlords kept inflated lists of peasants. Workers, for their part, have a disincentive to quit, in that they would be likely to lose severance pay and the slim chance of recall to employment, and in that they might have continued access to the social amenities, subsidised stores and so on. However, it would be a misnomer to present all this in terms of 'preferences' and 'flexibility'. It is a mess.

Several adverse economic and social consequences flow from the forms of dis-employment and their lack of transparency in conventional unemployment terms. Excessive wage flexibility means that there absence of one source of pressure on managements to raise labour productivity. If employers were genuinely obliged to honour employment and wage contracts, they would have been unable to retain on the books those they have not been paying and those they have been paying a minimal fraction of their contractual wage.

A second adverse consequence of the suppression and concealed character of 'unemployment' is that commentators, politicians, foreign technical advisers and the international community have been inclined to give very low priority to remedying unemployment. If there is very little unemployment, why worry about the low level of unemployment benefits or the inadequacy of the employment service?

Appendix

Table A1: Mortality from Murder and Suicide, Russian Federation, 1990-95

| Year | Murders Suicides | | Murders Suicides | |
|-------------------------|------------------|------|------------------|------|
| | thousands | | per 100,000 | |
| Whole population | | | | |
| 1990 | 21.1 | 39.2 | 14.3 | 28.4 |
| 1991 | 22.6 | 39.4 | 15.2 | 28.5 |
| 1992 | 33.9 | 48.1 | 22.8 | 31.0 |
| 1993 | 45.1 | 56.1 | 30.6 | 38.1 |
| 1994 | 47.8 | 61.9 | 32.6 | 42.1 |
| 1995 | 45.3 | 81.0 | 30.6 | 41.3 |
| Males | | | | |
| 1990 | 16.0 | 30.4 | 23.2 | 43.9 |
| 1991 | 17.3 | 30.9 | 24.9 | 44.5 |
| 1992 | 26.1 | 37.0 | 37.6 | 53.2 |
| 1993 | 34.5 | 46.0 | 49.5 | 68.2 |
| 1994 | 38.6 | 51.5 | 52.8 | 74.1 |
| 1995 | 34.5 | 50.3 | – | – |
| Females | | | | |
| 1990 | 5.1 | 8.8 | 8.5 | 11.1 |
| 1991 | 5.3 | 8.5 | 8.7 | 10.7 |
| 1992 | 7.8 | 9.1 | 9.8 | 11.6 |
| 1993 | 10.6 | 10.1 | 13.5 | 12.9 |
| 1994 | 11.3 | 10.4 | 14.4 | 13.3 |
| 1995 | 10.8 | 10.7 | – | – |

Table A2. Women's Share of Occupational Categories, 1995-96, All Regions

| | 1995 | 1996 |
|----------------------------|------|------|
| Managerial | 43.3 | 41.5 |
| Specialist Employees | 72.9 | 72.5 |
| General Service Employees | 82.2 | 81.2 |
| Supervisory Workers | 33.4 | 36.3 |
| Technicians | 62.4 | 64.4 |
| Qualified Manual Workers | 46.6 | 45.1 |
| Unqualified Manual Workers | 52.2 | 55.7 |

Source: RLFS6, n = 497.